
LACHLAN STAR LIMITED

ABN 88 000 759 535

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11am (WST)

DATE: Wednesday 30 November 2011

PLACE: Lower Ground Floor
57 Havelock Street
West Perth WA 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9481 0051.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11am (WST) on Wednesday 30 November 2011 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

HOW TO VOTE

You may vote by attending the Annual General Meeting in person, by proxy, or (if you are a body corporate) by an authorised representative.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may, if it wishes to exercise its rights and powers as a proxy at the AGM, appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the AGM (see 'Voting by Corporate Representative' section below).

To vote by proxy, please complete and sign the enclosed Proxy Form and return (together with the original of any power of attorney or other authority, if any, or a certified copy of that power of attorney or other authority under which the proxy form is signed):

- (a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- (b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- (c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- (d) in person to the Company at Lower Ground Floor, 57 Havelock Street, West Perth, WA 6005; or
- (e) electronically at the Share Registry website www.investorvote.com.au,

by 11:00am (WST) Monday 28 November 2011.

For intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions so that it is received not later than 11am (WST) on Monday 28 November 2011.

Proxy Forms received later than the time specified above will be invalid.

If you are entitled to cast two or more votes at the meeting, you may appoint two proxies and you may specify the proportion or number of votes each proxy may exercise. Where two proxies are appointed, a separate form should be used for each. You are requested to show on the form a specified proportion of your voting rights which a proxy may exercise. If you appoint two proxies and the appointment does not specify the number or proportion of votes each proxy may exercise, each proxy may exercise half the votes.

VOTING BY CORPORATE REPRESENTATIVE

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint an individual to act as its representative at the AGM in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Share Registrar, Computershare Investor Services Pty Limited, before the AGM or at the registration desk on the day of the AGM. Certificates of appointment of corporate representatives are available at www.computershare.com.au or on request by contacting Computershare Investor Services Pty Limited on telephone number 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders will be held at 11am (WST) on Wednesday 30 November 2011 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Statement forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5pm (WST) on Monday 28 November 2011.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS – FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Financial Report, the Directors' Report and the Audit Report of Lachlan Star Limited for the financial year ended 30 June 2011.

RESOLUTION 1 – RE-ELECTION OF MR MICHAEL MCMULLEN AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That Mr Michael McMullen, a director of the Company who retires by rotation in accordance with rule 13.2 of the Company’s Constitution and who, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

RESOLUTION 2 – RE-ELECTION OF MR PETER BABIN AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That Mr Peter Babin, having been appointed a director on 24 December 2010 in accordance with rule 13.4 of the Company’s Constitution, retires under rule 13.4 and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”

RESOLUTION 3 – RE-ELECTION OF MR SCOTT PERRY AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That Mr Scott Perry, having been appointed a director on 9 September 2011 in accordance with rule 13.4 of the Company’s Constitution, retires under rule 13.4 and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”

RESOLUTION 4 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of:

- (i) 150,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.20 per share on or before 25 November 2013; and*
- (ii) 150,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.50 per share on or before 25 November 2013,*

by way of remuneration to Mr Scott Perry, or his nominee subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Scott Perry and any associate of Mr Perry. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.20 per share on or before 25 November 2013 by way of remuneration to Mr Declan Franzmann, or his nominee subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rules 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Declan Franzmann and any associate of Mr Franzmann. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of 75,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.20 per share on or before 25 November 2013 by way of remuneration to Mr Michael McMullen, or his nominee subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2011, the Company will disregard any votes cast on this Resolution by Mr Michael McMullen and any associate of Mr McMullen. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 7 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of 75,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.20 per share on or before 25 November 2013 by way of remuneration to Mr Peter Babin, or his nominee subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion: In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Peter Babin and any associate of Mr Babin. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 8 – ISSUE OF UNLISTED OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of up to:

- (i) 250,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.20 per share on or before 25 November 2013; and*
- (ii) 50,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$1.50 per share on or before 25 November 2014,*

by way of remuneration to employees and consultants of the Company on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 9 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2011

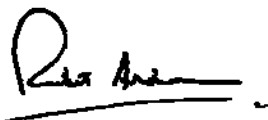
To consider and, if thought fit, to pass the following resolution as a **non-binding** resolution:

“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report required by section 300A of the Corporations Act, as contained in the Directors’ Report of the Company for the year ended 30 June 2011, be adopted.”

Note: Section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors.

Dated: 15 October 2011

By order of the Board



Mr Robert Anderson
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 11am (WST) on Wednesday, 30 November 2011 at Lower Ground Floor, 57 Havelock Street, West Perth WA 6005.

The purpose of this Explanatory Statement is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires the Annual Financial Report, the Directors' Report, and the Auditor's Report (**Annual Report**) to be received and considered at the AGM. The Corporations Act does not require Shareholders to vote on the Annual Report. However Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the financial statements and reports contained within the Annual Report.

The Company's auditor, PricewaterhouseCoopers, will be present at the AGM and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

2. RESOLUTION 1 – RE-ELECTION OF MR MICHAEL MCMULLEN AS A DIRECTOR

Rule 13.2 of the Company's Constitution provides that at each annual general meeting of the Company, one-third of the Directors is required to retire by rotation but is eligible to be re-elected. Mr McMullen is the Director to retire by rotation and, being eligible, offers himself for re-election as a Director. Mr McMullen was appointed a director on 26 September 2007.

Mr McMullen is a geologist with in excess of 18 years' experience in exploration, financing, development and operation of mining projects. During that time he has worked in Australia, Africa, Europe, Asia and South America. He has acted as technical adviser to many of the major resource banks for project financing and mergers and acquisitions and has worked on several corporate finance transactions on the ASX, AIM, JSE and TSX markets.

He was formerly a founding shareholder and executive director of Tritton Resources Limited, a company that developed a copper mine in Australia prior to being acquired by Straits Resources Limited. He was most recently the Managing Director and CEO for Northern Iron Limited, a company that redeveloped an iron ore mine in Norway.

Directors' recommendation

The Directors, other than Mr McMullen, unanimously recommend that Shareholders vote in favour of this resolution.

3. RESOLUTION 2 – RE-ELECTION OF MR PETER BABIN AS A DIRECTOR

Under rule 13.4 of the Company's Constitution, the directors may appoint a person as a director, either as an addition to the existing directors or to fill a casual vacancy. Under rule 13.4 any person so appointed, other than the managing director, must retire from office at the next annual general meeting following his appointment. Mr Babin was appointed as a director on 24 December 2010. In accordance with rule 13.4, Mr Babin now retires and, being eligible, offers himself for election as a director.

Mr Babin is an attorney admitted to practise in the United States, with more than 25 years' experience in the acquisition, disposition, financing and operation of precious metals mining projects and other natural resources projects.

He was most recently the Managing Director of DMC Newco Pty Ltd, an Australian company whose wholly-owned subsidiary, Compañía Minera Dayton (a Chilean mining company), was acquired by Lachlan Star on 24 December 2010. Mr Babin is also currently the chief executive officer of CalX Minerals LLC, a Colorado company that produces chemical-grade pulverised limestone for use as an explosives suppressant in underground coal mines.

Mr Babin became a member of the Audit Committee effective from 11 January 2011.

Directors' recommendation

The Directors, other than Mr Babin, unanimously recommend that Shareholders vote in favour of this resolution.

4. RESOLUTION 3 – RE-ELECTION OF MR SCOTT PERRY AS A DIRECTOR

Under rule 13.4 of the Company's Constitution, the directors may appoint a person as a director, either as an addition to the existing directors or to fill a casual vacancy. Under rule 13.4 any person so appointed, other than the managing director, must retire from office at the next annual general meeting following his appointment. Mr Perry was appointed as a director on 9 September 2011. In accordance with rule 13.4, Mr Perry now retires and, being eligible, offers himself for election as a director.

Mr Perry is currently the Executive Vice President and Chief Financial Officer of Aurico Gold, a TSX and NYSE listed company with gold mining operations in Mexico and a market capitalisation of approximately C\$1.7 billion. He has a Bachelor of Commerce from Curtin University as well as a CPA designation. He commenced his career with Newmont in Australia before moving to Barrick where he rose to be the Chief Financial Officer for Barrick's Russian and Central Asian division, culminating in the secondment as Chief Financial Officer and board member of Highland Gold, a London listed company with gold operations in Russia. Scott took up his role with Aurico in early 2008, where his focus has been on financial reporting, execution of business plans, investor relations and corporate merger and acquisition activity. Mr Perry is resident in Toronto and well known in the investor community in North America and will add North American depth to the Lachlan Star team.

Mr Perry became a member of the Audit Committee effective 3 October 2011.

Directors' recommendation

The Directors, other than Mr Perry, unanimously recommend that Shareholders vote in favour of this resolution.

5. RESOLUTIONS 4 TO 7 – ISSUE OF UNLISTED OPTIONS TO DIRECTORS

- 5.1 Shareholders are being asked to approve the issue of unlisted options to four directors (Messrs Perry, Franzmann, McMullen, and Babin) as part of their remuneration packages. All options vest immediately and expire 30 days after the allottee ceases to be a director or employee of the Company, including in the event of retrenchment or where employment is terminated without cause.
- 5.2 Shareholder approval is required under the provisions of Listing Rule 10.11 in respect of all securities to be issued to directors. Further, Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless the benefit falls within one of various exceptions to that prohibition. The exceptions include where the benefit is provided with the prior approval of the members of the company in general meeting.
- 5.3 “Related party” is widely defined and includes all directors of the company.
- 5.4 “Financial benefit” has a wide meaning and includes the issue of securities by a company. Resolutions 4-7, if passed, will confer financial benefits on the directors.
- 5.5 Shareholder approval for the issue of securities under Resolutions 4-7 is required in accordance with the provisions of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act. The table below shows the proposed option issues to the directors.

Resolution Number	Director	Number of \$1.20 options exercisable on or before 25/11/2013	Number of \$1.50 options exercisable on or before 25/11/2013	Black-Scholes Option Pricing Model valuation
4	Scott Perry	150,000	150,000	\$15,190
5	Declan Franzmann	100,000	Nil	\$7,306
6	Michael McMullen	75,000	Nil	\$5,479
7	Peter Babin	75,000	Nil	\$5,479
		400,000	150,000	\$33,454

- 5.6 Shareholder approval of all security based compensation arrangements, including the issue of the above options, is required pursuant to the TSX Company Manual, subject to limited exceptions that are not applicable in this case.
- 5.7 Subject to Shareholder approval, the directors will receive the options the subject of Resolutions 4-7 for no cash consideration. To provide an indication of the value of the options, the Black-Scholes Option Pricing Model (BSOPM) for valuing options has been adopted. The valuation assumes a market value of \$0.90 per share (being the volume weighted average price of the Company's shares over the 5 trading days ending 21 September 2011), a risk free rate of 5%, and volatility of 25%. Using these assumptions the BSOPM values the options at approximately 7.3 cents per \$1.20 option and 2.8 cents per \$1.50 option.
- 5.8 The proposed option issue to the directors recognises their workload in relation to the CMD Gold Mine and on new venture opportunities over and above that reflected in their cash remuneration.

5.9 For the purposes of Chapter 2E of the Corporations Act and the TSX Company Manual (and for all other purposes), the following information is provided to Shareholders:

5.9.1 The proposed financial benefit to be given to each of the directors (or their respective nominees subject to applicable securities laws) is the issue of the securities in the table below and the table below also indicates what percentage such options grants represent of the 56,967,517 Shares outstanding as of 11 October, 2011:

Director	Number of \$1.20 options exercisable on or before 25/11/2013	Number of \$1.50 options exercisable on or before 25/11/2013	Percentage of currently outstanding Shares
Scott Perry	150,000	150,000	0.526
Declan Franzmann	100,000	Nil	0.176
Michael McMullen	75,000	Nil	0.132
Peter Babin	75,000	Nil	0.132

5.9.2 In determining the number of securities to be issued and their terms and conditions, consideration was given to the relevant experience and role of each director, their respective overall remuneration terms, the number and terms of existing outstanding options granted to the directors, the current market price of the Company's Shares on the ASX and the terms of the options.

5.9.3 The securities will be issued for no cash consideration and will be issued on the terms and conditions set out in Annexures "A" and "B" to this Explanatory Memorandum. Such terms and conditions include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions.

5.9.4 If Shareholders approve the issue of the Unlisted Options to the directors and the options are exercised, this will dilute the shareholdings of the existing Shareholders. Based on the Company's issued ordinary Shares that dilution would be a maximum of 0.97%.

5.9.5 If any of the options are exercised and the Shares are trading at a price that is higher than the exercise price of the options, then there will be a cost to the Company on the basis that the Company could potentially have issued Shares at that time at the higher price.

5.9.6 If all of the options were to be exercised, the Company would receive an amount of \$705,000 in cash.

5.9.7 The Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

5.9.8 The highest and lowest prices of the Shares on the ASX in the 12 months prior to the date of issue of this Explanatory Memorandum were:

- \$1.02 on 30 December 2010, 4 January 2011 and 21 January 2011; and
- \$0.47 on 1 October 2010, 7 October 2010, 8 November 2010, 9 November 2010 and 10 November 2010.

These prices have been adjusted to reflect the 1 for 60 share consolidation as approved by Shareholders on 10 June 2011.

- 5.9.9 The closing price of the Shares on the ASX on 26 September 2011, which was the day before the Board of Directors approved the grant of the above options, was A\$0.70 and the above exercise prices therefore represent a premium of 71% to 114% over such closing price. The closing price of Shares on ASX on 11 October 2011 was A\$0.78.
- 5.9.10 There is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX.
- 5.9.11 For the purposes of the ASX Listing Rules and Chapter 2E of the Corporations Act, the following additional information is provided:

- The remuneration paid or payable to the directors for the 12 months to 30 September 2011 is as follows:

Director's Name	Position	Remuneration
Scott Perry	Non-Executive Director	\$1,808
Declan Franzmann	Managing Director	\$380,925
Michael McMullen	Executive Chairman	\$325,000
Peter Babin	Non-Executive Director	\$23,158

- The current annual remuneration being paid to the directors is:

Director's Name	Position	Remuneration
Scott Perry	Non-Executive Director	\$30,000
Declan Franzmann	Managing Director	\$420,000
Michael McMullen	Executive Chairman	\$360,000
Peter Babin	Non-Executive Director	\$30,000

- The directors' current interests in securities of the Company, with the percentage interest based 56,967,517 Shares outstanding as of 11 October, 2011, are as follows:

Director's Name	Ordinary Shares	Number of \$1.20 options exercisable on or before 18/11/2011	Number of \$1.50 options exercisable on or before 18/11/2012	Percentage of currently outstanding Shares
Scott Perry	Nil	Nil	Nil	Nil
Declan Franzmann	1,217,320	66,667	66,667	2.37
Michael McMullen	2,476,712	66,667	66,667	4.58
Peter Babin	3,322,384	Nil	Nil	5.83

- 5.9.12 Listing Rule 10.13 sets out a number of matters that must be included in a notice of meeting seeking an approval under Listing Rule 10.11, including the following (some of the matters have already been addressed elsewhere in this section):
- 5.9.12.1 The maximum number of securities to be issued and the names of the parties to whom they are to be issued are set out in paragraph 5.5 above.
- 5.9.12.2 If Shareholders approve the issue of these options, the options will be issued no later than 1 month after the date of the AGM and will vest immediately.
- 5.9.12.3 The securities set out in paragraph 5.5 above will be issued as consideration for the performance of services by the directors and to provide an ongoing incentive for them

to provide continuing commitment and effort for the Company, as outlined above. The Company recognises that the issue of securities contemplated by Resolutions 4 and 7 do not comply with Principle 8.2 of the ASX's *Principles of Good Corporate Governance and Best Practice Recommendations*, but believes nevertheless that it is justified by the need to retain and motivate directors of the calibre necessary to take the Company forward whilst at the same time conserving the Company's cash resources by paying non-executive directors' fees at a lower rate than would otherwise be required.

- 5.9.13 The Company will not be raising any funds from the issue of the securities set out in paragraph 5.5 above, but if all the options are exercised the Company will receive the funds referred to in paragraph 5.8.6 above.
- 5.9.14 Listing Rule 10.11 requires a listed company to obtain shareholder approval prior to the issue of securities to a related party. The directors in question are related parties of the Company by virtue of being directors of the Company.
- 5.9.15 The funds raised on the exercise of the Unlisted Options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown).
- 5.9.16 Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the options as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of the options to Messrs McMullen, Franzmann, Babin and Perry will not be included in the calculation of the Company's 15% placement capacity for the purposes of ASX Listing Rule 7.1.

Directors' Recommendation – Resolutions 4 to 7

None of Scott Perry, Declan Franzmann, Michael McMullen or Peter Babin wishes to make a recommendation to Shareholders about the proposed resolution approving the issue of securities to himself because he has an interest in the outcome of that resolution. However, each of them recommends that Shareholders vote in favour of the resolutions to which they are not a party.

Each director made his recommendation after considering alternatives, such as a higher cash based component of remuneration.

To the extent permitted by law, the Chairman intends to vote undirected proxies in favour of resolutions 4 to 7.

6. RESOLUTION 8 – ISSUE OF UNLISTED OPTIONS

6.1 Shareholders are being asked to approve the issue of up to:

(i) 250,000 Unlisted Options exercisable at \$1.20 per share, expiring 25 November 2013; and

(ii) 50,000 Unlisted Options exercisable at \$1.50 per share, expiring 25 November 2014,

on the following terms to up to five employees of, or consultants to, the Company at no cost and as part of their remuneration arrangements. All options vest immediately and expire 30 days after the allottee ceases to be an employee of, or consultant to, the Company, including in the event of retrenchment or where employment is terminated without cause.

6.2 None of these individuals are related parties of the Company.

6.3 Resolution 8 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of these Unlisted Options. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. By approving this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.4 Shareholder approval of all security based compensation arrangements, including the issue of the above options, is required pursuant to the TSX Company Manual, subject to limited exceptions that are not applicable in this case.

6.5 Information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the approval of the options issue:

- a) 300,000 Unlisted Options are proposed to be issued on the terms set out in paragraph 6.1;
 - b) the securities will be issued no later than 3 months after the date of the AGM and it is intended that allotment will occur on the same date;
 - c) the Company will not be raising any funds from the issue of the Unlisted Options but if all the Unlisted Options are exercised the Company will receive \$375,000 in cash;
 - d) Shares issued on exercise of the Unlisted Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
 - e) the Unlisted Options will be issued to up to five employees of, or consultants to, the Company, being Robert Anderson, Kees Dekker, Sarah Beardmore, Guido Rojas Fuenzalida, Gunther Ahlborn Klein or their nominees;
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- f) the securities will be issued for no cash consideration and will be issued on the terms and conditions set out in Annexures "A" and "C" to this Explanatory Memorandum; and
- g) the funds raised from the exercise of the Unlisted Options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown).

6.6 Additional information required by the TSX Company Manual is as follows:

- the 300,000 options proposed to be issued represents 0.53% of the 56,967,517 Shares outstanding as of 11 October, 2011;
- of the 300,000 options proposed to be issued, a maximum of 75,000 options with an exercise price of A\$1.20 each are proposed to be issued to the Company Secretary, who may be an insider of the Company, representing 0.132% of the 56,967,517 Shares outstanding as of 11 October, 2011;
- the maximum number of securities any one person or company is entitled to receive of the 300,000 options proposed to be issued is 75,000 options, representing 0.132% of the 56,967,517 Shares outstanding as of 11 October, 2011;
- There is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX. The closing price of the Shares on the ASX on 26 September 2011, which was the day before the Board of Directors approved the grant of the above options, was A\$0.70 and the above exercise prices therefore represent a premium of 71% to 114% over such closing price. The closing price of Shares on ASX on 11 October 2011 was A\$0.78;
- The terms and conditions of the options, which are set out in set out in Annexures "A" and "C" to this Explanatory Memorandum, include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions;
- The Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

7. **RESOLUTION 9 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2011**

The Directors' Report for the year ended 30 June 2011 contains a Remuneration Report, which sets out the policy for remuneration of directors and executives. In accordance with section 250R of the Corporations Act, the Company submits its Remuneration Report for the year ended 30 June 2011 to Shareholders for consideration and adoption by way of a non-binding resolution.

The vote on this resolution is advisory only and does not bind the directors or the Company, nor does it affect the remuneration paid or payable to the Company's directors or the executives. However, the Board will take the outcome of the resolution into account when considering future remuneration policy.

Section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by senior executives (or their associates) whose remuneration details are disclosed in the Remuneration Report. This prohibition extends to undirected proxy votes to be cast by the Chairman. In this regard, you should specifically note that if you indicate on the Proxy Form that you do not wish to specify how your proxy should vote on resolution 9, you will be deemed to have expressly directed the Chairman to cast your votes **in favour of resolution 9. If you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of resolution 9, you must indicate your voting intention by marking either 'against' or 'abstain' against resolution 9 in the Proxy Form.**

At the AGM there will be a reasonable opportunity for discussion of the report.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution. The Directors acknowledge however that they have a personal interest in some aspects of the Remuneration Report.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

Annual General Meeting or **AGM** means the meeting convened by this Notice of Meeting.

ASX means ASX Limited.

Board means the current board of directors of the Company.

Company or **Lachlan Star** means Lachlan Star Limited (ABN 88 000 759 535).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share.

Share Registrar means Computershare Investor Services Pty Limited.

TSX means the Toronto Stock Exchange.

Unlisted Option means an Option for which official quotation by ASX will not be sought.

WST means the time in Perth, Western Australia.

ANNEXURE "A"

TERMS AND CONDITIONS OF \$1.20 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 25 November 2013 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$1.20 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.

11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.
13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

ANNEXURE "B"

TERMS AND CONDITIONS OF \$1.50 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 25 November 2013 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$1.50 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.

11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.
13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

ANNEXURE "C"

TERMS AND CONDITIONS OF \$1.50 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 25 November 2014 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$1.50 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.

11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.
13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.