

# Lachlan Star boost in gold resource to 1.4m gold ounces a foretaste of upside

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Lachlan Star (ASX: LSA) continues to execute its strategy of boosting JORC gold ounces at the highly prospective CMD gold mine in Chile, with the latest upgrade the third in 2011, conducted by Coffey Mining.

CMD received a 17% boost to 1.4 million ounces from 23.4 million tonnes, but importantly 461,000 ounces are Indicated with the remaining 976,000 ounces Inferred.

CMD is a producing mine with an 8 million tonne per annum crushing, stacking and elution plant in place currently operating at 1/3 capacity, as well as a 100 tonne per day ball mill and CIL circuit.

Yet only 2.4 million tonnes per annum of this is being utilised providing scope for additions to throughput.

The economies of scale are simple here, by increasing throughput by mining a larger resource base, this will have a materially positive impact on costs by spreading the fixed costs of the operation over a larger tonnage.

Declan Franzmann, managing director, said "A significant proportion of the processing costs are fixed and do not change with higher throughputs.

"Consequently, higher throughputs equate to lower unit costs (\$/tonne) and lower cut off grades, making more material potentially available for mining.

"The goal is to utilise the spare ore handling capacity at the CMD Gold Mine to expand gold production and improve profitability."

The potential for another upgrade seems likely, as the company has identified an exploration targets between 0.2 million and 0.5 million ounces of gold in addition to the JORC Resource.

Mine planning work on these resources is nearing completion and a revised mine plan imminent.

To show just how far Lachlan Star has come, the company only took over the project at the end of 2010, before any JORC Resource had been proven, moving the project forward rapidly.

CMD is an open pit heap leach gold mine that commenced production in 1995 and has historically produced around 830,000 gold ounces.

The project is well positioned adjacent to Teck Resources (NYSE: TCK) massive Andacollo mine which hosts resources of; 535 million tonnes grading 0.37% copper and 0.12g/t gold, providing prospective copper exploration upside in the region.

Lachlan Star is also developing a plan for an intermediate pit in the central area of the Las Loas project, which will accelerate ore production and reduce the stripping ratio over the next 6 months.

The company has an unhedged production of around 40,000 to 50,000 ounces of gold per annum and 30,000 ounces of gold in inventory on leach pads.

Added to this cash and liquid investments valued at around \$9 million, yet a market valuation of less than \$45 million, highlighting Lachlan Star is not being valued at anywhere near intrinsic value.

It is currently being valued at one of the lowest valuations of gold producers and explorers on the ASX.

Current valuation is unlikely to be on offer for too long.

A plan to achieve a dual listing on the Toronto Stock Exchange in 2011 would also likely lift valuation as North American investors tend to place a higher multiple on earnings of South American companies than ASX companies.

Cash flow effects from operational improvements at CMD are are likely to flow through in the third and fourth quarter adding further tang to the story.

The goal is to return operations at CMD to production of 100,000 ounces of gold per annum within 2 to 3 years.