

LACHLAN STAR

RESOURCESTOCKS

STARS ON THE CHILEAN MINING MAP

An emerging gold, copper and bulk commodities explorer has made huge strides recently, after acquiring an operating heap leach gold mine in Chile.

LACHLAN STAR purchased a 100% interest in the Compañía Minera Dayton (CMD) mine in Andacollo, 350 kilometres north of Santiago.

The company plans to upgrade the mine, which has an unhedged production of around 50,000 ounces of gold per annum, to 100,000oz by late 2012.

The CMD project – which hosts major bulk tonnage disseminated and vein type deposits – has produced about 830,000oz of gold since it commenced production in 1995.

Lachlan Star executive chairman Mick McMullen said all signs looked prosperous for the project, as it is located close to successful operations.

Teck Resources' Andacollo copper gold mine – which is forecast to produce 80,000 tonnes of copper and 60,000oz of gold per annum over a 20 year period – is situated 100 metres away.

But the major selling point for the acquisition was the operational nature of the mine.

CMD has an eight million tonne per annum crushing, stacking and elution plant, as well as a copper recovery circuit.

It also features a 100t per day ball mill and carbon-in-leach circuit, with about 30,000oz of gold in inventory on the leach pads.

"It's great because it means we're not having to wait a year or two to get things up and running and we can sell into the current gold price environment," McMullen said.

The project's Los Loas pits – which are expected to produce about 70% of the mine's gold – are located approximately 5km north of the heap leach facility.

The remaining deposits are all nearby, within a 2km radius.

At present, Lachlan Star is unable to quote a JORC compliant resource for the project because it was previously owned by an unlisted company.

"The previous owner was under no obligation to report resources and reserves in any of the globally recognised reporting codes," McMullen said.

In the first quarter of 2011, the company aims to provide a JORC compliant estimate.

"A considerable amount of data from drilling and mining already exists, and this is expected to expedite estimation work," McMullen said, adding recent drilling had defined some near pit mineralisation.

The Toro deposit returned some encouraging results, including 10m at 2.28 grams per tonne gold from 5m, and 8m at 10.6gpt gold from 95m.

Impressive results were also recorded at the Chisperos deposit, with 15m at 4.07gpt gold from 113m and 8m at 1.19gpt gold from 3m.

The Churrumata deposit returned 7m at 7.3gpt gold from 1m and 42m at 0.63gpt gold from 55m.

"There appears to be potential to define additional mineralisation at depth that may, subject to further studies, support one or more

underground mining operations," McMullen said.

Lachlan Star plans to spend around \$4 million on exploration next year, starting a strategic exploration program in early 2011.

The program will focus on expanding the open pit mineral inventory and examining the potential for the development of underground mines below some of the open pits.

"Under the previous owners only limited exploration was carried out – so there is excellent exploration potential to define additional mineralisation," McMullen said.

He said he hoped the work would give the company a good idea of how much of the open pit material could be heap leached.

"There's also been very little exploration for copper on the tenements and outside the immediate environment of the pits, so we think there is a lot of upside to expanding the operation this way," McMullen said.

Looking to the future, McMullen said the project's location was ideal, because Chile is a politically stable country that has a strong mining culture.

"The authorities are quite used to dealing with mines, so that was a big attraction for us," McMullen said, noting the existing local staff base was also a bonus. ▶

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MICK MCMULLEN
LACHLAN STAR

“Even though we’re on the other side of the world, the existing team is staying where they are,” he added.

“It’s not like we’re having to send a whole ‘ex-pat’ team there – we’re just sending a small management group to the mine for four months to carry out a strategic review of the operation with the current team.”

He said some of the staff members had worked at the mine for the past 15 years.

“We’re now letting the senior team members know that they can explore more options at the site,” McMullen said.

He concluded by saying he believed the company was a great asset to its shareholders.

“The management has a fairly large vested interest in seeing this thing work,” McMullen said.

“It’s not like we’re just sitting here with big salaries and waiting for the money to come in – we have put a lot of money into this project.”

Lachlan Star also has a 28% interest in Luiiri Gold, which has a value of about \$6 million.

Luiiri Gold holds 800,000oz in resources at its gold, base metals and iron ore projects across Zambia.

Lachlan Star also has full ownership of the Bushranger copper exploration project in New South Wales, which contains 125,000t of copper at a grade of 0.5%.

The project is located in the highly prospective Lachlan Fold Belt, which hosts the world class Cadia-Ridgeway and North Parkes mines.

Lachlan Star plans to achieve a Toronto Stock Exchange listing by the end of 2011.

One of the men behind the company is director Declan Franzmann, a mining engineer with 17 years’ experience in operational mine management and engineering roles.

His previous experience includes general and mining management roles at a number of gold, copper and base metal underground and open pit mines in Australia.

Franzmann operates Crosscut Consulting, a consulting company that provides mine engineering and geology services.

McMullen is a geologist with 17 years experience in the minerals industry.

He has extensive knowledge of the requirements for mine financing and development.

McMullen was a founding shareholder and executive technical director of Tritton Resources,



a company that developed an underground and open pit copper mine in New South Wales prior to being acquired by Straits Resources.

McMullen was the manager of audits for RSG Global, a significant minerals consulting business.

During that time, he was responsible for the due diligence of numerous assets for financing institutions and as part of merger and acquisition activities.

McMullen has a detailed knowledge of the debt and equity capital markets, having raised more than \$400 million in debt and equity over the past seven years.

Non-executive director Tom Duckworth is a metallurgist with 50 years experience in resource development and engineering.

He has worked as a metallurgical consultant for iron, gold and base metal projects in Australia and Europe.

His previous roles include process design, engineering, construction, operation and optimisation of a number of metallurgical processing facilities.

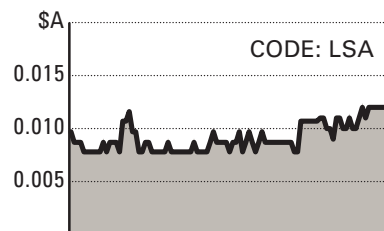
These have included the Tritton copper mine, and Hellyer and Cannington base metal operations.

Duckworth was also the founding director of Signet Engineering and a chief metallurgist for BP/Seltrust in Australia.

His experience covers the plant design and processing of most minerals, including diamonds and coal. – **Samantha Cairns**

The company plans to produce 100,000oz by late 2012

LACHLAN STAR AT A GLANCE



6 months ending December 20, 2010

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DIRECTORS

Declan Franzmann, Mick McMullen,
Tom Duckworth

MARKET CAPITALISATION

\$A19.4 million (at press time)

QUOTED SHARES ON ISSUE

1,619,801,000

MAJOR SHAREHOLDERS

McMullen Entities 11%
Straits Exploration 8%
Citraen (Franzmann) 4%
Zero Nominees 3%