LACHLAN STAR LIMITED

ABN 88 000 759 535

ANNUAL REPORT

30 JUNE 2014

CORPORATE DIRECTORY

Directors

SG Perry (Non-Executive Chairman)
DT Franzmann (Non-Executive Director)
AJ Cipriano (Non-Executive Director)
P Drobeck (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

PricewaterhouseCoopers
Brookfield Place, 125 St Georges Terrace
Perth WA 6000

Bankers

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Share Registries

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Securities Exchange Listings

Securities of Lachlan Star Limited are listed on ASX Limited and the Toronto Stock Exchange.

ASX Code: LSA - ordinary shares
TSX Code: LSA - ordinary shares

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Financial performance

The consolidated entity's loss after tax for the year ended 30 June 2014 was $16.49 million (2013: loss $53.84 million) after recognising:

- a profit before impairment loss and tax of $15.25 million (2013: loss of $2.46 million) from gold mining operations at the consolidated entity's CMD Gold Mine in Chile, after royalties and site based administration, but before $14.14 million (2013: $13.78 million) depreciation and amortization.
- an impairment loss of $10.85 million (2013: $26.95 million) against the CMD Gold Mine assets (refer Note 1(a)(i) to the financial statements).
- a $0.83 million foreign exchange gain (2013: loss of $0.83 million) arising primarily from gains on the Company's holdings of US$ and CDN$ cash, and payables denominated in Chilean Pesos translated to the functional currency of CMD, being US$.
- an increase in finance expense to $2.18 million (2013: $1.41 million)arising from a full year of finance costs associated with the mine fleet purchased in December 2013.
- a $0.89 million expense (2013: $Nil) for the purchase of gold put options covering the period January 2014 to June 2014.
- a decrease in corporate compliance and management costs to $1.80 million (2013: $2.19 million)
- an income tax expense of $2.89 million (2013: expense of $7.76 million) relating to the de-recognition of a deferred tax asset in respect of income tax losses attributable to the CMD Gold Mine due to the degree of uncertainty whether future taxable amounts would be available to utilise temporary differences and tax losses.

On 15 September 2014 the Company announced that its Chilean subsidiary, CMD, had sold certain non-core mining properties to Compañía Minera Teck Carmen de Andacollo ("CDA"). The properties sold adjoin CDA's mining properties and are non-core to CMD's gold mining operations. CMD will receive US$3,000,000 on completion of the transfer of one group of mining properties to CDA plus US$500,000 for the grant of a five year purchase option that would result in additional proceeds of US$1,500,000 if CDA exercises such option to purchase further mining properties.

The prior year numbers are stated after the application of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine,* applicable in Australia as Interpretation 20. The interpretation, which is applicable to the Company for the financial period commencing 1 July 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation must be applied retrospectively from the date of transition, being 1 July 2012 (refer Note 30).

The Company's primary focus is on gold and copper in Chile. Projects within the gold sector provide the Company with an exposure to the gold price, which increased from US$1,192 to US$1,315 per ounce over the year.

Financial position

An analysis of the significant movements in Statement of Financial Position line items is provided below:

Cash and cash equivalents

As at 30 June 2014 the Group had cash reserves of $1.93 million, a decrease of $0.88 million from 30 June 2013 as set out in the Consolidated Statement of Cash Flows. The $9.48 million net cash flow from operating activities reflects the $14.27 million generated from the CMD Gold Mine during the year less $2.01 million net interest expense and $2.61 million corporate costs. Cash flows used in investing activities of $12.49 million comprises $9.24 million expenditure on capitalized mine development costs and $3.25 million expenditure on property, plant and equipment. Net cash flows of $2.19 million were received from financing activities, comprising $9.23 million from the issue of shares net of costs, and net $7.04 million repayment of borrowings.

Trade and other receivables

Trade and other receivables have decreased by $0.64 million since 30 June 2013. The A$ / US$ exchange rate increased from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014 meaning a decrease of $0.13 million in the value of trade and other receivables which are presented in the CMD financial statements in US$.

Inventories

Inventories have decreased by $0.33 million since 30 June 2013 mainly including a $0.63 million decrease as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014. The static CMD inventory reflects an increase of 3,228 recoverable ounces in the leachpad with an associated cost of US$4.03 million, a US$2.28 million decrease attributable to the reduced average cost per ounce on the leachpad, a US$0.16 million increase in doré in process inventory, a US$1.00 million increase from the reversal of a leachpad inventory provision to writedown to net realizable value, a US$0.52 million decrease in ore stockpiles and copper, and a US$2.07 million decrease in stores inventory due to lower stock holding periods.

With the optimization of the leaching recovery cycle the metallurgical records support the assumed recovery of 100% of the recoverable ounces on the leachpad within 12 months and therefore the treatment of 100% of inventories as current assets at 30 June 2014.

Mine development properties

Mine development properties have decreased by $6.71 million since 30 June 2013, comprising capitalisation of $9.41 million offset by a depreciation charge of $10.56 million, an impairment charge of $4.95 million and a $0.61 million decrease as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014.

Of the $9.41 million capitalised, $0.36 million relates to exploration at the CMD Gold Mine, $0.17 million to an increase in the rehabilitation provision, and $8.88 million to capitalized deferred stripping.

Property, plant and equipment

Property, plant and equipment has decreased by $7.51 million since 30 June 2013, comprising expenditure of $3.25 million at the CMD Gold Mine offset by a depreciation charge of $4.14 million, an impairment charge of $5.90 million and a $0.72 million decrease as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014.

Deferred tax asset

The 30 June 2013 deferred tax asset of $2.98 million has been written off at 30 June 2014 primarily as a result of the de-recognition of a deferred tax asset in respect of income tax losses and timing differences relating to the CMD Gold Mine.

Total liabilities

As at 30 June 2014, the consolidated entity had total liabilities of $46.19 million compared to $57.56 million at 30 June 2013, a decrease of $11.37 million. There was a $3.58 million decrease in trade and other payables, partly as a result of the transition to owner operated mining, in addition to a net decrease in borrowings of $7.64 million. Total liabilities decreased by $1.60 million as a result of the A$ / US$ exchange rate increasing from 1:0.915 at 30 June 2013 to 1:0.944 at 30 June 2014. As at 30 June 2014, the consolidated entity had $19.20 million in debt obligations consisting of bank loans, a gold loan, leases, and deferred consideration due to the vendors of the CMD Gold Mine.

Contributed equity

The contributed equity increase of $9.45 million since 30 June 2013 is shown below:

	2014 Number	**2014 $000**
Ordinary shares		
1 July	99,107,273	215,076
Issue of shares for cash	47,500,000	9,684
Costs of issue of shares	-	(451)
Share based payments	1,025,000	213
30 June	147,632,273	224,522

Reserves

Reserves of $6.57 million consist of a $0.21 million share based payments reserve, which reflects the fair value of share options at their date of issue, together with a balance of $6.36 million in the foreign exchange reserve resulting from the translation of CMD financial statements, which are presented in US$, to A$ on consolidation. There is a $0.72 million reduction in the foreign exchange reserve balance since 30 June 2013.

Audit Report

The entity's auditor has included an "emphasis of matter" paragraph in the Audit Report relating to the Company's ability to continue as a going concern (refer Note 1(a), *Going concern*).

Future operations

The Company's strategy remains focused on (i) increasing ore stacked (ii) mining low waste:ore orebodies (iii) maximizing higher grade mineralization sources, the purchase of third party mineralized material, and developing underground mineralized material (iv) continuing to cut costs where possible (v) maximising free cashflow from the CMD Gold Mine.

CMD Gold Mine

On 24 December, 2010 the Company completed the acquisition of the Compania Minera Dayton ("CMD") Gold Mine ("CMD Gold Mine") in Chile and joined the ranks of gold producers. The CMD Gold Mine is located approximately 350km north of Santiago and at an elevation of 1,000 metres. Access to the project is excellent via a sealed road. The mine was developed in 1995 and has produced over 1,000,000 ounces of gold plus minor copper and silver since opening. It is located immediately adjacent to Teck Resources Limited's large Carmen de Andacollo copper-gold mine.

Production, Cash Costs and Profitability

Quarterly ore stacked at the CMD Gold Mine during the year ending 30 June 2014 is summarised in Table 1 below:

Table 1 – CMD production data

Quarter ending	Ore Stacked (kt)	Au Grade (g/t)	Contained Au (oz)	Gold produced (oz)
30-Sep-13	1,335	0.52	22,355	17,056
31-Dec-13	1,472	0.58	27,322	18,560
31-Mar-14	1,337	0.55	23,475	15,747
30-Jun-14	1,206	0.56	21,549	15,421
Total	5,350	0.55	94,701	66,784

Gold sales of 66,624 ounces (2013: 50,389 ounces) are recorded in the financial statements at an average sales price of US$1,292 per Au ounce (2013: US$1,579 per Au ounce). In addition, total silver production of 61,973 ounces (2013: 25,132 ounces) was also achieved, with an average sales price of US$21 per Ag ounce (2013: US$27 per Ag ounce). These sales represent 100% of production sold at spot prices and the consolidated entity's production profile remains unhedged.

Table 2 below shows the cash costs for each quarter during the year, and the impact of the inventory valuation adjustment (all numbers US$ per ounce).

Table 2 – Cash Cost (US$ per ounce) and inventory adjustments

Item	Quarter ending 30 June 2014	Quarter ending 31 March 2014	Quarter ending 31 December 2013	Quarter ending 30 September 2013	12 months to June 2014
Cash costs with inventory adjustment ($/oz)	794	761	781	971	828
Cash costs without inventory adjustment ($/oz)	864	910	808	821	848
Inventory adjustment effect ($/oz)	(70)	(149)	(27)	150	(20)

The inventory adjustment of US$20 per ounce over the year reflects the increase in the gold inventory contained within the leach pad from stacking more recoverable gold than was sold (US$60 per ounce), the reduction in the average inventory value per ounce (negative US$34 per ounce), and the stockpile movement (negative US$6 per ounce).

C1 cash costs are a non-IFRS measure that may not be consistent from company to company. In this instance, it is defined as all site production costs but excludes all waste expenditure, depreciation and amortisation and royalties. A reconciliation of C1 cash costs to the IFRS measure Cost of Sales is provided in Table 3 below.

Table 3 – Reconciliation of Cash Cost (US$/oz) per ounce to Cost of Sales

		Year ended 30 June, 2014	(Restated) Year ended 30 June, 2013
Cash cost per ounce	US$	828	1,070
Ounces poured		66,784	51,143
Cash costs	US$000	55,297	54,737
A$ / US average exchange rate for the period		0.919	1.023
Cash costs	A$000	60,196	53,515
Inventory adjustments (doré and stockpiles)	A$000	(160)	(1,102)
Depreciation and amortization (other than deferred stripping amortization)	A$000	7,423	9,127
Waste costs expensed and amortised	A$000	22,933	27,024
Royalties	A$000	1,821	1,874
Process inventory provision	A$000	(1,090)	1,006
Other	A$000	137	426
Copper / silver net revenue	A$000	1,867	656
Cost of Sales	A$000	93,127	92,526

Depreciation of production phase stripping costs and property, plant and equipment is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces. Depreciation and amortization costs, and waste costs expensed and amortised, decreased over the year as the result of the adoption of an internal mine plan with a lower LOM strip ratio from January 2013 and an increased mineral reserve announced in August 2013 that was a 160% increase over the previous estimate.

Table 4 below reconciles annual unaudited CMD Gross Operating Profit / (Loss) to consolidated (Loss) Before Income Tax. CMD Gross Operating Profit / (Loss) equals revenues and doré in process less cost of sales (including waste expensed and amortised), interest and other site expenses and excluding foreign exchange movements, depreciation, exploration and process inventory adjustments.

Table 4 – Reconciliation of annual unaudited CMD Gross Operating Profit / (Loss) to consolidated Loss Before Income Tax

		Year ended 30 June, 2014	(Restated) Year ended 30 June, 2013
CMD Gross Operating Profit / (Loss) (unaudited)	US$000	4,400	(6,899)
A$ / US average exchange rate for the period		0.925	1.054
CMD Gross Operating Profit / (Loss) (unaudited)	A$000	4,756	(6,543)
Inventory adjustment	A$000	3,021	(51)
Depreciation and amortization (other than deferred stripping amortization)	A$000	(7,423)	(9,127)
Unwinding of discount on provision	A$000	-	(38)
Foreign exchange gain / (loss)	A$000	826	(831)
Fair value on liabilities carried at fair value	A$000	(76)	670
Finance income	A$000	30	149
Finance expense	A$000	(747)	(703)
New venture expenditure written off	A$000	(10)	(142)
Cost of derivatives	A$000	(885)	-
Other head office related costs	A$000	(2,239)	(2,516)
Impairment loss	A$000	(10,853)	(26,946)
Consolidated Loss Before Income Tax	A$000	(13,600)	(46,078)

The inventory adjustment includes the $1.09 million reversal of (2013: $0.43 million charge) the writedown of the leachpad to net realisable value.

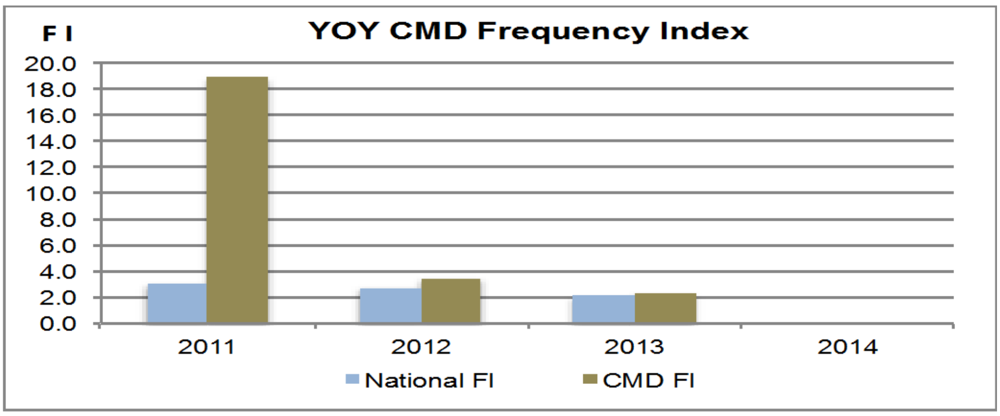
The consolidated entity's expenditure for the year includes $25.63 million (2013: $34.00 million) of mine development and exploration costs at the CMD Gold Mine in Chile, of which $9.41 million (2013: $11.16 million) has been capitalised.

The CMD Gold Mine Gross Operating Profit of US$4.40 million was a US$11.30 million improvement on the prior period and was primarily driven by the 30.6% increase in gold ounces produced and continuing cost reductions. The result was achieved despite an 18.2% fall in the average gold price.

Safety

Safety is a key focus for management at the CMD Gold Mine and the results of this can be seen in Figure 1 below. The Frequency Index (FI) exclusively reflects CMD records, not including mining contractors.

Figure 1 – CMD Gold Mine Safety Statistics



Mining

The Board of Directors assesses the performance of the gold mining segment based on selected operational performance indicators as set out in Table 5 below: The relative information for the current and prior periods was as follows.

Table 5 – Performance indicators

	Unit	2014	2013	% Change
Ore Mined	dmt	5,310,390	4,914,544	8.1%
Waste Mined	dmt	9,091,543	15,188,827	(40.1%)
Total Mined	dmt	14,401,933	20,103,371	(28.4%)
Waste:Ore Ratio	t:t	1.71	3.09	(44.6%)
Ore grade Mined	Au g/t	0.58	0.50	15.4%
Gold Mined	Au oz	98,545	79,098	24.6%
Ore stacked	dmt	5,349,978	4,616,983	15.9%
Gold Stacked	Au oz	94,701	72,803	30.1%
Silver Produced	Ag oz	61,973	25,132	146.6%
Gold Produced	Au oz	66,784	51,143	30.6%
Average Sales Price	USD/ Au oz	1,292	1,579	(18.2%)
Mining Cost/t Moved	US$/t	$2.56	$2.23	14.8%
Mining Cost/t Ore	US$/t	$6.94	$9.42	(26.3%)
Process Cost/t Ore	US$/t	$7.06	$8.21	(14.0%)
G+A Cost/t Ore	US$/t	$1.27	$1.69	(24.7%)
Total Cost/t Ore	US$/t	$15.27	$19.32	(20.9%)

Total ore mined for the year was 5.31 million tonnes for 98,545 contained Au ounces, an increase of 8.1% and 24.6% respectively. The waste to ore ratio decreased to 1.71 to 1 from 3.09 to 1 in the previous year. Ore was principally sourced from the Tres Perlas (59%) and Churrumata (15%) pits, and third party ore purchases (15%).

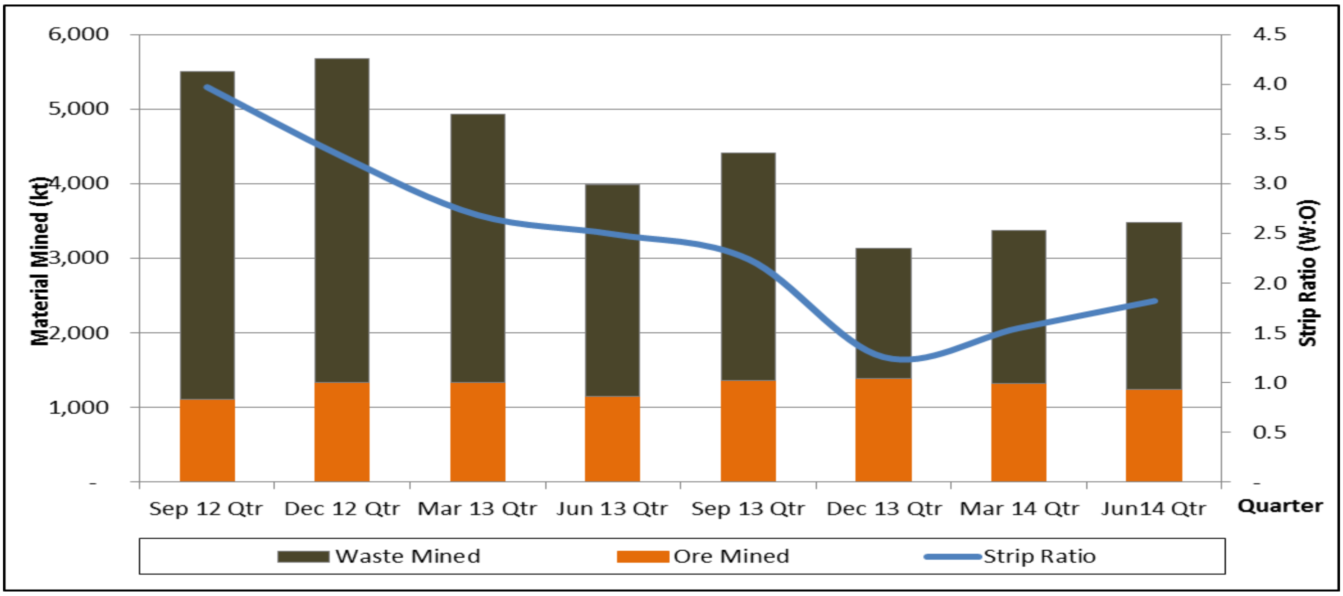
Table 6 details the ore and waste movement in the year by pit.

Table 6 – Annual mine production by pit

Item	Unit	Churrumata	Tres Perlas	Chisperos	Toro	Other Sources	Total
Ore Mined	kt	778	3,108	562	32	830	5,310
Au Grade	g/t	0.50	0.48	0.86	0.52	0.81	0.58
Contained Au	oz	12,507	48,437	15,481	534	21,586	98,545
Waste Mined	kt	2,326	5,644	649	355	118	9,092
Total Mined	kt	3,104	8,752	1,211	387	948	14,402
Strip Ratio	W:O	2.99	1.82	1.16	11.12	0.1	1.71

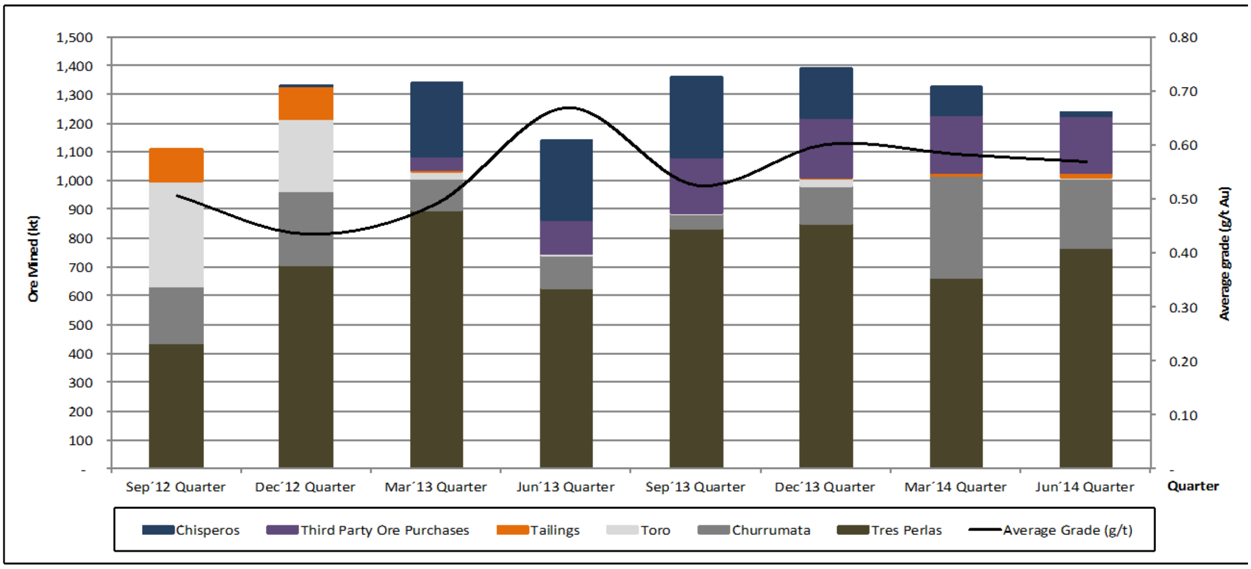
Figure 2 shows the mining rate and waste to ore ratio by quarter for the last 8 quarters.

Figure 2 – Material Mined and Waste to Ore Ratio by Quarter



Mining of old tailings deposits inside CMD property totalled 29,856 tonnes for the year. Due to its fine size distribution, this material needs to be carefully blended with the normal crushed ore in order to not impact negatively in the leach pad percolation. Third party ore purchases were 800,203 tonnes during the period at grade of 0.81 g/t Au, up from 166,798 tonnes in the prior period at a grade of 0.67 g/t Au.

Figure 3 – Ore Mined by Pit and Quarter



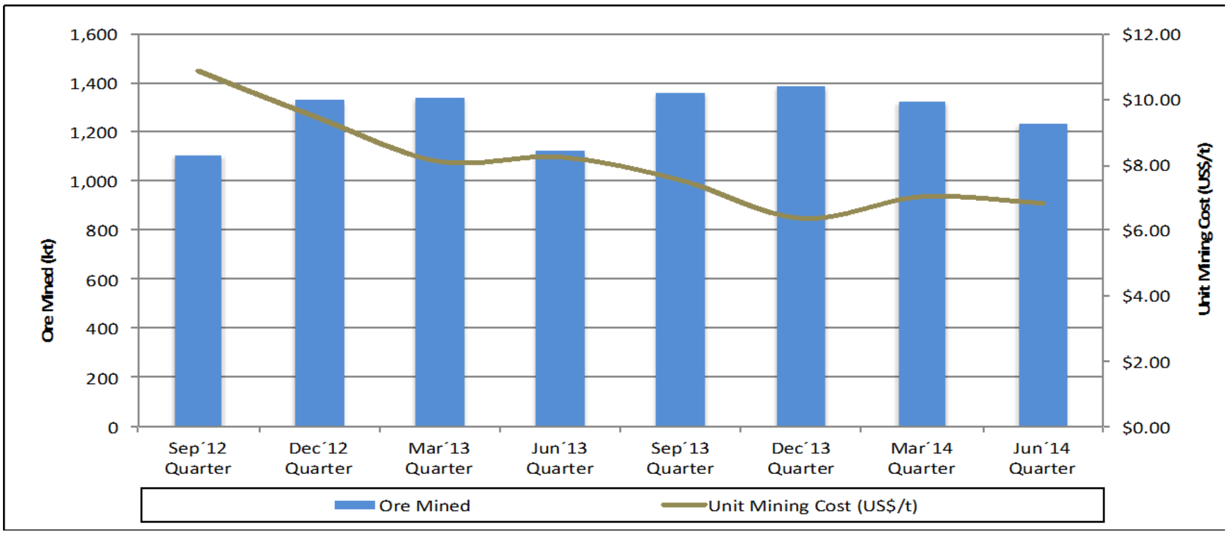
Average mined grades experienced an increase from 0.50 g/t to 0.58 g/t Au over the year, assisted by the grade of ore purchases.

The Company continues to strengthen its relationships with small miners in the area and ore purchasing continues, with 25% of the ounces mined in the June 2014 quarter being sourced from third parties and the re-processing of historical tailings. This provides a net positive effect to employment and economic sustainability within the region, as well as a source of ore that can prolong the ultimate life of the operation. The Company has also realised value in mixing on-site old tailings with new ore, resulting in decreased mining costs and production outside of the mineral reserve base.

Mining unit costs increased by 14.8% up to US$2.56 per tonne mined (from US$2.23 per tonne the previous year), due to the impact of 8.1% higher total tonnes moved being more than offset by the higher tariffs paid for ore purchases associated with their higher grades. Also, the mining cost per tonne of ore decreased by 26.3% to US$6.94 as a result of the 44.6% lower waste to ore ratio in the period. The mining unit rate includes the cost of buying third party ore that has no waste to ore ratio associated with it.

Figure 4 illustrates the quarterly history of mining costs per ore tonne over the last 8 quarters.

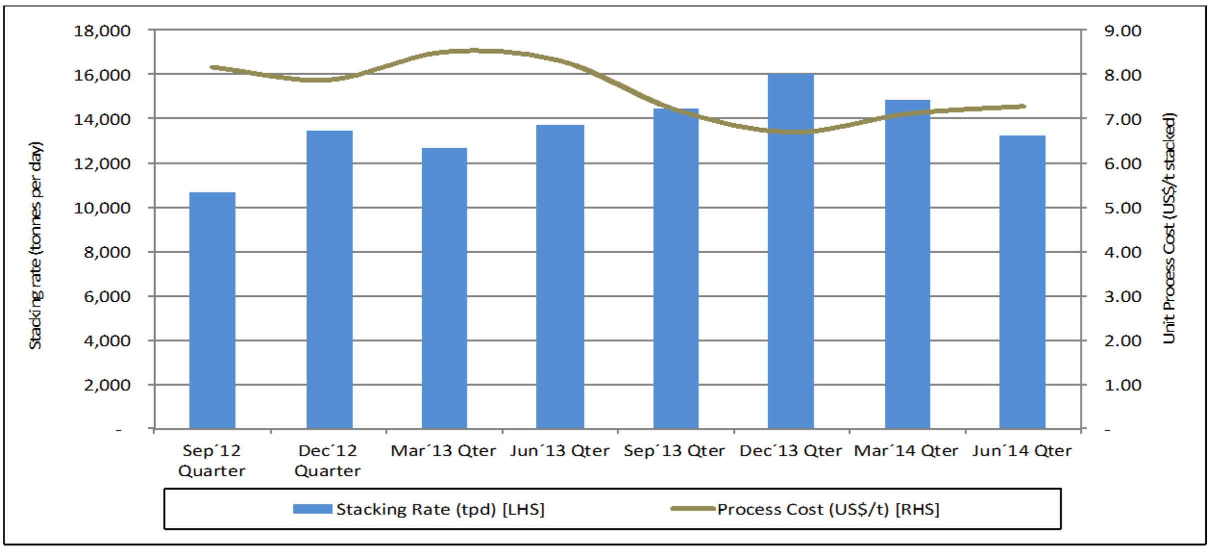
Figure 4 – Ore mined and mining cost per tonne of ore



Processing

Ore tonnage stacked was up 15.9% year on year as a result of the switch to owner mining and the productivity improvements on site. Consequently, in conjunction with the higher ore grades, gold ounces stacked were up 30.1% over the same period. Metallurgical recovery was optimized in 2013 and has been stable during the past two quarters. This has been achieved through the addition of a pre-cyanidation circuit, improved ADR efficiencies and a more favourable ore blend. Process costs decreased to US$7.06 per tonne stacked which was a 14% decrease year on year. Increased tonnes stacked in the period was the main driver for the lower process costs.

Figure 5– Process cost per tonne stacked



General and Administration (G&A)

G&A costs decreased by 24.7% year on year to US$1.27 per tonne stacked due to the higher tonnage stacked and a 13% reduction in CMD G&A costs.

Operating Cash Flow

Consolidated operating cash flow before changes in non-cash working capital of $11.15 million for the year is a $15.3 million improvement on the negative $4.15 million for the year ending 30 June 2013, driven by the performance of CMD.

Exploration

Only $0.36 million was spent on exploration at the CMD Gold Mine during the year as the operation applied its resources to improving production and achieving cost efficiencies, as well as minimizing discretionary expenditure in a lower gold price environment.

Bushranger Copper Project - EL 5574 (49%)

Lachlan owns a 49% interest in the Bushranger exploration-stage copper and gold deposit (the "Bushranger Copper Project") located approximately 25km south of Oberon in the Lachlan Fold Belt in New South Wales, Australia. Given Lachlan's acquisition of the CMD Gold Mine and its focus on the operation and continued development of that project, the Bushranger Copper Project is not considered to be a core asset of the Company.

On 29 September 2011 the Company announced that it had entered into a Farm In Agreement ("the Agreement") with Newmont Exploration Pty Ltd, a wholly owned subsidiary of Newmont Mining Corporation ("Newmont") covering the Bushranger Copper Project in New South Wales. Under a Deed of Novation between Newmont, Lachlan's subsidiary Ord Investments Pty Ltd and Anglo American Exploration (Australia) Pty Ltd ("Anglo American") dated 10 January 2014 Newmont's interest has been assigned to Anglo American.

The main terms of the Agreement, as amended, are:

(i) Newmont had an 18 month option period ("Option Period") to evaluate the Bushranger Copper Project, during which time it must spend a minimum of $0.25 million. Newmont, having exceeded this expenditure, elected to exercise their option to earn a 51% interest in the Bushranger Copper Project by spending a total of $1 million (including expenditures during the Option Period) over a period of 2 years and 6 months from the date of the Agreement (the Farm In Period), extended for Anglo American to 24 May 2014. Expenditure by Newmont and Anglo American on the Bushranger Copper Project under the Agreement at the end of the period was $1.03 million.

(ii) At the completion of the Farm In Period, the Company and Anglo American will form a Joint Venture owned 49% and 51% respectively, with both parties funding exploration and development on a pro rata basis. Anglo American provided notice that they had met the minimum expenditure requirements and their intention to form a Joint Venture on 8 July 2014.

Anglo American has recently completed an airborne magnetic and radiometric survey, a MIMDAS IP survey and has re-logged historic drill core from the Racecourse and Footrot Prospects which includes spectral logging of core and RC chips. Much of the work is likely to result in a re-interpretation of the copper mineralisation potential on the tenement. The Joint Venture participants have developed a programme and budget for the upcoming year. The Company has elected to dilute further by not participating in this programme. The Exploration Licence expires in June 2015.

Annual Statement of Mineral Resources and Ore Reserves

This Mineral Resources and Ore Reserves Statement has been prepared according to the JORC Code (2012). For the JORC Code (2012) notes accompanying the Resources and Reserves Statement, refer to the Company's ASX announcement of Annual Statement of Mineral Resources and Ore Reserves dated 26 September 2014. There has been no material change to Mineral Resources and Ore Reserves between the Company's 30 June 2014 year end and the date of review of the 2014 Mineral Resources and Ore Reserves.

Governance Arrangements and Internal Controls

The Company has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal controls. The Mineral Resources reported have been generated by an independent external consultant who is experienced in best practices in modelling and estimation methods. The consultant has also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Company management carry out regular reviews of internal processes and external contractors that have been engaged.

Mineral Resources

CMD's total Mineral Resources (Tables 7 and 8) reduced 27% over the last year to 169.47 million tonnes grading 0.44 g/t Au (inclusive of ore reserves) reflecting the new resource modeling efforts, which revised the geological interpretation and considered structural features for the deposit, not modeled in the prior year. The new model depleted the ore mined during the period and does not include the Las Loas deposit, which officially ceased operations in March 2013.

Table 7 – CMD Mineral Resources (Measured & Indicated) at 29 April 2014

CMD MINERAL RESOURCE (MEASURED & INDICATED)				
Summary of Mineral Resources (M & I) depleted for mining as at 29th April 2014				
Deposit	JORC Classification	Tonnes	Au	Ounces
		(´000t)	(g/t)	(´000 Oz)
Tres Perlas-Churrumata	Measured	14,338	0.52	239
	Indicated	69,094	0.43	951
	Sub-total	83,432	0.44	1,189
Toro	Measured	0	0.00	0
	Indicated	16,168	0.61	316
	Sub-total	16,168	0.61	316
Chisperos	Measured	0	0.00	0
	Indicated	373	0.69	8
	Sub-total	373	0.69	8
TOTAL	Measured	14,338	0.52	239
	Indicated	85,635	0.46	1,275
	Total Resource	99,974	0.47	1,514

Table 8 – CMD Ore Resources (Inferred) at 29 April 2014

CMD MINERAL RESOURCE (INFERRED)				
Summary of Mineral Resources (Infered) depleted for mining as at 29th April 2014				
Deposit	JORC Classification	Tonnes	Au	Ounces
		(´000t)	(g/t)	(´000 Oz)
Tres Perlas - Churrumata	Inferred	57,823	0.41	759
Toro	Inferred	10,900	0.36	128
Chisperos	Inferred	777	0.86	22
	Total Inferred	69,500	0.41	908

Table 9 – CMD Gold Mine Mineral Resources at 1st March 2013

CMD MINERAL RESOURCE				
Summary of Mineral Resources depleted for mining as at 1st April 2013				
TOTAL	Total Resource	260,500	0.40	3,324

Ore Reserves

Total CMD Ore Reserves of 10.25 million tonnes grading 0.64 g/t Au (Table 3) have decreased by 30% on a gold ounces equivalent comparative basis over the past year after accounting for mining depletion. The principal reason for the decrease was the new pit design and the exclusion of the low grade ore, reflecting a decreased conversion of resource to ore reserve under the revised open pit mine plan using the revised resources modeling parameters.

Table 10 – CMD Gold Mine Ore Reserve at 29 April 2014

CMD ORE RESERVE				
Depleted for mining as at 29th April 2014				
Deposit	Jorc Classification	Tonnes	Au	Ounces
		(´000t)	(g/t)	(´000 Oz)
Tres Perlas	Probable	6,484	0.64	134
Churrumata	Probable	3,142	0.63	63
Toro	Probable	626	0.65	13
TOTAL		10,252	0.64	210

Table 11 – CMD Gold Mine Ore Reserve at 1st April 2013

CMD ORE RESERVE				
Depleted for mining as at 1st April 2013				
TOTAL	Total Reserve	28,300	0.44	408

Competency Statements

The information in this report that relates to Mineral Resources is based on, and fairly represents, information compiled by Mr Sergio Alvarado, a Competent Person who is a Registered Member of the Comisión Calificadora de Competencias en Recursos y Reservas Mineras de Chile (Chilean Mining Commission). The information in the report to which this Statement refers, being the Company's ASX announcement of Annual Statement of Mineral Resources and Ore Reserves dated 26 September 2014, that relates to Mineral Resources is based on information compiled by Mr Alvarado. Mr Alvarado, who is General Manager with Geoinvestment, is a professional geologist with 25 years of experience in geology and geotechnical engineering. Mr Alvarado is independent of the Company. Mr Alvarado has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertakening to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as a "Qualified Person" under NI 43-101. Mr Alvardo 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 Ore Reserves is based on, and fairly represents, information compiled by Mr Enrique Quiroga, a Competent Person who is a Registered Member of the Comisión Calificadora de Competencias en Recursos y Reservas Mineras de Chile (Chilean Mining Commission). The information in the report to which this Statement refers, being the Company's ASX announcement of Annual Statement of Mineral Resources and Ore Reserves dated 26 September 2014, that relates to Ore Reserves is based on information compiled by Mr Quiroga..Mr Quiroga, who is General Manager with Q&Q Ltd., is a professional mining engineer with over 30 years of experience in mine optimisation, design, scheduling, cost estimation and cash flow analysis. Mr Quiroga is independent of the Company. Mr Quiroga has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertakening to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as a "Qualified Person" under NI 43-101. Mr Quiroga consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The directors present their report together with the financial report of the consolidated entity, being Lachlan Star Limited ("Company" or "Lachlan") and its subsidiaries ("consolidated entity" or "group"), at the end of and for the year ended 30 June 2014. Lachlan Star Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Scott Graeme Perry
Non-Executive Chairman

Age 38. Appointed 9 September 2011. Appointed as Chairman 6 January 2014.

Mr Perry is currently the President and Chief Executive Officer of Aurico Gold Inc. ("Aurico"), a TSX and NYSE listed company with gold mining operations in Mexico and a market capitalisation of approximately CDN$1billion. He has a Bachelor of Commerce from Curtin University as well as a CPA designation. He commenced his career with Newmont Mining in Australia before moving to Barrick Gold 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. Mr. Perry joined Aurico in early 2008, where his responsibilities included financial reporting, execution of business plans, investor relations and corporate merger and acquisition activity. In July 2012 he was appointed President and Chief Executive Officer of Aurico. Mr Perry is resident in Toronto and well known in the investor community in North America and adds North American depth to the Lachlan Star team.

Mr Perry was a member of the Audit Committee throughout the period under review and chaired that committee until 17 February 2014. During the past three years Mr. Perry has held the following listed company directorships:

AuRico Gold Inc.	From September 2012 to present

Declan Thomas Franzmann
Non-Executive Director

Age 47. Appointed 26 September 2007.

Mr Franzmann is a mining engineer with more than 22 years mining experience. His previous experience includes operational and technical roles at underground and open pit mines throughout Australia, Asia and Africa. He operates a consulting company providing mine engineering services to a variety of companies and is presently President and Chief Executive Officer of TSX listed African Gold Group Inc.

During the past three years Mr. Franzmann has held the following listed company directorships:

African Gold Group Inc.	From May 2014 to present

Peter Drobeck
Non-Executive Director

Age 60. Appointed 22 November 2012.

Mr Drobeck is a practicing geologist with 34 years of professional experience focused on exploration, development, and near-mine exploration in the Americas, Asia, Europe and Africa. He is presently Director Exploration for New Projects with Silver Standard Resources Inc., a leading intermediate silver producer. Past positions have included Sr. Vice-President of Exploration at AuRico Gold Inc., an intermediate gold producer with operations in Mexico, and Vice-President of Exploration at Electrum Ltd., a private exploration company dedicated to grass roots gold discovery world-wide. Mr Drobeck led the Newcrest Mining team in the 1990's that discovered the giant Caspiche porphyry gold deposit in Chile, and also led the NGEx Resources (formerly Tenke Mining) team in the 2000's that discovered the Filo del Sol Cu-Au-Ag deposit on the Chile – Argentina border, and related porphyry gold-copper deposits in the region.

Mr Drobeck has not held any listed company directorships in the last three years. Mr Drobeck was a member of the Audit Committee throughout the period under review.

Anthony James Cipriano
Non-Executive Director

Age 47. Appointed 17 February 2014.

Mr Cipriano is a Chartered Accountant with 27 years' accounting and finance experience. Mr Cipriano was formerly a partner at Deloitte and at the time of his retirement in 2013 he was the Deloitte National Tax Leader for Energy & Resources and leader of its Western Australian Tax Practice. Mr Cipriano has significant experience working across tax, accounting, legal and financial aspects of corporate transactions. He is also a graduate of the Australian Institute of Company Directors.

Mr Cipriano was appointed a member and Chairman of the Audit Committee on 17 February 2014. During the past three years Mr. Cipriano has held the following listed company directorships:

Liontown Resources Limited	From July 2014 to present

Michael James McMullen
Executive Chairman to 6 January 2014, then Non-Executive Director

Age 44. Appointed 26 September 2007, resigned 6 April 2014.

Mr McMullen is a geologist with in excess of 21 years' experience in exploration, financing, development and operation of mining projects. During that time he has worked in Australia, Africa, Europe, Asia and the America's. 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 is currently the President and Chief Executive Officer of Stillwater Mining Company, a company based in Montana with PGM mining and smelting operations, and Chairman of Nevada Iron Ltd. 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 and the Managing Director and Chief Executive Officer for Northern Iron Limited, a company that redeveloped an iron ore mine in Norway.

Mr McMullen was Chairman of the Board during the period under review until he vacated that position on 6 January 2014. During the past three years Mr McMullen has held the following listed company directorships:

Nevada Iron Ltd	From February 2012 to present
Stillwater Mining Company	From May 2013 to present

Peter Bartley Babin
Non-Executive Director

Age 60. Appointed 24 December 2010, resigned 29 November 2013.

Mr Babin is an attorney admitted to practice in several of the United States, with more than 26 years' experience in the acquisition, disposition, financing and operations of precious metals mining projects and other natural resources projects. He was previously the Managing Director of DMC Newco Ltd, an unlisted Australian entity whose wholly-owned subsidiary, Compañia Minera Dayton (a Chilean mining company), was acquired by Lachlan Star Limited" on 24 December 2010.

Mr Babin was a member of the Audit Committee during the period under review until he resigned as a director on 29 November 2013. During the last three years Mr Babin has not held any listed company directorships.

Company Secretary

Mr Robert Anderson was appointed Company Secretary on 15 October 2007. Mr Anderson is a Chartered Accountant who has previously held company secretarial positions in both ASX-listed and private companies.

Principal activities

During the course of the 2014 financial year the consolidated entity's principal continuing activities were directed towards mineral extraction, exploration and investment in the minerals sector.

Environmental regulation and performance

The consolidated entity's exploration and mining activities are concentrated in Australia and Chile. Environmental obligations are regulated under both State and Federal Laws.

No environmental breaches have been notified by government agencies during the year ended 30 June 2014.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2013: Nil).

Rounding of amounts

The Company is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded-off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Significant changes in state of affairs

In February 2013 the Company drew CDN$5,000,000 under a secured credit facility ("Facility") with Sprott Resource Lending Partnership ("Sprott") of which CDN$500,000 was repaid on 9 October 2013. The terms of the Facility were amended in February 2014 such that the remaining Facility of CDN$4,500,000 would be repaid through the payment of 12 monthly principal repayments of CDN$187,500 commencing 31 March 2014, the repayment of CDN$1,000,000 by 30 September 2014, and a final payment of CDN$1,250,000 in February 2015.

The terms of the Facility were further amended in June 2014 such that the CDN$3,750,000 outstanding balance of the Facility was converted to a gold loan. The terms of the amendment include the removal of both the CDN$1,000,000 bullet payment due by 30 September 2014 as well as the final principal repayment on 19 February 2015. Monthly principal and interest payments are replaced by a monthly gold loan payment based on a fixed number of gold ounces multiplied by the higher of the monthly closing gold price and US$1,200, and the term of the gold loan has been extended to 31 October 2016. A total of 300,000 shares were issued to Sprott as an extension fee in respect of this amendment.

On 30 September 2013 the Company announced that it had entered into subscription agreements with accredited North American and European investors to raise a total of CDN$8,000,000 at an issue price of CDN$0.20 a share from the issuance of 40 million ordinary shares. The placement was completed in two tranches, the second one subsequent to shareholder approval which was obtained on 4 November 2013. Finder's fees totalling 3% cash and 1,155,431 warrants were paid in respect of this share issue. The net proceeds of the private placement were used to prepay CDN$500,000 against the outstanding Sprott Facility and to fund development and working capital at the Company's 100% owned CMD Gold Mine in Chile.

On 30 September 2013 the Company announced that it had promoted its Chief Operating Officer (Bira De Oliveira) to the vacant position of Chief Executive Officer ("CEO"). Mr De Oliveira joined the Company in May 2012 and since then has been largely responsible for building a team of professionals at the CMD Gold Mine that has been responsible for the substantial improvement in production and costs over that time.

In November 2013 the Company completed a placement of 7,500,000 shares raising gross proceeds of CDN$1,500,000 at CDN$0.20 per share with finder's fee totalling 5% cash and 375,000 warrants.

Mr Mick McMullen transitioned from Executive Chairman to a non-executive director effective 6 January 2014 to pursue other interests and Mr Scott Perry was appointed Non-Executive Chairman. Mr McMullen resigned as a Non-Executive director on 6 April 2014.

On 17 February 2014 Lachlan announced the appointment of Mr Anthony Cipriano as a non-executive director and Audit Committee Chairman.

Other than these there have been no significant changes in the state of affairs of the consolidated entity during the period under review.

Audit Committee

Names and qualifications of Audit Committee members

Members of the Committee are Mr Anthony Cipriano (Chairman), Mr Scott Perry, and Mr Peter Drobeck. Qualifications of Audit Committee members are provided in the Directors section of this directors' report.

Audit Committee meetings

The number of Audit Committee meetings and the number of meetings attended by each of the members during the reporting period are as follows:

	(a)	(b)
AJ Cipriano (member and Chairman from 17 February 2014)	1	1
SG Perry (Chairman until 17 February 2014)	6	6
PB Babin (resigned 29 November 2013)	4	4
P Drobeck	6	6

(a) Number of meetings attended
(b) Number of meetings held during period of office

Identification of independent directors

The independent directors are identified in the Corporate Governance Statement section of this Annual Report as set out on pages 75 to 77.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 26 and forms part of the directors' report for the financial year ended 30 June 2014.

Events subsequent to reporting date

On 8 July 2014 Anglo American provided notice of their intention to form a Joint Venture under the Bushranger Farmin Agreement, diluting the Company's interest in the Bushranger Copper Project from 100% to 49%. The Company has elected to dilute further by not participating in the upcoming exploration programme. This has not impacted the carrying value of the exploration asset in the 30 June 2014 Consolidated Statement of Financial Position.

On 26 September 2014 the Company announced its annual review of its Mineral Reserves and Ore Resources as summarised on pages 12 and 13.

On 15 September 2014 the Company announced that its Chilean subsidiary, CMD, had sold certain non-core mining properties to Compañía Minera Teck Carmen de Andacollo ("CDA"). The properties sold adjoin CDA's mining properties and are non-core to CMD's gold mining operations. CMD will receive US$3,000,000 on completion of the transfer of one group of mining properties to CDA plus US$500,000 for the grant of a five year purchase option that would result in additional proceeds of US$1,500,000 if CDA exercises such option to purchase further mining properties.

Other than these no other matter or circumstance has arisen since 30 June 2014 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) the consolidated entity's operations, or
(ii) the results of those operations, or
(iii) the consolidated entity's state of affairs.

Indemnity of directors

Deeds of Access and Indemnity have been executed by the parent entity with each of the current directors and Company Secretary. The deeds require the Company to indemnify each director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the director or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an Officer of the Company or its subsidiaries.

Remuneration report

The Remuneration Report is set out on pages 20 to 25 and forms part of this Directors' Report.

Insurance of directors and officers

During the financial year the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Likely developments

The likely developments for the 2015 financial year are contained in the Operating and Financial Review as set out on pages 3 to 13.Given the uncertainty over the future gold price any analysis of likely developments beyond that period is not considered meaningful.

Directors' meetings

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the reporting period are as follows:

	(a)	(b)
SG Perry	6	6
P Drobeck	6	6
DT Franzmann	6	6
AJ Cipriano	2	2
MJ McMullen (resigned 6 April 2014)	5	5
PB Babin (resigned 29 November 2013)	3	3

(a) Number of meetings attended
(b) Number of meetings held during period of office

Remuneration Committee

The Board considers that the Company is not currently of a size to justify the existence of a Remuneration Committee.

The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company. If the Company's activities increase in size, scope and/or nature the formation of a Remuneration Committee will be considered by the Board and implemented if appropriate.

The Board considers remuneration packages and policies applicable to the executive directors, senior executives, and non-executive directors. It is also responsible for share option schemes, incentive performance packages, and retirement and termination entitlements.

Non-audit services

The auditors did not provide any non-audit services during the period under review. Details of the amounts paid or payable to the auditor of the consolidated entity for non-audit services provided during the prior year are set out below:

	2014($)	2013($)
Taxation advice	-	7,400
	-	7,400

Operating and financial review

An operating and financial review of the consolidated entity for the financial year ended 30 June 2014 is set out on pages 3 to 13 and forms part of this Directors' Report.

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
DT Franzmann	1,126,820	150,000
AJ Cipriano	-	-
SG Perry	314,055	150,000
P Drobeck	-	150,000

Shares under option

The following unissued ordinary shares of the Company are under warrant / option:

Expiry date	Exercise price	Number 01/07/13	Issued	Expired / cancelled	Exercised	Number 30/06/14
20/12/13	$1.20	166,669	-	(166,669)	-	-
20/12/13	$1.50	166,669	-	(166,669)	-	-
26/08/13	$1.20	5,970,900	-	(5,970,900)	-	-
25/11/13	$1.20	650,000	-	(650,000)	-	-
25/11/13	$1.50	150,000	-	(150,000)	-	-
25/11/14	$1.50	50,000	-	(25,000)	-	25,000
03/04/14	CDN$1.60	329,250	-	(329,250)	-	-
28/11/14	$1.50	75,000	-	(75,000)	-	-
22/05/15	$2.10	100,000	-	-	-	100,000
22/05/15	$2.50	100,000	-	-	-	100,000
2/10/15	CDN$0.30	-	432,870	-	-	432,870
7/11/15	CDN$0.30	-	1,097,561	-	-	1,097,561
29/11/15	$0.25	-	1,550,000	(350,000)	-	1,200,000
		7,758,488	3,080,431	(7,883,488)	-	2,955,431

No options have been granted or exercised since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods.

Proceedings on behalf of the consolidated entity

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration report

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of compensation

The Board determines remuneration policies and practices, evaluates the performance of senior management, and considers remuneration for those senior managers. The Board assesses the appropriateness of the nature and amount of remuneration on an annual basis by reference to industry and market conditions, and with regard to the consolidated entity's financial and operating performance.

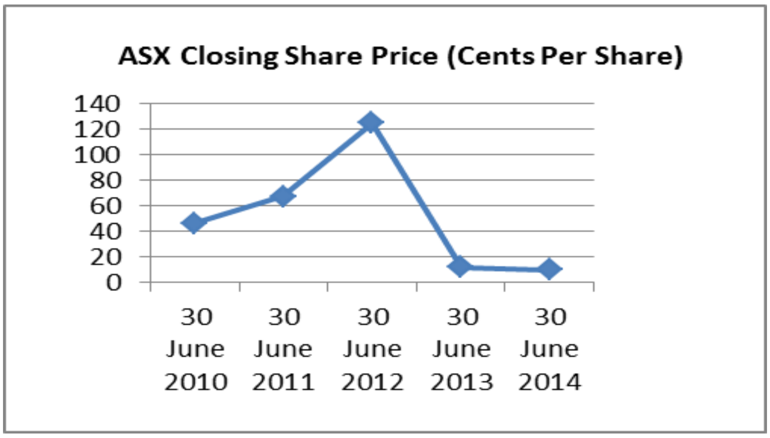
Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation of those fees amongst the individual members of the Board. The value of remuneration is determined on the basis of cost to the Company and consolidated entity. Remuneration of directors and executives is referred to as compensation, as defined in Accounting Standard AASB 124, *Related Party Disclosures*.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

Compensation arrangements include a mix of fixed and performance based compensation. A component of share-based compensation is awarded at the discretion of the Board, subject to shareholder approval when required. Compensation structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executive's ability to control the financial performance of the relative business or geographical segment, the consolidated entity's performance (including earnings and the growth in share price), and the amount of any incentives within each executive's remuneration.

Given the focus on the continued development of the CMD Gold Mine the directors did not have regard to the consolidated entity's earnings in the current and previous three financial years in setting remuneration. No dividends were paid or declared during the current or previous three financial years. The Company's closing share price in A$ on ASX at 30 June for the last five years is set out in Figure 6 below, as adjusted for the 1 for 60 share consolidation in June 2011:

Figure 6 – Company Share Price (cents)



The Company's closing share price on TSX at 30 June 2014 was CDN$0.105.

Fixed compensation

Fixed compensation consists of base compensation as well as any employer contributions to superannuation funds. Base compensation may be supplemented by an element of equity based compensation.

Use of remuneration consultants

The Company did not engage remuneration consultants during the current or prior financial year.

Voting and comments made at the Company's 2013 Annual General Meeting

The Company received more than 99% of votes cast as "yes" votes on its remuneration report for the 2013 financial year and did not receive any specific feedback either at the AGM on its remuneration policies.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2001, is not to exceed $250,000 per annum. A non-executive director's base fee is currently $50,000 per annum, other than the non-executive Chairman who has a base fee of $150,000 per annum.

Non-executive directors do not receive any performance related remuneration, however they are paid an hourly rate for work performed over and above their non-executive duties. Directors' fees cover all main Board activities and membership of Board committees. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors. Non-executive directors receive share-based compensation at the discretion of the Board, and subject to approval by shareholders.

Service contracts

The contract duration, period of notice, and termination conditions for key management personnel are as follows:

(i) Bira De Oliveira, Chief Executive Officer, is engaged through an employment agreement with no fixed expiry date. Termination by the Company is with 6 months' notice or payment in lieu thereof. Termination by the employee is with 6 months' notice.

(ii) Robert Anderson, Company Secretary and Chief Financial Officer, is engaged through a Consultancy Agreement expiring 31 December 2014. Termination by the Company is with 4.5 months' notice or payment in lieu thereof. Termination by the employee is with 4.5 months' notice.

Short-term bonus

Performance linked compensation is awarded when key management personnel have met the expectation of the Board which, as a whole, is responsible for the remuneration arrangements of the directors and executives of the Company. The short term bonus is an "at risk" bonus provided in the form of cash. The award of the cash bonus is at the Board's discretion.

Loans to and other transactions with key management personnel

The consolidated entity recharged $29,180 (2013: $99,117) and was charged $25,614 (2013: $Nil) on an arm's length basis to / from Nevada Iron Limited, a company of which Mr Michael McMullen is Chairman, for office rent, administration staff, and car parking until Mr McMullen resigned as a director of the Company on 6 April 2014.

Current trade and other payables of $271,399 (2013: $38,000) and current trade and other receivables of $Nil (2013: $35,000) were payable / receivable respectively to / from key management personnel at reporting date in respect of outstanding fees and expenses.

The consolidated entity did not have any other loans or transactions with related parties during the current or prior year other than remuneration to directors and their related parties.

Directors' and other key management personnel remuneration, Company and consolidated entity

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and consolidated entity key management personnel receiving the highest remuneration are set out on the following page.

Name	Short term salary and fees ($)	Share based payments - options ($)	Share based payments - shares ($)	Short term incentive (cash bonus) ($)	Termination ($)	Post- employment (superannuation contributions) ($)	Total ($)	Proportion of remuneration performance related (%)	Value of options as a % of remuneration (%)
Directors									
Non-Executive									
Mr SG Perry									
2014 (Non-executive Chairman from 6 January 2014)	98,087	11,447	-	-	-	-	109,534	-	10.5%
2013	50,000	-	-	-	-	-	50,000	-	-
Mr PB Babin									
2014 (resigned 29 November 2013)	20,652	-	-	-	-	-	20,652	-	-
2013	50,000	-	-	-	-	-	50,000	-	-
Mr P Drobeck									
2014	50,000	11,447	-	-	-	-	61,447	-	18.6%
2013 (appointed 22 November 2012)	30,479	-	-	-	-	-	30,479	-	-
Mr AJ Cipriano									
2014 (appointed 17 February 2014)	16,908	-	-	-	-	1,564	18,472	-	-
Mr DT Franzmann									
2014	51,490	11,447	-	-	-	-	62,937	-	18.2%
2013 (Managing Director to 30 April 2013) (1)	287,333	-	-	-	-	-	287,333	-	-
Executive									
MJ McMullen									
2014 (Executive Chairman to 6 January 2014, non-executive director 7 January 2014 to 6 April 2014, resigned 6 April 2014) (1)	151,592	-	-	-	-	-	151,592	-	-
2013	360,000	-	-	-	-	-	360,000	-	-
Executive Officers									
Mr U De Oliveira (Chief Executive Officer)									
2014 (Chief Operating Officer to 30 September 2013) (2)	338,687	19,078	30,000	107,128	-	-	494,893	21.6%	3.9%
2013	303,514	2,340	-	-	-	-	305,854	-	0.8%
Mr RA Anderson (CFO/Company Secretary)									
2014	159,500	11,447	-	15,000	-	-	185,947	8.1%	6.2%
2013	220,000	-	-	-	-	-	220,000	-	-
Mr G di Parodi (General Manager – CMD Gold Mine)									
2013 (resigned 20 September 2012)	56,961	-	-	11,280	191,351	-	259,592	4.3%	-
Total compensation: key management personnel (Company and consolidated entity)									
2014	886,916	64,866	30,000	122,128	-	1,564	1,105,474		
2013	1,358,287	2,340	-	11,280	191,351	-	1,563,258		

Notes (1): Amounts shown for Mr Franzmann and Mr McMullen include all their remuneration for the period, either as an executive or non-executive director
(2) US$75,000 of Mr De Oliveira's bonus is payable on the earlier of 31 December 2014 or the date of termination of his employment
(3) Director and other key management personnel fees are paid to the individual or their related entity

Share options

The movement during the reporting period in the number of options in Lachlan Star Limited held, directly, indirectly or beneficially by each key management person are as follows. All share options on issue at 30 June 2014 were vested and exercisable at that date.

2014

Director	Held at 01/07/13 or date of appointment	Issued as compensation	Exercised	Cancelled / Expired	Held at 30/06/14 or date of resignation
MJ McMullen	75,000	150,000	-	(175,000)	-
P Drobeck	-	150,000	-	-	150,000
AJ Cipriano	-	-	-	-	-
DT Franzmann	100,000	150,000	-	(100,000)	150,000
PB Babin	75,000	-	-	(75,000)	-
SG Perry	300,000	150,000	-	(300,000)	150,000
Executive Officer					
RA Anderson	75,000	150,000	-	(75,000)	150,000
U De Oliveira	200,000	250,000	-	-	450,000

The following options over unissued ordinary shares of the Company were granted to key management personnel during the current and prior periods.

2014

Director	Expiry date	Exercise price	Date issued	Vesting date	Number
MJ McMullen	29/11/15	$0.25	29/11/13	29/11/13	150,000
P Drobeck	29/11/15	$0.25	29/11/13	29/11/13	150,000
SG Perry	29/11/15	$0.25	29/11/13	29/11/13	150,000
DT Franzmann	29/11/15	$0.25	29/11/13	29/11/13	150,000

Executive Officer	Expiry date	Exercise price	Date issued	Vesting date	Number
U De Oliveira	29/11/15	$0.25	29/11/13	29/11/13	250,000
RA Anderson	29/11/15	$0.25	29/11/13	29/11/13	150,000

2013

Executive Officer	Expiry date	Exercise price	Date issued	Vesting date	Number
U De Oliveira	22/5/15	$2.10	30/11/12	22/5/13	100,000
U De Oliveira	22/5/15	$2.50	30/11/12	22/5/13	100,000

No options have been granted since the end of the financial year, nor have any options held by key management personnel been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods. Details of options that expired during the period are set out on page 19 of this report.

The fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. The following factors and assumptions were used in determining the fair value of options issued during the current and prior periods.

2014 Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
29/11/2013	29/11/2015	$0.08	$0.25	$0.20	78.8%	4%	0%

2013 Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
30/11/2012	22/5/2015	$0.019	$2.10	$1.30	17.2%	5%	0%
30/11/2012	22/5/2015	$0.004	$2.50	$1.30	17.2%	5%	0%

The movement during the current and prior reporting period, by value, of options over ordinary shares for key management personnel and granted as part of their remuneration is detailed below:

2014

Director	Granted in year ($)	Exercised in year ($)	Value of Options Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
MJ McMullen	11,447	-	-	(11,447)	-
P Drobeck	11,447	-	-	-	11,447
SG Perry	11,447	-	-	-	11,447
DT Franzmann	11,447	-	-	-	11,447

Executive Officer	Granted in year ($)	Exercised in year ($)	Value of Options Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
U De Oliveira	19,078	-	-	-	19,078
RA Anderson	11,447	-	-	-	11,447

2013

Executive Officer	Granted in year ($)	Exercised in year ($)	Value of Options Forfeited in year ($)	Cancelled / expired in year ($)	Total value in year ($)
U De Oliveira	2,340	-	-	-	2,340

The value of options granted during the year is the fair value of the options at grant date using the Black-Scholes Option Pricing Model. The value of options exercised during the year is calculated as the market price of shares of the Company on ASX Limited as at close of trading on the date the options were exercised, after deducting the price paid to exercise the options.

Shares

The movement during the reporting period in the number of ordinary shares in Lachlan Star Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

Director	Held at 01/07/13 or date of appointment	Net acquired / (disposed)	Granted as compensation	Held at 30/6/14 or date of resignation
DT Franzmann	1,217,320	(90,500)	-	1,126,820
MJ McMullen	2,520,212	-	-	2,520,212
P Drobeck	-	-	-	-
AJ Cipriano	-	-	-	-
PB Babin	3,322,384	-	-	3,322,384
SG Perry	-	314,055	-	314,055
Executive Officer				
RA Anderson	393,080	-	-	393,080
U De Oliveira	-	-	150,000	150,000

The following ordinary shares of the Company were granted to key management personnel during the period as part of their remuneration for no cash consideration. No shares of the Company were granted as compensation to key management personnel during the prior period.

2014

Executive Officer	Date issued	Vesting date	Number
U De Oliveira	29/11/13	29/11/13	150,000

Signed in accordance with a resolution of the directors.

SG Perry
Non-Executive Chairman

Perth 26 September 2014

Auditor's Independence Declaration

As lead auditor for the audit of Lachlan Star Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lachlan Star Limited and the entities it controlled during the period.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
26 September 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 $000	(Restated) 2013 $000
Revenue from continuing operations			
Revenue	2	94,917	77,630
Finance income		30	149
		94,947	77,779
Expenses			
Cost of sales	3	(93,127)	(92,526)
Other expenses from ordinary activities			
Impairment loss	4	(10,853)	(26,946)
Corporate compliance and management		(1,803)	(2,191)
Cost of derivatives		(885)	-
Share based payments expense		(295)	(207)
Occupancy costs	4	(50)	(56)
Foreign exchange gain / (loss)	4	826	(831)
New venture expenditure written off		(10)	(142)
Other expenses		(90)	(215)
Finance expense	4	(2,184)	(1,413)
Fair value (loss) / gain on liabilities carried at fair value		(76)	670
Loss before income tax		(13,600)	(46,078)
Income tax (expense)	7	(2,885)	(7,764)
(Loss) for the period	24 (c)	(16,485)	(53,842)
Other comprehensive income for the period net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations		(723)	7,393
Total comprehensive income for the period		(17,208)	(46,449)
		Cents	Cents
Basic (loss) per share	6	(12.5)	(58.9)
Diluted (loss) per share	6	(12.5)	(58.9)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

For the restated consolidated statement of profit or loss and other comprehensive income for the period ending 30 June 2013 refer to Note 1 (ad) and Note 30 (iii).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	2014 $000	(Restated) 2013 $000
Current assets			
Cash and cash equivalents	21(b)	1,932	2,811
Trade and other receivables	8	3,481	3,883
Inventories	9	19,880	13,782
Total current assets		25,293	20,476
Non-current assets			
Trade and other receivables	8	251	491
Inventories	9	-	6,428
Mine development properties	10	14,967	21,681
Property, plant and equipment	11	17,839	25,351
Exploration and evaluation	12	2,775	2,775
Deferred tax asset	14	-	2,976
Total non-current assets		35,832	59,702
Total assets		61,125	80,178
Current liabilities			
Trade and other payables	15	21,202	24,786
Borrowings	19	7,710	13,068
Total current liabilities		28,912	37,854
Non-current liabilities			
Borrowings	19	11,490	13,767
Provisions	16	5,790	5,943
Total non-current liabilities		17,280	19,710
Total liabilities		46,192	57,564
Net assets		14,933	22,614
Equity			
Contributed equity	24(a)	224,522	215,076
Reserves	24(b),(d)	6,572	7,214
Accumulated losses	24(c)	(216,161)	(199,676)
Total equity		14,933	22,614

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

For the 30 June 2013 restated consolidated statement of financial position refer to Note 1 (ad) and Note 30 (ii).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity $000	Accumulated losses $000	Share based payments reserve $000	Foreign exchange reserve $000	Total $000
Balance at 1 July 2012 (Restated)	204,436	(145,834)	425	(308)	58,719
Other comprehensive income	-	-	-	7,393	7,393
(Loss) for the year	-	(53,842)	-	-	(53,842)
Total comprehensive (loss) for the year	-	(53,842)	-	7,393	(46,449)
Transactions with owners in their capacity as owners:					
Shares issued for cash	3,919	-	-	-	3,919
Shares issued on exercise of options	6,289	-	-	-	6,289
Share issue costs	(72)	-	-	-	(72)
Share based payments	504	-	(296)	-	208
Balance at 30 June 2013 (Restated)	215,076	(199,676)	129	7,085	22,614
Other comprehensive income	-	-	-	(723)	(723)
(Loss) for the year	-	(16,485)	-	-	(16,485)
Total comprehensive (loss) for the year	-	(16,485)	-	(723)	(17,208)
Transactions with owners in their capacity as owners:					
Shares issued for cash	9,684	-	-	-	9,684
Share issue costs	(451)	-	-	-	(451)
Share based payments	213	-	81	-	294
Balance at 30 June 2014	224,522	(216,161)	210	6,362	14,933

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

For the restated consolidated statement of changes in equity refer to Note 1 (ad) and Note 30 (v).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014 $000	(Restated) 2013 $000
Cash flows from operating activities			
Receipts from customers and GST recovered		95,345	77,233
Payments to suppliers and employees		(83,882)	(82,832)
Interest received		31	259
Interest paid		(2,011)	(1,083)
Net cash flows from / (used in) operating activities	21(a)	9,483	(6,423)
Cash flows from investing activities			
Payments for mine development		(9,240)	(11,695)
Payments for acquisition of property, plant and equipment	11	(3,251)	(24,701)
Payments for exploration and evaluation	12	-	(4)
Net cash flows used in investing activities		(12,491)	(36,400)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	24	9,684	3,919
Proceeds from exercise of share options	24	-	6,289
Repayment of borrowings		(7,817)	(8,672)
Receipt of borrowings		778	26,970
Payment of share issue costs	24	(451)	(72)
Net cash flows from financing activities		2,194	28,434
Net (decrease) in cash and cash equivalents		(814)	(14,389)
Effect of exchange rate fluctuations on cash held		(65)	(212)
Cash and cash equivalents at the beginning of the year		2,811	17,412
Cash and cash equivalents at the end of the year	21(b)	1,932	2,811

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

For the restated consolidated statement of cash flows for the period ending 30 June 2013 refer to Note 1 (ad) and Note 30 (iv).

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Lachlan Star Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations, and the Corporations Act 2001. Lachlan is a for-profit entity for the purposes of preparing the financial statements. Compliance with Australian Accounting Standards ensures that the consolidated financial report of Lachlan Star Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the directors on 26 September 2014. Lachlan Star Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of measurement

The financial report is prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 30 June 2014 the consolidated entity had cash reserves of $1,932,000 (2013: $2,811,000) and a net current asset deficiency of $3,619,000 (2013: deficiency of $17,378,000), having recorded a net loss after tax for the period of $16,485,000 (2013: loss of $53,842,000) including a non-cash impairment loss of $10,853,000 (2013: $26,946,000). The consolidated entity had net cash inflows from operations for the year of $9,483,000 (2013: $6,423,000 net outflows). Notwithstanding the above, the financial report has been prepared on a going concern basis, which the directors consider to be appropriate, based on:

(i) Subsequent to period end the Company sold non-core properties to CDA for US$3,000,000 on completion of the transfer of one group of mining properties and US$500,000 for the grant of a five year purchase option that would result in additional proceeds of US$1,500,000 if CDA exercises such option to purchase further mining properties. Of the US$3,500,000 initial proceeds, US$1,500,000 has been received and the remaining US$2,000,000 is in escrow pending the completion of legal transfers and is expected to be received prior to 31 December 2014.

(ii) the expectation that the operating subsidiary will be able to maintain its creditor holding periods in Chile

(iii) the net current asset deficiency of $3,619,000 would be reduced by $3,390,000 if current leachpad inventories had been valued at the spot gold price of US$1,315 per ounce on 30 June 2014

(iv) the expectation that the Company, if required, would be able to raise additional funds through debt, asset sales, or equity

The directors believe that the group will be successful in implementing these initiatives as required and, accordingly, have prepared the financial statements on a going concern basis. Notwithstanding this belief, as there is a risk that the group may not be successful in implementing its initiatives or the implementation of alternative options which may be available to the group, this constitutes a material uncertainty which may cast a significant doubt about the group's ability to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the group not continue as a going concern.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are:

(i) Impairment

AASB 136 *Impairment of Assets* requires a company to make a formal estimate of recoverable amount if an indicator of impairment is present. Impairment indicators exist for the consolidated entity, being a pre tax loss for the period of $2,747,000 before impairment loss and a Company market capitalisation of CDN$12.55 million on TSX at 19 September 2014 compared to consolidated net asset carrying values of $25.79 million at 30 June 2014 prior to any current year impairment charge.

The recoverability of the carrying amount of the Company's one cash generating unit, being the CMD Gold Mine, has been reviewed by the consolidated entity. In conducting the review, the recoverable amount has been assessed by reference to the higher of 'fair value less costs to sell' and 'value in use'. Recoverable amount assessments are principally based on discounted cash flow analysis which requires the use of estimates and judgements in relation to a range of inputs including (a) quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction; (b) discount rates; (c) timing of future production; (d) future exchange rates and commodity prices; and (e) future costs of production and capital expenditure. Regard has been given to external consensus forecasts of key assumptions where available.

Recoverable amount is based on fair value less costs to sell. Fair value was determined by a discounted cash flow analysis covering projected production from 2014 to 2017 using a post-tax discount rate of 10.4% and resulted in an impairment loss of $10.85 million which has been attributed to property, plant and equipment and mine development properties.

The assumption to which the recoverable amount is most sensitive is the gold price. The following gold prices, being the "medium" financial institution consensus forecasts, were used as inputs in the discounted cash flow analysis:

	2014	2015	2016	2017
Gold price US$ / oz	1298	1300	1300	1300

Variations to the expected future cash flows, and timing thereof, could result in significant changes to the impairment test results which could in turn impact future financial results, including the potential for the impairment loss recognized in the current and /or prior year to partially or totally reverse.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements (continued)

(ii) Provisions

The consolidated entity has recognised a provision for environmental restoration. This provision has been measured based on management's estimates of the probable amount of resources that will be required to settle the obligation and the timing of settlement. Such estimates are subjective and there may be a future need to revise the book value of the provision as a result of changes in estimates.

(iii) Functional currency

Companies in the consolidated entity have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For subsidiaries Compania Minera Dayton ("CMD"), Dayton Chile Exploraciones Mineras Limitada ("DCEM"), Minera Andacollo Spa, Minera La Laja Spa, and Minera Rosario Spa the above indicators are mixed and the functional currency is not obvious. Management used its judgment to determine which factors are most important and concluded the US dollar is the functional currency for those companies. For Lachlan Star Limited and its other subsidiaries management have determined that the Australian dollar is the functional currency for those companies given their recurring revenue and expenditure is mostly in Australian dollars.

(iv) Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent it is believed there will be sufficient future taxable profits against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of a subsidiary, which is not part of the tax consolidated group, to be able to satisfactorily substantiate its tax losses at the time they are recouped. It is believed the subsidiary tax losses can be substantiated.

(v) Recovery of ounces of gold in leach pad inventories

Management has estimated the recovery of gold in the leach pad at the CMD Gold Mine based on recovery rates experienced after the September 2000 shutdown. Management evaluate this estimate on an ongoing basis for any changes that may result in adjustments to the financial statements.

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements (continued)

(vi) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the consolidated entity's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The group is required to determine and report ore reserves in Australia under the principles incorporated in the December 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

As the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the group's financial results and financial position in a number of ways, including recognition of deferred tax on mineral rights, deferred mining expenditure and capitalisation of mine development costs, impairment and units of production method of depreciation and amortisation.

(vii) Exploration and evaluation expenditure

Expenditure which does not form part of the cash generating units assessed for impairment has been carried forward in accordance with Note 1(e) on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which the decision is made.

(b) Recoverable amount of assets and impairment testing

Goodwill and assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired, by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Fair value less cost to sell is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating fair value less cost to sell, a post-tax discount rate is used which reflects the market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in profit or loss.

1. Significant accounting policies (continued)

(c) Principles of consolidation

Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power to direct the activities of the entity.. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a subsidiary enters or leaves the consolidated entity during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. This is generally the case where the group holds a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(d) Receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortised cost, less impairment losses. Trade receivables comprise amounts due from customers for metal sales in the ordinary course of business.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised within other expenses in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

1. Significant accounting policies (continued)

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area or by its sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 1(b).

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine development properties.

(f) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the excess of the cost of acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative it is recognised immediately in profit or loss.

Goodwill is not amortised and is subsequently measured at cost less accumulated impairment losses as determined in accordance with Note 1(b).

Goodwill is allocated to cash generating units for the purposes of impairment testing. The consolidated entity has one cash generating unit, the CMD Gold Mine in Chile.

(g) Earnings per share

The consolidated entity presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(h) Share based payments

Fair value of shares and share options granted as compensation is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options. Fair value of share grants at grant date is determined by the share price at that time. The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to contributed equity. There are no non-market conditions attached to share options granted.

1. Significant accounting policies (continued)

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(j) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is considered probable.

1. Significant accounting policies (continued)

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), or in Chile Value Added Tax ("VAT"), except where the amount of GST (or VAT) incurred is not recoverable from the Australian or Chilean Tax Office. In these circumstances the GST (or VAT) is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST (or VAT). The cash flow statement discloses the GST (or VAT) component of investing and financing activities as operating cash flows.

(l) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits and termination indemnities arising from services rendered by employees to balance date.

(i)Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulated sick leave is recognized in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurement as a result of experience adjustments and changes in actual assumptions are recognized in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation in the form of options is measured using an option pricing model and is expensed or charged to contributed equity over the vesting period of the options with a corresponding credit to the share based payments reserve.

(iv) Termination Benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed or where there is a contractual liability. The liabilities for termination benefits are recognised as provisions. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, but only where the effect of discounting is material. Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1. Significant accounting policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(o) Foreign currency

Functional and presentation currency

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in profit or loss.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at statement of financial position date
- income and expenses are translated at transaction date or average exchange rates for the period, whichever is more appropriate

Resulting exchange differences arising on translation of foreign operations are recognised in other comprehensive income and are transferred directly to the consolidated entity's foreign currency translation reserve as a separate component of equity. These differences are recognised in profit or loss upon disposal of the foreign operation.

1. Significant accounting policies (continued)

(p) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial year in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed whenever there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 1(b).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation and impairment

Depreciation on plant and equipment is calculated over the expected useful life to the economic entity commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

- Mine Plant - units of production
- Head office fixtures and fittings - 3 to 5 years

Depreciation is calculated on a unit of production basis so as to write off costs in proportion to the depletion of estimated recoverable ounces.

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in other profit or loss and other comprehensive income.

1. Significant accounting policies (continued)

(q) Borrowing costs

Borrowing costs comprise interest expense on borrowings, bank fees, the unwinding of the discount on deferred consideration and provisions, the fair value adjustment to a financial liability, and exchange gains / (losses) on foreign currency borrowings.

(r) Investments and other financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Initial fair value is inclusive of transaction costs except for financial assets and liabilities at fair value through profit and loss. Changes in fair value are either taken to the profit and loss or to an equity reserve (refer below). Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in other comprehensive income as gains and losses from investment securities.

1. Significant accounting policies (continued)

(s) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost. The amounts are unsecured and usually paid within 90 days of recognition.

(t) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period (refer Note 1(ad)).

(u) Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs. Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

Supplies and consumables

Mine operating supplies represent consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Gold in process and doré

Gold in process and doré represents ounces of recoverable gold included in stockpiles, leach pads and the carbon recovery circuit and doré which has been produced but not sold at period end. Cost is determined using the weighted average cost method. The cost of gold in process comprises raw materials, direct labor, other direct costs and related production overheads including plant depreciation. It excludes borrowing costs.

1. Significant accounting policies (continued)

(w) Parent entity financial information

The financial information for the parent entity, Lachlan Star Limited, disclosed in Note 20 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Lachlan Star Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(x) Mine development properties

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase. Where the directors decide that specific costs will not be recovered from future development, those costs are charged to profit or loss during the financial period in which the decision is made.

Depreciation of mine development properties is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

Production phase stripping costs

Waste stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the year that the waste stripping costs were incurred, unless these costs provide a future economic benefit. Production phase stripping costs generate a future economic benefit when the related waste stripping activity: (i) provides access to ore to be mined in the future; (ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; (iii) increases the productive capacity or extends the productive life of the mine (or pit). For production phase stripping costs that generate a future economic benefit, the current year waste stripping costs are capitalised.

Depreciation of production phase stripping costs is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

1. Significant accounting policies (continued)

(z) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of assets constructed for own use (during the construction period). Capitalised leased assets used in mining operations are depreciated on a unit of production basis so as to write off the costs in proportion to the depletion of estimated recoverable ounces.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(aa) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site restoration

Provisions for the cost of site restoration are recognised at the time that an environmental disturbance occurs or a constructive obligation is determined. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances as at the reporting date. Estimated costs included in the determination of the provision reflect the risks and probabilities of alternative estimates of cash flows required to settle the obligation. The expected rehabilitation costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally depending on management's intention.

The timing of the actual rehabilitation expenditure is dependent upon a number of factors including the currently approved life of the CMD Gold Mine and changes in local environmental regulations. Expenditures may occur before and after closure and can continue for an extended period of time depending on rehabilitation requirements. The site restoration provision is measured at the expected value of future cash flows, discounted to their present value. The unwinding of the discount is included in finance costs and results in an increase in the amount of the provision.

The provision is updated each year for the effect of a change in the discount rate and exchange rate, when applicable, and the change in estimate is added or deducted from the related asset and depreciated prospectively over the asset's useful life. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, those of the consolidated entity's environmental policies that give rise to a constructive obligation.

The capitalised cost of closure and rehabilitation activities is recognised in mine development properties and amortised in accordance with Note 1(x).

1. Significant accounting policies (continued)

(ab) Contingencies

Contingent liabilities are defined as possible obligations resulting from past events whose existence depends on future events, obligations that are not recognised because it is not probable that they will lead to an outflow of resources, or obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position other than as part of a business combination, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(ac) Financial liabilities (including borrowings)

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through the profit or loss, borrowings, payables or as derivatives as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of borrowings, less directly attributable transaction costs. The subsequent measurement of financial liabilities depend on their classification.

After initial recognition, borrowings and payables are subsequently measured at amortised cost using the effective interest rate method or at fair value. Gains and losses are recognised in other comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm’s length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

(ad) Change in Accounting Policies

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from IFRIC 20* are effective 1 July 2013. IFRIC 20 (applied in Australia as Interpretation 20) sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the ore body) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the consolidated entity's previous accounting policy which was to capitalise stripping costs based on a combined pit waste-to-ore stripping ratio and amortise the costs over the life of the mine. IFRIC 20 has been applied prospectively to the Company’s production stripping costs incurred on or after 1 July 2012 resulting in the restatement of comparatives for the year ending 30 June 2013. Capitalised deferred stripping costs of $3.99 million that are not related to an identifiable component of an ore body at 30 June 2012 have been written off against retained earnings at that date.

The financial effect of these accounting policy changes on the previously presented financial statements as at 1 July 2012 and 30 June 2013 are set out in Note 30 to these financial statements. For the year ended 30 June 2013 the adoption of this interpretation has increased the unaudited CMD Gold Mine gross operating loss by US$1.92 million and reduced cash costs by US$16 per ounce. For the year ended 30 June 2014 the adoption of this interpretation has increased expenditure on mine development properties by US$2.55 million and increased the CMD net profit before impairment loss and tax by US$0.11 million.

AASB 10, *Consolidated Financial Statements*, AASB 11, *Joint Arrangements*, AASB 13, *Fair Value Measurement* and AASB 12, *Disclosures of Interests in other Entities,* which were adopted for the first time on 1 July 2013, did not result in any changes to the financial statements.

1. Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 January 2017).

AASB 9 replaces the multiple classification and measurement models in AASB 139 Financial instruments: Recognition and measurement with a single model that has only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A 'simple' debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other financial assets, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the income statement, except for equity investments that are not traded, which may be recorded in the income statement or in reserves. For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss. The new hedge accounting rules that were released in December 2013 align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. Entities can elect to apply AASB 9 early for any of the following: the own credit risk requirements for financial liabilities classification and measurement (C&M) requirements for financial assets C&M requirements for financial assets and financial liabilities, or the full current version of AASB 9 (C&M requirements for financial assets and liabilities and hedge accounting). The consolidated entity has not yet decided when to adopt these changes.

(ii) *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements (effective for accounting periods beginning on or after 1 January 2014).*

The AASB has made amendments to the disclosures required by AASB 136 Impairment of Assets which: remove the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment; this disclosure was introduced with AASB 13 and will become applicable from 1 January 2014 unless the entity adopts the amendments made by AASB 2013-3 early require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. The consolidated entity intends to apply the new rules for the first time in the financial year commencing 1 July 2014.

1. Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted (continued)

(iii) *AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods beginning on or after 1 January 2014).*

The AASB has made a limited scope amendment to AASB 139 Financial Instruments: Recognition and measurement. AASB 139 requires an entity to stop hedge accounting when a novation (replacement of one party of the derivative contract with a new party) occurs, because the original hedging instrument envisaged in the hedge documentation has changed. The amendment allows the continuation of hedge accounting provided specific conditions are met. It will be beneficial to entities applying hedge accounting that are subject to mandatory novation of 'over the counter' derivatives. The consolidated entity intends to apply the new rules for the first time in the financial year commencing 1 July 2014.

(iv) *AASB 2012-3 Offsetting Financial Assets and Financial Liabilities AASB 2012-2 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective or accounting periods beginning on or after 1 January 2014).*

The amendments do not change the current offsetting rules in AASB 132, but they clarify that the right of set-off must be available today (that is, not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy. The consolidated entity intends to apply the new rules for the first time in the financial year commencing 1 July 2014.

(v) *Annual Improvements 2010-2012 cycle (effective 1 July 2014).*

In December 2013, the IASB made the following amendments: IFRS 2 – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition' IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date. IFRS 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors. The consolidated entity intends to apply the new rules for the first time in the financial year commencing 1 July 2014.

The consolidated entity does not expect that any adjustments will be necessary as the result of applying the revised rules.

(af) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. Revenue

	2014 $000	2013 $000
Sale of gold	93,783	77,598
Sale of silver (net of refining)	663	32
Sale of copper	471	-
	94,917	77,630

3. Cost of sales

		(Restated)
Depreciation and amortisation	14,138	13,775
Inventory adjustments	(2,778)	(1,127)
Mine operational expenses	22,347	31,997
Reagents	16,076	14,448
Utilities, maintenance	23,701	17,440
Personnel expenses	15,375	11,220
Royalties	1,821	1,874
Other expenses	2,447	2,899
	93,127	92,526

4. Expenses

Loss before income tax includes the following specific expenses:

Impairment loss		**(Restated)**
Goodwill	-	189
Property, plant and equipment	5,902	11,423
Mine development properties	4,951	15,334
	10,853	26,946
Finance costs		
Interest and finance charges	2,195	1,188
Provisions: unwinding of discount	-	38
Exchange losses on foreign currency borrowings	(11)	187
	2,184	1,413
Rental expense relating to operating leases		
Minimum lease payments	50	56
Total rental expenses relating to operating leases	50	56
Foreign exchange gain / (loss)		
Net foreign exchange gain / (loss) included in finance costs	11	(187)
Net foreign exchange gain / (loss) shown separately as foreign exchange gain / (loss)	826	(831)
Total foreign exchange gain / (loss)	837	(1,018)

5. Auditors' remuneration

	$	$
PricewaterhouseCoopers Australia		
Statutory audit and review:	115,133	103,400
Other services:		
Taxation advice	-	7,400
Related practices of PricewaterhouseCoopers Australia		
Non statutory audit and review:	99,991	93,495
	215,124	204,295

6. Earnings per share

	2014 Number	(Restated) 2013 Number
Weighted average number of ordinary shares:		
1 July	99,107,273	86,380,017
Weighted number of shares issued	32,623,218	5,026,461
30 June (basic)	131,730,491	91,406,478
30 June (diluted)	131,730,491	91,406,478
(Loss) attributable to ordinary shareholders for basic and diluted (loss) per share:	($16,485,000)	($53,842,000)
Basic and diluted loss per share (cents per share)	(12.5)	(58.9)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of the diluted 2014 and 2013 loss per share as the exercise of the options would not increase the loss per share.

7. Income tax benefit

	2014 $000	(Restated) 2013 $000
Numerical reconciliation of income tax expense / benefit to prima facie tax expense / benefit:		
Loss before income tax	(13,600)	(46,078)
Prima facie income tax benefit on pre-tax loss at the Australian income tax rate of 30% (2013: 30%)	(4,080)	(13,824)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments expense	88	62
Overseas related costs	11	105
	(3,981)	(13,657)
Difference in overseas tax rate	973	3,326
Prior year losses written off	2,578	7,154
Current year tax losses and temporary differences not brought to account	3,315	10,941
Income tax expense	2,885	7,764

Unrecognised deferred tax assets

	2014 $000	(Restated) 2013 $000
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	18,315	15,152
Deductible temporary differences	7,593	1,606
	25,908	16,758

Income tax expense

	2014 $000	(Restated) 2013 $000
Current tax	-	-
Deferred tax	2,885	7,764
	2,885	7,764
Deferred income tax expense included in income tax (expense) / benefit comprises:		
Decrease in deferred tax assets	2,578	7,361
Increase / (decrease) in deferred tax liabilities	307	403
	2,885	7,764

8. Trade and other receivables

	2014 $000	2013 $000
Current		
Trade receivables	1,848	2,326
Other receivables and prepayments - third parties	1,633	1,522
Other receivables and prepayments - related parties	-	35
	3,481	3,883
Non-current		
Other receivables and prepayments - third parties	251	491
	251	491

Exposure to risk on trade and other receivables is set out in Note 29.

9. Inventories

Current		
Gold in process – at cost	16,099	7,696
Less write down to net realizable value	-	(484)
Gold in process – cost / net realisable value	16,099	7,212
Stockpiles - at cost	527	820
Doré – at cost	1,031	889
Copper concentrate– at cost	80	388
Consumables – at cost	2,143	4,473
	19,880	13,782
Non-current		
Gold in process – at cost	-	6,857
Less write down to net realizable value	-	(429)
Gold in process – net realisable value	-	6,428
Total carrying value	19,880	20,210

10. Mine development properties

Cost		
		(Restated)
Balance at beginning of period	58,133	40,980
Effect of movements in exchange rates	(1,186)	5,963
Capitalised during the year	9,408	11,190
Balance at end of period	66,355	58,133
Accumulated amortisation		
Balance at beginning of period	36,452	10,516
Amortisation	10,564	8,188
Impairment loss (refer Note 1(a)(i))	4,951	15,334
Effect of movements in exchange rates	(579)	2,414
Balance at end of period	51,388	36,452
Carrying amount at beginning of period	21,681	30,464
Carrying amount at the end of period	14,967	21,681

11. Property plant and equipment

	Fixture and fittings $000	Vehicles $000	Land and buildings $000	Mine plant $000	Total $000
2014					
Cost:					
Balance at beginning of period	588	51	86	46,831	47,556
Effect of movements in exchange rates	(18)	(3)	(3)	(1,384)	(1,408)
Additions	-	-	-	3,251	3,251
Balance at end of period	570	48	83	48,698	49,399
Accumulated depreciation:					
Balance at beginning of period	154	51	-	22,000	22,205
Depreciation charge for period	30	-	-	4,111	4,141
Impairment loss (refer Note 1(a)(i))	-	-	-	5,902	5,902
Effect of movements in exchange rates	(6)	(3)	-	(679)	(688)
Balance at end of period	178	48	-	31,334	31,560
Carrying amount at beginning of period	434	-	86	24,831	25,351
Carrying amount at end of period	392	-	83	17,364	17,839
2013 (Restated)					
Cost:					
Balance at beginning of period	463	40	35	17,269	17,807
Effect of movements in exchange rates	61	11	9	4,967	5,048
Additions	64	-	42	24,595	24,701
Balance at end of period	588	51	86	46,831	47,556
Accumulated depreciation:					
Balance at beginning of period	105	40	-	4,188	4,333
Depreciation charge for period	30	-	-	5,569	5,599
Impairment loss (refer Note 1(a)(i))	-	-	-	11,423	11,423
Effect of movements in exchange rates	19	11	-	820	850
Balance at end of period	154	51	-	22,000	22,205
Carrying amount at beginning of period	358	-	35	13,081	13,474
Carrying amount at end of period	434	-	86	24,831	25,351

12. Exploration and evaluation

	2014 $000	2013 $000
Cost at beginning of period	7,990	7,986
Additions	-	4
Cost at end of financial period	7,990	7,990
Impairment provision	(5,215)	(5,215)
Carrying amount at end of period	2,775	2,775
Carrying amount at beginning of period	2,775	2,775

13. Goodwill

Cost		
Balance at beginning of period	-	189
Impairment loss (refer Note 1(a)(i))	-	(189)
Balance at end of period	-	-

Goodwill was acquired in a business combination on the acquisition of the CMD Gold Mine in December 2010. The goodwill was 100% attributable to the mining activities at the CMD Gold Mine in Chile.

14. Deferred tax

The following deferred tax assets and liabilities have been brought to account and netted off in the statement of financial position.

Deferred tax asset	2014 $000	2013 $000
Equity raising costs	514	634
Tax losses	18,315	15,152
Impairment loss	11,340	8,084
Site restoration	776	800
Other	87	35
	31,032	24,705
Deferred asset not recognized	(25,908)	(16,758)
	5,124	7,947
Deferred tax liability		
Property plant and equipment	2,114	1,865
Mine properties	1,086	1,121
Inventories	1,924	1,985
	5,124	4,971
Net deferred tax asset	-	2,976

14. Deferred tax (continued)

A reconciliation of the movement in the net deferred tax asset is a follows:

2014	Tax losses $000	Employee benefits $000	Site restoration $000	Property plant and equipment $000	Mine properties $000	Inventories $000	Total $000
Opening	7,147	-	800	(1,865)	(1,121)	(1,985)	2,976
(Charged) / credited to profit or loss	(2,578)	-	-	(307)	-		(2,885)
Effect of movements in exchange rates	(221)	-	(24)	58	34	62	(91)
Closing	4,348	-	776	(2,114)	(1,087)	(1,923)	-

(Restated) 2013	Tax losses $000	Employee benefits $000	Site restoration $000	Property plant and equipment $000	Mine properties $000	Inventories $000	Total $000
Opening	12,443	212	684	(1,417)	(1,306)	(1,499)	9,117
(Charged) / credited to profit or loss	(7,154)	(249)	42	(462)	387	(328)	(7,764)
Effect of movements in exchange rates	1,858	37	74	14	(202)	(158)	1,623
Closing	7,147	-	800	(1,865)	(1,121)	(1,985)	2,976

15. Trade and other payables

	2014 $000	2013 $000
Current		
Trade payables – third parties	14,498	18,898
Trade payables – related parties	-	38
Non-trade payables and accrued expenses – third parties	4,950	4,707
Non-trade payables and accrued expenses – related parties	271	-
Employee benefits	1,483	1,143
	21,202	24,786

Information about the consolidated entity’s exposure to foreign exchange risk is provided in Note 29.

16. Provisions

	2014 $000	2013 $000
Non-current		
Site restoration:		
Balance at beginning of the period	5,035	5,007
Effect of movements in exchange rates	(161)	496
Accretion	-	37
Change in estimate	168	(682)
Change in discount rate	-	177
Balance at end of the period	5,042	5,035
Termination:		
Balance at beginning of the period	908	1,080
Effect of movements in exchange rates	(24)	86
Change in provision	(136)	(258)
Balance at end of the period	748	908
Carrying value	5,790	5,943

17. Related party disclosures

Lachlan Star Limited is the ultimate parent entity.

The consolidated entity recharged $29,180 (2013: $99,117) and was charged $25,614 (2013: $Nil) on an arm's length basis to / from Nevada Iron Limited, a company of which Mr Michael McMullen is Chairman, for office rent, administration staff, and car parking until Mr McMullen resigned as a director of the Company on 6 April 2014.

The consolidated entity did not have any other transactions with related parties during the current or prior year other than remuneration to directors and other key management personnel, as disclosed in the Remuneration Report as set out on pages 20 to 25,

Amounts due to / from related parties are set out in Note 8 and Note 15 respectively. Amounts due to related parties are due in the normal course of business and have no interest terms attaching to them.

18. Capital commitments

	2014 $000	2013 $000
Operating leases		
Within 1 year	-	47
	-	47

19. Borrowings

Current	**2014 $000**	**2013 $000**
Bank loans – unsecured	646	2,213
Lending institution loans – secured	1,820	5,193
Other loans - vendors of the CMD Gold Mine – unsecured	46	263
Finance leases – secured	5,198	5,399
	7,710	13,068
Non-current		
Lending institution loans – secured	2,166	-
Other loans - vendors of the CMD Gold Mine – unsecured	-	43
Finance leases – secured	9,324	13,724
	11,490	13,767
Financing arrangements		
Finance available		
Bank loans - unsecured	646	2,213
Lending institution loans – secured	3,986	5,193
Other loans - vendors of the CMD Gold Mine	46	306
Finance leases	14,522	19,123
Finance available at balance date	19,200	26,835
Facilities utilised at balance date		
Bank loans - unsecured	646	2,213
Lending institution loans – secured	3,986	5,193
Other loans - vendors of the CMD Gold Mine	46	306
Finance leases	14,522	19,123
Finance utilised at balance date	19,200	26,835

There were no unused finance facilities at 30 June 2014 or 30 June 2013.

Finance leases are secured by the assets to which they relate. Information about the consolidated entity's exposure to foreign exchange and interest rate risk is provided in Note 29.

Finance leases

Minimum lease payments		
Not later than one year	5,833	6,403
Later than one but not later than five years	9,835	14,911
Total future minimum lease payments	15,668	21,314
Less future finance charges	(1,146)	(2,191)
Present value of future minimum lease payments	14,522	19,123

Exposure to risk on borrowings is set out in note 29. The Company has complied with the financial covenants of its borrowing facilities during the 2014 and 2013 reporting periods.

20. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of financial position	2014 $000	(Restated) 2013 $000
Current assets	1,380	897
Total assets	19,556	28,441
Current liabilities	2,456	5,783
Total liabilities	4,623	5,827
Equity		
Contributed equity	224,522	215,076
Share based payments reserve	210	129
Accumulated losses	(209,799)	(192,591)
Net assets	14,933	22,614
Loss for the year	(17,207)	(49,971)
Total comprehensive loss for the year	(18,709)	(44,502)

The current year loss includes an $11,845,000 (2013: $52,542,000) impairment provision against the carrying value of the investment in the CMD Gold Mine in the accounts of the parent entity.

The parent entity has provided a letter of support to its subsidiary, Compañía Minera Dayton, advising of its intention to continue to provide financial support to that company for 12 months from the date of this report. The parent entity did not have any other contingent liabilities or capital commitments as at 30 June 2014 or 30 June 2013.

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated group and are therefore taxed as a single entity. Lachlan Star Limited is the head entity of the tax-consolidated group. In future periods the members of the group will, if required, enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

21. Reconciliation of (loss) after income tax to net cash flows used in operating activities

(a) Cash flows generated from / (used in) operating activities

	2014 $000	(Restated) 2013 $000
(Loss) for the period after tax	(16,485)	(53,842)
Adjustment for non-cash items		
Foreign exchange	(244)	197
Impairment loss	10,853	26,946
Fair value gain on deferred consideration	(200)	(670)
Non-cash interest expense	264	187
Depreciation and amortization	14,705	14,637
Share based payments expense	295	207
Inventory provision	(1,090)	427
Changes in assets and liabilities:		
Decrease in receivables	511	109
(Decrease) / increase in payables	(2,836)	3,285
Decrease in deferred tax asset	2,885	7,763
Increase / (decrease) in provisions	31	(816)
Decrease / (increase) in inventories	794	(4,853)
Net cash inflows / (outflows)from operating activities	9,483	(6,423)

(b) Reconciliation of cash and cash equivalents

Cash at bank and at call	1,932	2,811

(c) Non cash financing and investing activities

The consolidated entity's exposure to interest rate risk is discussed in Note 29. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

22. Events subsequent to reporting date

On 8 July 2014 Anglo American provided notice of their intention to form a Joint Venture under the Bushranger Farmin Agreement, diluting the Company's interest in the Bushranger Copper Project from 100% to 49%. The Company has elected to dilute further by not participating in the upcoming exploration programme. This has not impacted the carrying value of the exploration asset in the 30 June 2014 Consolidated Statement of Financial Position.

On 26 September 2014 the Company announced its annual review of its Mineral Reserves and Ore Resources as summarised on pages 12 and 13.

On 15 September 2014 the Company announced that its Chilean subsidiary, CMD, had sold non-core certain mining properties to Compañía Minera Teck Carmen de Andacollo ("CDA"). The properties sold adjoin CDA's mining properties and are non-core to CMD's gold mining operations. CMD will receive US$3,000,000 on completion of the transfer of one group of mining properties to CDA plus US$500,000 for the grant of a five year purchase option that would result in additional proceeds of US$1,500,000 if CDA exercises such option to purchase further mining properties.

Other than these no other matter or circumstance has arisen since 30 June 2014 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years (i) the consolidated entity's operations, or (ii) the results of those operations, or (iii) the consolidated entity's state of affairs.

23. Consolidated entities

Name	Country of incorporation	Ownership interest 2014	Ownership interest 2013
Legal parent			
Lachlan Star Limited	Australia		
Legal subsidiaries			
Ord Investments Pty Ltd	Australia	100%	100%
Toodyay Uranium Pty Ltd	Australia	100%	100%
DMC Newco Pty Ltd	Australia	100%	100%
Compañía Minera Dayton	Chile	99.99%	99.99%
Dayton Chile Exploraciones Mineras Limitada	Chile	99.93%	99.93%
Minera Andacollo Spa	Chile	100%	-
Minera La Laja Spa	Chile	100%	-
Minera Rosario Spa	Chile	100%	-

24. Capital and reserves

(a) Contributed equity:

	2014 Number	2014 $000	2013 Number	2013 $000
Ordinary shares				
1 July	99,107,273	215,076	86,380,017	204,436
Issue of shares for cash	47,500,000	9,684	7,265,000	3,919
Costs of issue of shares	-	(451)	-	(72)
Exercise of share options	-	-	5,240,576	6,289
Share based payments	1,025,000	213	221,680	504
30 June	147,632,273	224,522	99,107,273	215,076

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held. Ordinary shares have been fully paid, have no par value, and the Company does not have a limited amount of authorised capital.

(b) Share based payments reserve

Movements in the share based payments reserve are set out in the statement of changes in equity on page 29. This reserve represents the fair value at grant of share options issued. The fair value is recognised as an expense over the vesting period. The reserve is reversed to contributed equity when shares are issued on exercise of the options.

(c) Accumulated losses

	2014 $000	(Restated) 2013 $000
1 July	(199,676)	(145,834)
(Loss) for the period	(16,485)	(53,842)
30 June	(216,161)	(199,676)

(d) Foreign exchange reserve

The foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity. The movement in the foreign exchange translation reserve is set out in the statement of changes in equity on page 29.

25. Key management personnel disclosures

(a) Key management personnel compensation

	2014 $	2013 $
Short term benefits	1,009,044	1,369,567
Post-employment benefits	1,564	-
Share based payments	94,866	2,340
Termination benefits	-	191,351
	1,105,474	1,563,258

Detailed remuneration disclosures are provided in the Remuneration Report as set out on pages 20 to 25.

(b) Transactions with other related parties

The consolidated entity recharged $29,180 (2013: $99,117) and was charged $25,614 (2013: $Nil) on an arm's length basis to / from Nevada Iron Limited, a company of which Mr Michael McMullen is Chairman, for office rent, administration staff, and car parking until Mr McMullen resigned as a director of the Company on 6 April 2014.

Current trade and other payables of $271,399 and current trade and other receivables of $Nil were payable / receivable respectively to / from key management personnel at reporting date in respect of outstanding fees and expenses.

The Company paid $1,564 (2013: $Nil) in respect of superannuation contributions on behalf of a director.

26. Segment information

(a) Description of segments

The consolidated entity reports one segment, being gold mining, exploration and evaluation, and corporate to the chief operating decision maker, being the board of Lachlan Star Limited, in assessing performance and determining the allocation of resources. In determining operating segments, the consolidated entity has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources.

(b) Segment information provided to the board of directors

The Board of Directors assesses the performance of the segment based on financial performance indicators. Financial information for the segment is contained within the Operating and Financial Review as set out on pages 3 to 13. The consolidated entity derives 100% of its revenue from the sale of metals to one customer in one geographic region, Chile. The geographic location of non-current assets, other than deferred tax, is set out in the table below:

	2014 $000	2013 $000
Chile	33,054	53,932
Australia	2,778	2,794
	35,832	56,726

27. Contingent assets and liabilities

In June 2011, a subsidiary terminated the contract of one of its mining contractors in Chile, "Maestranza Martinez Torres y Cia. Ltda" (Martimec") for non-performance under the terms of their mining contract. Martimec requested the appointment of an arbitrator under Chilean law who would be called to rule on the early termination of the contract. Subsequent to the appointment of the arbitrator, Martimec was declared bankrupt under applicable Chilean law. The contractor submitted a claim, and the subsidiary presented a well-founded counterclaim. The Company remains confident that the contract was terminated in accordance with its terms. The Company intends to defend itself vigorously if this arbitration proceeds. The decision pertaining to the continuation of the arbitration proceedings is now subject to approval by the creditors of Martimec, and the parties to the litigation are discussing possible termination of the lawsuit on terms of common agreement.

A mining contractor has submitted a claim against a subsidiary for compensation as a result of their mining contract not being renewed in August 2013. The subsidiary considers this an ambit claim and has submitted a strong and well-founded response, the purpose of which is to obtain a favourable ruling that completely rejects the former contractor´s claim. The process is now in the stage of mandatory conversation by the parties, before the arbitrator, to evaluate possible terms for termination of the lawsuit.

A subsidiary has issued a bank guarantee for US$2,426,165 to Komatsu Cummins Chile Arrienda S.A. as security for the financing of the mining fleet.

28. Share based payments

The number and weighted average exercise price of share options is as follows:

	2014			2013		
	Weighted average exercise price	**Number of options**	**Expiry date**	**Weighted average exercise price**	**Number of options**	**Expiry date**
Outstanding 1 July	$1.26	7,758,488		$1.22	16,469,847	
Expired / cancelled during the period	$1.19	7,883,488		$1.23	3,745,783	
Issued during the period	$0.28	3,080,431		$2.08	275,000	
Exercised during the period	-	-		$1.20	5,240,576	
Outstanding 30 June	$0.43	2,955,431		$1.26	7,758,488	
Exercisable at 30 June	$0.43	2,955,431		$1.26	7,758,488	
Outstanding 30 June	$1.50	25,000	25/11/14	$1.20	166,669	20/12/13
	$2.10	100,000	22/05/15	$1.50	166,669	20/12/13
	$2.50	100,000	22/05/15	$1.20	5,970,900	26/08/13
	CDN$0.30	432,870	2/10/15	$1.20	650,000	25/11/13
	CDN$0.30	1,097,561	7/11/15	$1.50	150,000	25/11/13
	$0.25	1,200,000	29/11/15	$1.50	50,000	25/11/14
				CDN$1.60	329,250	03/04/14
				$1.50	75,000	21/11/14
				$2.10	100,000	22/05/15
				$2.50	100,000	22/05/15

28. Share based payments (continued)

The fair value of services received in return for options for the consolidated entity is measured by reference to the fair value of share options granted using the Black-Scholes model, as set out below.

Fair value of share options and related assumptions	2014	2013
Fair value at measurement date	$0.06 to $0.08	Nil to $0.17
Share price at date of issue	$0.20 to $0.24	$1.30 to $1.355
Exercise price	$0.25 to CDN$0.30	$1.50 to $2.50
Expected volatility	71.9% to 78.8%	16.4% to 17.2%
Actual option life	24 months	30 months to 32.5 months
Expected dividends	Nil	Nil
Risk-free interest rate	4%	5%
Share-based cost recognised	$234,650	$14,916

The current year volatility represents the Company's historic volatility over the year to the time of issue and is intended to reflect the movement of the Company's share price volatility towards its peers as its assets mature. Further details of options issued to directors and executives are set out in the Remuneration Report on pages 20 to 25.

29. Financial risk management

The consolidated entity's activities expose it to credit risk, market risk (including interest rate risk, foreign exchange risk and price risk), and liquidity risk. This note presents qualitative and quantitative information about the consolidated entity's exposure to each of the above risks, its objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The consolidated entity's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity. Other than the purchase of gold options noted in section (d) below, the consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in commodity prices, interest rates and exchange rates. The consolidated entity uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the consolidated entity's development there are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. Exposure to credit risk is considered minimal but is monitored on an ongoing basis.

Cash transactions are limited to financial institutions considered to have a suitable credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position at balance date. The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

Receivables relate principally to amounts due to the consolidated entity by Johnson Matthey for shipments of doré pending final settlement. Johnson Matthey is considered to be of high credit quality and management has assessed the risk of default as minimal. None of the receivables as at 30 June 2014 are past due or impaired.

29. Financial risk management (continued)

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2014 $000	2013 $000
Carrying amount:		
Cash and cash equivalents	1,932	2,811
Trade and other receivables	3,732	4,374
	5,664	7,185

(b) Market risk

(i) Cash flow and fair value interest rate risk

The significance and management of the risks to the consolidated entity is dependent on a number of factors including:

- interest rates (current and forward) and the currencies that are held;
- level of cash and liquid investments and borrowings;
- maturity dates of investments and loans; and
- proportion of investments and borrowings with fixed rate or floating rates.

The risk is managed by the consolidated entity maintaining an appropriate mix between fixed and floating rate investments.

The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of financial assets and financial liabilities with interest obligations at the reporting date are as follows.

	Variable rate instruments at call 2014 ($000)	Fixed rate instruments 2014 ($000)	Weighted average interest rate 2014	Variable rate instruments at call 2013 ($000)	Fixed rate instruments 2013 ($000)	Weighted average interest rate 2013
Financial assets						
Cash and cash equivalents	1,932	-	0.06%	2,811	-	0.23%
Financial liabilities						
Borrowings	575	14,593	6.34%	761	25,769	7.14%

The values above were the carrying amount of the consolidated entity's interest bearing financial instruments at 30 June 2014 and 30 June 2013.

The group's fixed rate borrowings carried at amortised cost are not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. These borrowings are subject to fair value risk. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates.
For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

Sensitivity analysis

A 10% increase or decrease in the weighted average year-end interest rate of variable rate instruments, being 25 basis points (2013: 3 basis points), would have increased / (decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013:

29. Financial risk management (continued)

(i) Cash flow and fair value interest rate risk (continued)

	2014 $000	2013 $000
(Decrease) / Increase		
Profit and loss	(6)	(11)
Increase / (Decrease)		
Profit and loss	6	11

The group's fixed rate borrowings and receivables are carried at amortised cost. They are not therefore subject to interest rate risk as defined in AASB 7.

(ii) Foreign exchange risk

The consolidated entity is exposed to foreign exchange risk on metal sales proceeds and mining costs which are quoted in currencies (US$ and Chilean Peso) other than the functional currency of the Company, being the A$, and cash balances and borrowings held in US$, CDN$ and Chilean Pesos. The consolidated entity does not hedge this risk, however it continues to monitor these exchange rates so that this currency exposure is maintained at an acceptable level. There is a natural hedge in place to the extent US$ costs are covered by US$ revenues.

The major exchange rates relevant to the consolidated entity were as follows:

	Average year ended 30 June 2014	As at 30 June 2014	Average year ended 30 June 2013	As at 30 June 2013
A$ / US$	0.918	0.944	1.027	0.915
A$ / CDN$	0.983	1.007	1.032	0.963
US$ / Peso	533	552	480	508
A$ / Peso	489	521	493	464

The consolidated entity's exposure to foreign exchange risk at statement of financial position date was as follows, based on carrying amounts in A$000:

2014

	A$ ('000)	US ('000)	Peso ('000)	CDN$ ('000)	Totals ('000)
Cash and cash equivalents	937	138	498	359	1,932
Trade and other receivables	86	2,081	1,557	8	3,732
Borrowings	-	(17,227)	(1,973)	-	(19,200)
Provisions	-	(5,066)	(724)	-	(5,790)
Trade and other payables	(411)	(79)	(20,612)	(100)	(21,202)
	612	(20,153)	(21,254)	267	(40,528)

2013

	A$ ('000)	US ('000)	Peso ('000)	CDN$ ('000)	Totals ('000)
Cash and cash equivalents	449	432	1,783	147	2,811
Trade and other receivables	155	2,568	1,651	-	4,374
Borrowings	-	(24,030)	(2,805)	-	(26,835)
Provisions	-	(5,059)	(884)	-	(5,943)
Trade and other payables	(276)	-	(24,459)	(51)	(24,786)
	328	(26,089)	(24,714)	96	(50,379)

29. Financial risk management (continued)

(ii) Foreign exchange risk (continued)

Sensitivity analysis

Had the Australian dollar weakened / strengthened by 10% against the US dollar for the year ended and as at 30 June, with all other variables held constant, the group's post-tax (loss) for the year would have been $1.40 million higher / $1.15 million lower (2013: $5.00 million higher / $4.00 million lower) and its foreign currency exchange reserve would be $2.96 million higher / $2.42 million lower (2013: $9.59 million higher / $7.75 million lower), mainly as a result of the translation of a foreign subsidiary's results denominated in US$..

(iii) Price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the consolidated entity's commodity output, being mainly gold, which is denominated in US$.

During the December 2013 quarter the Company purchased gold put options in respect of 3,000 gold ounces per month from January to June 2014 with a strike price of US$1,200 per ounce. These put options were to protect approximately half of the Company's projected production at the price of US$ 1,200 per ounce for the first half of 2014 while allowing the Company to take full benefit of any prices above that level. None of the put options were exercised. The purchase of additional gold put options and other derivative instruments relating to future periods remains under review.

The terms of the Sprott Facility were amended in June 2014 such that the CDN$3.75 million outstanding balance of the Facility was converted to a gold loan. Monthly principal and interest payments are replaced by a monthly gold loan payment based on a fixed number of gold ounces multiplied by the monthly closing gold price, and the term of the gold loan has been extended to 31 October 2016. The Company remains exposed to changes in the gold price in respect of this gold loan.

The consolidated entity is not exposed to equity securities price risk at 30 June 2014 or 30 June 2013.

Sensitivity analysis

A 10% increase / decrease in the forecast gold price at 30 June 2014 would have increased / decreased the carrying value of the Sprott gold loan by $0.40 million.

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as and when they fall due. The consolidated entity's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions.

The following are the contractual maturities of consolidated financial liabilities:

	2014 $000	**2013 $000**
Trade and other payables:		
Carrying amounts	21,202	24,786
Contractual cashflows	21,202	24,786
Payable 6 months or less	21,202	24,786
Borrowings		
Carrying amounts	19,200	26,835
Contractual cashflows	20,421	28,721
Payable 6 months or less	4,495	4,560
6 to 12 months	3,972	9,205
1 to 5 years	11,954	14,956

29. Financial risk management (continued)

(d) Fair values

The carrying amounts of consolidated financial assets and financial liabilities shown in the statement of financial position approximate their fair values. The basis for determining fair values is disclosed in Note 1(r).

AASB 13 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and liabilities measured and recognised at fair value. There were no financial assets measured and recognised at fair value at 30 June 2014 or 30 June 2013.

2014	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial liabilities				
Borrowings	-	3,986	46	4,032
	-	3,986	46	4,032

2013	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial liabilities				
Borrowings	-	-	306	306
	-	-	306	306

Level 2 borrowings a gold loan payable to Sprott which has a fair value based on the forward price of gold discounted at period end. Level 3 borrowings comprise contingent consideration payable for the CMD Gold Mine which has a fair value determined using discounted cash flow analysis. The following table presents the change in these instruments:

2014	**Contingent consideration $000**	**Gold loan $000**	**Total $000**
Opening balance	306	-	306
Additions	-	3,710	3,710
Fair value (gain) / loss	(200)	276	76
Repayment of borrowings	(48)	-	(48)
Accretion	3	-	3
Foreign exchange	(15)	-	(15)
Closing balance	46	3,986	4,032

2013	**Contingent consideration $000**	**Gold loan $000**	**Total $000**
Opening balance	1,387	-	1,387
Fair value (gain)	(670)	-	(670)
Repayment of borrowings	(724)	-	(724)
Accretion	189	-	189
Foreign exchange	44	-	44
Other	80	-	80
Closing balance	306	-	306

30. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board published IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* on 19 October 2011*,* applicable in Australia as Interpretation 20*.* The interpretation, which is applicable to the Company for the financial period commencing 1 July 1 2013, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The main requirements of the interpretation are as follows:

- Waste removal costs (stripping costs) incurred in the production phase of a surface mine are accounted for in accordance with IAS 2 *Inventories* to the extent they relate to current period production.

- Production stripping costs are recognized as a non-current asset ("stripping activity asset") if all the following criteria are met (i) it is probable that future economic benefits will flow to the entity (ii) the entity can identify the component of the ore body to which access has been improved (iii) the costs incurred can be measured reliably. The stripping activity asset is amortised over the useful life of the component of the ore body to which access has been improved.

- When the costs of a stripping activity asset versus current period inventory are not separately identifiable, costs are allocated based on a production method.

- Application of the interpretation is on a prospective basis, with transitional adjustments being recognized in opening retained earnings.

The interpretation must be applied retrospectively and the group has to write off existing stripping cost asset balances to retained earnings on the date of transition, unless they relate to an identifiable component of the ore body. Management has determined that $3.99 million of stripping costs capitalized at July 1, 2012, being the statement of financial position as at the beginning of the immediately preceding comparative period, cannot be attributed to an identifiable component of an ore body.

The impact of this change in accounting policy on the financial statements as at the beginning of the immediately preceding comparative period, for the prior year end, and for the comparative period for the 12 months ending 30 June 2013 is as follows:

30. CHANGES IN ACCOUNTING POLICIES (continued)

(i) Consolidated Statement of Financial Position

	Audited 30 June 12 $000	Adjustment for change in accounting policy $000	Restated 30 June 12 $000
Current assets			
Cash and cash equivalents	17,412	-	17,412
Trade and other receivables	3,630	-	3,630
Inventories	8,441	(100)	8,341
Total current assets	29,483	(100)	29,383
Non-current assets			
Trade and other receivables	435	-	435
Inventories	5,983	(92)	5,891
Mine development properties	34,452	(3,988)	30,464
Property, plant and equipment	13,474	-	13,474
Exploration and evaluation	2,771	-	2,771
Goodwill	189	-	189
Deferred tax asset	8,459	658	9,117
Total non-current assets	65,763	(3,422)	62,341
Total assets	95,246	(3,522)	91,724
Current liabilities			
Trade and other payables	20,191	-	20,191
Borrowings	5,343	-	5,343
Total current liabilities	25,534	-	25,534
Non-current liabilities			
Borrowings	1,384	-	1,384
Provisions	6,087	-	6,087
Total non-current liabilities	7,471	-	7,471
Total liabilities	33,005	-	33,005
Net assets	62,241	(3,522)	58,719
Equity			
Contributed equity	204,436	-	204,436
Reserves	117	-	117
Accumulated losses	(142,312)	(3,522)	(145,834)
Total equity	62,241	(3,522)	58,719

30. CHANGES IN ACCOUNTING POLICIES (continued)

(ii) Consolidated Statement of Financial Position

	Audited 30 June 13 $000	Adjustment for change in accounting policy $000	Restated 30 June 13 $000
Current assets			
Cash and cash equivalents	2,811	-	2,811
Trade and other receivables	3,883	-	3,883
Inventories	13,782	-	13,782
Total current assets	20,476	-	20,476
Non-current assets			
Trade and other receivables	491	-	491
Inventories	6,428	-	6,428
Mine development properties	24,865	(3,184)	21,681
Property, plant and equipment	22,167	3,184	25,351
Exploration and evaluation	2,775	-	2,775
Deferred tax asset	2,976	-	2,976
Total non-current assets	59,702	-	59,702
Total assets	80,178	-	80,178
Current liabilities			
Trade and other payables	24,786	-	24,786
Borrowings	13,068	-	13,068
Total current liabilities	37,854	-	37,854
Non-current liabilities			
Borrowings	13,767	-	13,767
Provisions	5,943	-	5,943
Total non-current liabilities	19,710	-	19,710
Total liabilities	57,564	-	57,564
Net assets	22,614	-	22,614
Equity			
Contributed equity	215,076	-	215,076
Reserves	7,941	(727)	7,214
Accumulated losses	(200,403)	727	(199,676)
Total equity	22,614	-	22,614

30. CHANGES IN ACCOUNTING POLICIES (continued)

(iii) Consolidated Statement of Profit or Loss and Other Comprehensive Income

	12 months ended		
	Audited 30 June 13 $000	**Adjustment for change in accounting policy $000**	**Restated 30 June 13 $000**
Revenue from continuing operations			
Revenue	77,630	-	77,630
Finance income	149	-	149
	77,779	-	77,779
Expenses			
Cost of sales	(90,688)	(1,838)	(92,526)
Other expenses from ordinary activities			
Impairment loss	(33,684)	6,738	(26,946)
Corporate compliance and management	(2,191)	-	(2,191)
Share based payments expense	(207)	-	(207)
Occupancy costs	(56)	-	(56)
Foreign exchange (loss)	(831)	-	(831)
New venture expenditure written off	(142)	-	(142)
Other expenses	(215)	-	(215)
Finance expense	(1,413)	-	(1,413)
Fair value gain on deferred consideration	670	-	670
(Loss) / profit before income tax	(50,978)	4,900	(46,078)
Income tax (expense)	(7,113)	(651)	(7,764)
(Loss) / profit for the period	(58,091)	4,249	(53,842)
Other comprehensive income for the period net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations	8,120	(727)	7,393
Total comprehensive income for the period	(49,971)	3,522	(46,449)

30. CHANGES IN ACCOUNTING POLICIES (continued)

(iv) Consolidated Statement of Cash Flows

	12 months ended		
	Audited 30 June 13 $000	**Adjustment for change in accounting policy $000**	**Restated 30 June 13 $000**
Cash flows from operating activities			
Receipts from customers and GST recovered	77,233	-	77,233
Payments to suppliers and employees	(82,860)	28	(82,832)
Interest received	259	-	259
Interest paid	(1,083)	-	(1,083)
Net cash (outflows) from operating activities	(6,451)	28	(6,423)
Cash flows from investing activities			
Payments for exploration and evaluation	(4)	-	(4)
Payments for mine development	(11,667)	(28)	(11,695)
Payments for acquisition of property, plant and equipment	(24,701)	-	(24,701)
Net cash flows used in investing activities	(36,372)	(28)	(36,400)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	3,919		3,919
Proceeds from exercise of share options	6,289		6,289
Repayment of borrowings	(8,672)	-	(8,672)
Receipt of borrowings	26,970	-	26,970
Payment of share issue costs	(72)	-	(72)
Net cash flows from financing activities	28,434	-	28,434
Net (decrease) in cash and cash equivalents	(14,389)	-	(14,389)
Effect of exchange rate fluctuations on cash held	(212)	-	(212)
Cash and cash equivalents at the beginning of the period	17,412	-	17,412
Cash and cash equivalents at the end of the period	2,811	-	2,811

30. CHANGES IN ACCOUNTING POLICIES (continued)

(v) Consolidated Statement of Changes in Equity

	Contributed equity $000	Accumulated losses $000	Share based payments reserve $000	Foreign exchange reserve $000	Total $000
Balance at 1 July 2012 (Audited)	204,436	(142,312)	425	(308)	62,241
Change in accounting policy IFRIC 20	-	(3,522)	-	-	(3,522)
Balance at 1 July 2012 (Restated)	204,436	(145,834)	425	(308)	58,719
Balance at 1 July 2013 (Audited)	215,076	(200,403)	129	7,812	22,614
Change in accounting policy IFRIC 20	-	727	-	(727)	-
Balance at 1 July 2013 (Restated)	215,076	(199,676)	129	7,085	22,614

(1) In the opinion of the directors of Lachlan Star Limited:

(a) the financial statements and notes set out on pages 27 to 71 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements*;* and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001.*

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors.

SG Perry
Non-Executive Chairman

Perth, 26 September 2014

Independent auditor's report to the members of Lachlan Star Limited

Report on the financial report

We have audited the accompanying financial report of Lachlan Star Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Lachlan Star Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Independent auditor's report to the members of Lachlan Star Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Lachlan Star Limited is in accordance with the *Corporations Act 2001,* including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the consolidated entity incurred a net loss after tax of $16,485,000 during the year ended 30 June 2014, has a net current asset deficiency of $3,619,000 at that date and comments on the consolidated entity's plans to raise additional funding. These conditions, along with other matters set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 25 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Lachlan Star Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
26 September 2014

Introduction

Lachlan Star Limited has in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board ("the Policies"). The aim of the Policies is to ensure that the Company is effectively directed and managed, that risks are identified, monitored and assessed and that appropriate disclosures are made.

In preparing the Policies, the directors considered the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ("ASX Principles"). The Board has adopted these ASX Principles, subject to the departures noted below.

The directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company's size, the structure of the Board, its resources and its proposed activities. The Board has adopted the following Policies.

Statement and Charters

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter

Policies and Procedures

- Code of Conduct
- Trading in Company Securities
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Safety Policy
- Environmental Policy

As the Company and its activities grow, the Board may implement additional corporate governance structures and committees. The Company's corporate governance Policies are available on the Company's website at www.lachlanstar.com.au.

Skills, experience, expertise and term of office of each director

A profile of each director containing the applicable information is set out in the directors' report.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Number of Audit Committee meetings and names of attendees

The number of Audit Committee meetings and names of attendees is set out in the directors' report.

Names and qualifications of Audit Committee members

The names and qualifications of Audit Committee members are set out in the directors' report.

Explanations for departures from best practice recommendations

From 1 July 2013 to 30 June 2014 (the "Reporting Period") the Company complied with each of the eight Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than as set out below:

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
2	2.1	From 29 November 2013 to 17 February 2014 a majority of the board were not independent directors.	The Board considers that it was of an effective composition, size and commitment to adequately discharge its responsibilities and duties during this period. An additional non-executive director was appointed on 17 February 2014 and this departure was rectified.
2	2.2	From 1 July 2013 to 6 January 2014 the Chairman acted in an executive capacity and therefore was not an independent director.	The Board considered that the Company was not of a size or complexity that required an independent Chairman during this period. An independent Chairman was appointed on 6 January 2014 and this departure was rectified.
2	2.4	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skills base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3	3.2, 3.3, 3.5	The Company has not adopted a formal diversity policy	The Board is confident that its recruitment practices result in the employment of the most suitable candidate without discriminating unfairly against any potential employee on the basis of gender, age, ethnicity, culture, or on any other basis.
8	8.1, 8.2	A separate Remuneration Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a Remuneration Committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company. If the Company's activities increase in size, scope and/or nature the appointment of a Remuneration Committee will be further reviewed by the Board.

Performance evaluation of the Board, its committees and senior executives

The Board reviews and evaluates the performance of the Board and its committees, which involves consideration of all the Board's key areas of responsibility.

A performance evaluation of senior executives was undertaken during the year by the Chairman.

Material business risks

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

Company's remuneration policies

The Company's remuneration policies are set out in the Remuneration Report on pages 20 to 25.

The Company has separate remuneration policies for executive and non-executive directors. Non-executive directors receive a fixed fee and, when appropriate, share options. Executive directors receive a salary or fee and, when appropriate, performance based remuneration, shares and share options. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

Identification of independent directors

The Company's independent directors are considered to be Mr Anthony Cipriano, Mr Scott Perry, and Mr Peter Drobeck. All three directors were not considered to have a material relationship with the Company or another group company during the Reporting Period as professional advisor, consultant, supplier, customer, or through any other contractual relationship, nor did they have any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company. The Board considers "material" in this context to be where any director related business relationship represents the lesser of at least 5% of the Company's or the director-related business revenue.

Mr Franzmann is not considered independent as he has held an executive position in the Company within the last three years.

Equity based remuneration schemes

The Board has adopted a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Company requires all executives and directors to sign annual statements of compliance with this policy throughout the period.

Gender diversity

As at 30 June 2014 the proportion of males and females employed by the group was as follows:

	Male	Female	Total	% Female
Directors	4	0	4	0%
Senior executives	2	0	2	0%
Other	402	20	422	4.7%
Total	408	20	428	4.7%

Director skills and diversity

The Board seeks to appoint directors with a suitable skill set for the operations and geographic regions in which the Company operates. Appointments are considered without discriminating unfairly against any potential director on the basis of gender, age, ethnicity, culture, or on any other basis.

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

a) Shareholdings as at 31 August 2014

Substantial shareholders

The following shareholders have lodged substantial shareholder notices with ASX:

Name of Shareholder	Number of shares	% held
Sentry Investments Inc., Sentry Capital Corp, Sean Driscoll	26,430,382	17.9%
Sprott Asset Management LP	23,777,823	16.1%
Baker Steel Capital Managers LLP	17,393,457	11.8%
James W Stuckert	8,820,850	6.0%
Investors Group	8,342,300	5.7%

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders

		Number of shares	% held
1.	Canadian Register Control	112,153,077	75.97
2.	National Nominees Limited	11,321,625	7.67
3.	HSBC Custody Nominees (Australia) Limited	8,844,175	5.99
4.	J P Morgan Nominees Australia Limited	3,186,173	2.16
5.	BNP Paribas Noms Pty Ltd <Drp>	1,892,167	1.28
6.	HSBC Custody Nominees (Australia) Limited - A/C 3	600,000	0.41
7.	Citicorp Nominees Pty Limited	424,567	0.29
8.	Zero Nominees Pty Ltd	367,712	0.25
9.	Mr Hamish Bohannan + Ms Julie Bohannan <Putsborough Super Fund A/C>	347,348	0.24
10.	Hyndford Holdings Pty Ltd	297,846	0.20
11.	Mr Thomas Ernest Duckworth + Mrs Jennifer Audrey Duckworth <Superannuation A/C>	220,989	0.15
12.	Object Id Design Pty Ltd <Armageddon Super Fund A/C>	208,334	0.14
13.	Monex Boom Securities (Hk) Ltd <Clients Account>	203,266	0.14
14.	Mr Robert Andueza + Mrs Cindy Andueza <Andueza S/F A/C>	200,000	0.14
15.	Wildville Enterprises Pty Ltd <Mcmullen Family A/C>	200,000	0.14
16.	Mr Roberto P Pardo	183,334	0.12
17.	Mr Maxwell Alfred Kippe <Kippe Super Fund A/C>	166,667	0.11
18.	SIF Investment Company Ltd	166,667	0.11
19.	Mrs Vicki Margaret Campbell	160,000	0.11
20.	Gecko Resources Pty Ltd <John Santul Super Fund A/C>	160,000	0.11
	Total	**141,303,947**	**95.71**

a) Shareholdings as at 31 August 2014 (continued)

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	814	179,128
1,001	to	5,000	351	903,698
5,001	to	10,000	83	618,211
10,001	to	100,000	108	3,465,569
100,001	and over		29	142,465,667
			1,385	147,632,273

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,176.

b) Unlisted option holdings as at 31 August 2014

Exercise price	Expiry date	Number of options in class	Those holding more than 20% of the class	Number held by those holding 20% or more of the class
$1.50	25/11/14	25,000	Guido Osvaldo Rojas Fuenzalida	25,000
$2.10	22/05/15	100,000	Mr. U De Oliveira	100,000
$2.50	22/05/15	100,000	Mr. U De Oliveira	100,000
CDN$0.30	02/10/15	432,870	Primary Capital Inc.	432,870
CDN$0.30	07/11/15	1,097,561	Primary Capital Inc. Macquarie Capital Markets Canada Ltd	722,561 375,000
$0.25	29/11/15	1,200,000	Mr. U De Oliveira	250,000

c) On-market buyback

There is no current on-market buyback.

d) Interest in mining and exploration permits

Exploration / Mining Lease	Location	% interest
ML 5831	Princhester, Queensland	100%
ML 5832	Princhester, Queensland	100%
EL 5574	Bushranger, New South Wales	49%(1)

Note (1) Subject to the legal transfer of 51% to Anglo American.

d) Interest in mining and exploration permits (continued)

Mining Concessions 100% owned by Compañía Minera Dayton

N°	Name	Current Ownership			Registry	Custodian of Mines
		Page	Number	Year		
1	Loa del 1 al 18	86	41	2007	Property	Andacollo
2	Montosa	86	41	2007	Property	Andacollo
3	San Juan	86	41	2007	Property	Andacollo
4	Rinconada	86	41	2007	Property	Andacollo
5	Tres Vetas	86	41	2007	Property	Andacollo
6	Luisa	86	41	2007	Property	Andacollo
7	La Reina	86	41	2007	Property	Andacollo
8	Tres Marías	86	41	2007	Property	Andacollo
9	María Teresa Uno	86	41	2007	Property	Andacollo
10	María Teresa Cuatro al Seis	86	41	2007	Property	Andacollo
11	María Teresa Siete al Nueve	86	41	2007	Property	Andacollo
12	María Teresa 10 al 14	86	41	2007	Property	Andacollo
13	Matías Uno 1 al 7	86	41	2007	Property	Andacollo
14	Matías Dos 1 al 8	86	41	2007	Property	Andacollo
15	Anastassia Uno 1 al 2	86	41	2007	Property	Andacollo
16	Juan Uno 1 al 6	86	41	2007	Property	Andacollo
17	Juan Dos 1 al 2	86	41	2007	Property	Andacollo
18	El Sauce dos del Uno al Dos	86	41	2007	Property	Andacollo
19	El Sauce Dos 3 al 4	86	41	2007	Property	Andacollo
20	El Sauce Dos 9 al 12	86	41	2007	Property	Andacollo
21	Arenillas	86	41	2007	Property	Andacollo
22	San Carlos	89	42	2007	Property	Andacollo
23	Rosario 1, 2, 11 al 13, 16, 22 al 32, 34, 36 al 48 y 70 al 88 (Mining concessions Rosario 1, 2, 16, 72, 75, 81 to 85, and 88, are subject to purchase option in favor of Teck.)	413	94	1994	Property	Andacollo
24	Rosario 91 y 92 (All mining concessions are subject to purchase option in favor of Teck.)	413	94	1994	Property	Andacollo

N°	Name	Current Ownership			Registry	Custodian of Mines
		Page	Number	Year		
25	Rosario 94 al 101	413	94	1994	Property	Andacollo
26	Rosario 141, 147, 148, 151 al 170.	413	94	1994	Property	Andacollo
27	Rosario 195	413	94	1994	Property	Andacollo
28	Irene	413	94	1994	Property	Andacollo
29	Don Ramón Ernesto	413	94	1994	Property	Andacollo
30	Don Santiago y otras	413	94	1994	Property	Andacollo
31	Gloria 2, 3 y 7	413	94	1994	Property	Andacollo
32	Don Pedro	413	94	1994	Property	Andacollo
33	Andacollo 1	413	94	1994	Property	Andacollo
34	Andacollo 2	413	94	1994	Property	Andacollo
35	Andacollo 3	413	94	1994	Property	Andacollo
36	Andacollo 4	413	94	1994	Property	Andacollo
37	Andacollo 5	413	94	1994	Property	Andacollo
38	Andacollo 6	413	94	1994	Property	Andacollo
39	Andacollo 7	413	94	1994	Property	Andacollo
40	Andacollo 8	413	94	1994	Property	Andacollo
41	Andacollo 9	413	94	1994	Property	Andacollo
42	Andacollo 10	413	94	1994	Property	Andacollo
43	Andacollo 11	413	94	1994	Property	Andacollo
44	Andacollo 12	413	94	1994	Property	Andacollo
45	Andacollo 13	413	94	1994	Property	Andacollo
46	Andacollo 14	413	94	1994	Property	Andacollo
47	Andacollo 15	413	94	1994	Property	Andacollo
48	Andacollo 16	413	94	1994	Property	Andacollo
49	Andacollo 17	413	94	1994	Property	Andacollo
50	Andacollo 18	413	94	1994	Property	Andacollo
51	Andacollo 19	413	94	1994	Property	Andacollo
52	Andacollo 20	413	94	1994	Property	Andacollo
53	Andacollo 23 (Mining concession is subject to purchase option in favor of Teck.)	413	94	1994	Property	Andacollo

N°	Name	Current Ownership			Registry	Custodian of Mines
		Page	Number	Year		
54	Andacollo 30	413	94	1994	Property	Andacollo
55	Flor de María*	413	94	1994	Property	Andacollo
56	Churrumata	413	94	1994	Property	Andacollo
57	India 1 al 4*	413	94	1994	Property	Andacollo
58	Indígena*	413	94	1994	Property	Andacollo
59	Rosario	413	94	1994	Property	Andacollo
60	Madrid 1 al 7	270	69	1994	Property	Andacollo
61	Roma 1 al 6	281	71	1994	Property	Andacollo
62	Londres 1 al 5	276	70	1994	Property	Andacollo
63	Berlín 1 al 2	253	66	1994	Property	Andacollo
64	Bruselas 1 al 5	242	64	1994	Property	Andacollo
65	Paris 1 al 4	247	65	1994	Property	Andacollo
66	Lisboa 1 al 8	258	67	1994	Property	Andacollo
67	Abismo 1 al 4	215	59	1994	Property	Andacollo
68	Horno 1 al 5	225	61	1994	Property	Andacollo
69	Madero 1 al 5	220	60	1994	Property	Andacollo
70	Pique 1 al 32	236	63	1994	Property	Andacollo
71	Mapa 1 al 7	230	62	1994	Property	Andacollo
72	Cascada 1 al 6	210	58	1994	Property	Andacollo
73	Arrecife 1 al 10*	264	68	1994	Property	Andacollo
74	Segovia 1 al 11, 13, 14, 17 al 28	13	7	2005	Property	Andacollo
75	Barcelona 1 al 3	326	79	1994	Property	Andacollo
76	Castilla 13	331	80	1994	Property	Andacollo
77	Baleares 1 al 3	291	73	1994	Property	Andacollo
78	Galicia 1 al 2	346	82	1994	Property	Andacollo
79	Zaragoza 1 al 14*	315	77	1994	Property	Andacollo
80	Burgos 1 al 4	351	83	1994	Property	Andacollo
81	Jerez 1 al 5	418	95	1994	Property	Andacollo

N°	Name	Current Ownership			Registry	Custodian of Mines
		Page	Number	Year		
82	Málaga 1 al 8	402	92	1994	Property	Andacollo
83	Sevilla 1 al 5	356	84	1994	Property	Andacollo
84	Toledo 1 al 4	297	74	1994	Property	Andacollo
85	Murcia 1 y 2	309	76	1994	Property	Andacollo
86	Oviedo 1 al 4	379	88	1994	Property	Andacollo
87	Córdova 9 Y 10*	340	81	1994	Property	Andacollo
88	Valencia 1 al 36*	302	75	1994	Property	Andacollo
89	Cholita Uno 1	397	91	1994	Property	Andacollo
90	Cholita Dos 1 al 2	392	90	1994	Property	Andacollo
91	Cholita Tres 1 al 2	387	89	1994	Property	Andacollo
92	Fragua 1 al 10	116	37	1997	Property	Andacollo
93	Mercedes 7	27	11	2007	Property	Andacollo
94	Mercedes 1 al 3	23	7	2007	Property	Andacollo
95	Nerransula	21	5	2007	Property	Andacollo
96	Nueva	25	9	2007	Property	Andacollo
97	Rodrigo	24	8	2007	Property	Andacollo
98	Toro	28	12	2007	Property	Andacollo
99	Gabriela	22	6	2007	Property	Andacollo
100	María Luz	26	10	2007	Property	Andacollo
101	Rosario 149 and 150*	83	43	2010	Property	Andacollo
102	Nanita 47 y 48 *	84	44	2010	Property	Andacollo
103	Mercedes 4 y 6	88	48	2010	Property	Andacollo
104	Esperanza (Uno)	1	1	2008	Property	Andacollo
105	Rio Elqui Uno, 1 y 2*	80	40	2010	Property	Andacollo
106	Estrellita Dos 1	96	27	1995	Property	Coquimbo
107	Estrellita Uno 1 al 3	91 vta.	26	1995	Property	Coquimbo
108	Primera de Mayo	93	34	2011	Property	Andacollo

Mining Concessions 100% owned by Dayton Chile Exploraciones Mineras Limitada

N°	Name	Current Ownership			Registry	Custodian of Mines
		Page	Number	Year		
1	Oropesa 1, 2, 3, 4, 5, 6, 7, 9, 10 y 12	13	6	1998	Property	Andacollo
2	Cutana 3 al 7, 9 al 13, 15 al 16	13	6	1998	Property	Andacollo
3	Pachuca	13	6	1998	Property	Andacollo
4	San Antonio	13	6	1998	Property	Andacollo
5	Urmeneta 1 al 4	13	6	1998	Property	Andacollo
6	Esperanza Dos y Tres	13	6	1998	Property	Andacollo
7	Diana 1 al 7	13	6	1998	Property	Andacollo
8	Atlántida 6	13	6	1998	Property	Andacollo
9	Santa Rosa 1 al 4, y Santa Rosa 6 al 10	13	6	1998	Property	Andacollo
10	Sierra Maestra 1 al 40	13	6	1998	Property	Andacollo
11	Porvenir	13	6	1998	Property	Andacollo