LACHLAN STAR LIMITED

ABN 88 000 759 535

ANNUAL REPORT

30 JUNE 2010

CORPORATE DIRECTORY

Directors

MJ McMullen (Executive Chairman)
DT Franzmann (Non-Executive Director)
TE Duckworth (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

PricewaterhouseCoopers
QV1, 250 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank Limited
100 St Georges Terrace
Perth WA 6000

Registered Office

Lower Ground Floor
57 Havelock Street
West Perth WA 6005

Telephone:	+61 8 9481 0051
Facsimile:	+61 8 9481 0052
Email:	admin@lachlanstar.com.au
Website:	www.lachlanstar.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth, WA 6000 Australia

Investor Enquiries:	1300 850 505 (within Australia)
Investor Enquiries:	+61 3 9415 5000 (outside Australia)
Facsimile:	+61 3 9473 2500

Stock Exchange Listing

Securities of Lachlan Star Limited are listed on ASX Limited.

ASX Code: LSA - ordinary shares

CONTENTS

Financial performance

The consolidated entity's loss after tax for the year ended 30 June 2010 was $4,637,760 (2009: loss of $407,248) after recognising:

- a $3,494,528 non-cash expense (2009: $Nil) related to its 27.9% shareholding in its associate, Luiri Gold Limited (see comments below).
- a non-cash expense of $553,448 (2009: $74,963) in relation to share based payments. The non-cash share based payments expense uses as an input a historical 90 day volatility factor of 110% compared to 53% to 55% used in the corresponding year. The higher the volatility factor the higher the share based payment expense.

The consolidated entity's strategy is to be exposed to a variety of commodities across several geographic regions. The commodities targeted by the consolidated entity are bulk commodities (coal and iron ore), copper and gold.

The geographic regions of interest are currently eastern Australia and Africa. Projects within the bulk commodity and copper sectors provide the Company with an exposure to the strong demand from China and the recovering demand from the rest of Asia, Europe and the Americas. Projects within the gold sector provide the consolidated entity with an exposure to the rising gold price. Gold assets that will have costs predominately in US$ are the main focus for the consolidated entity as this will provide the most direct exposure to the rising US$ gold price. The gold price increased strongly over the year as a result of a declining US$ and strong investment buying.

Luiri Gold

The consolidated entity has invested a total of $4.8 million in Luiri Gold Limited ("Luiri"), a TSX Venture and ASX exchange listed company with gold interests in Zambia. The investment consisted of a $3 million placement / conversion of a convertible note, $1.8 million as part of Luiri's' listing of CHESS Depositary Interests (CDI's) on the Australian Stock Exchange in November 2009, and some minor on-market purchases.

On the 15 June 2010 Luiri announced that the Zambian government had issued a notice of default with respect to Large Scale Mining Licence (LML) 48, which covers the Matala and Dunrobin deposits held by Luiri. The notice indicated that Luiri had 60 days in which to provide evidence that it was in compliance with its licence terms or the licence would be cancelled. On the 29 June Luiri announced that it had responded to the notice of default refuting the basis for cancellation and had legal opinion to support that basis.

Subsequent to year end, on 29 July 2010, Luiri announced that it had received a letter from the Zambian government stating that it has cancelled LML 48 and that Luiri had appealed that decision to the Ministry of Mines in accordance with the Mining Act.

On 2 August 2010 Luiri announced that it had received a letter from the Minister of Mines in Zambia in which he had upheld the decision of the Director of Mines to cancel LML48. On 31 August 2010, Luiri announced that it had lodged an appeal with the High Court in Zambia with respect to the cancellation of LML 48. Luiri stated that its Zambian legal counsel has continuously advised that it (Luiri) is in compliance with all provisions of the mining license. LML48 contains both the Matala and Dunrobin gold deposits which have formed the core of the exploration and development work carried out by Luiri to date. Luiri has halted all fieldwork in Zambia until the tenure situation can be clarified.

On 18 August 2010 the Company lodged a requisition notice with Luiri seeking an Extraordinary General Meeting of Luiri shareholders to remove three Luiri directors. If successful it is the Company's intention to recommend to the Luiri board that the management contracts of the incumbent Luiri CEO and CFO be terminated and that they be replaced initially with Lachlan management, subject to the hiring of new management. If Lachlan is unsuccessful in revitalising the management of Luiri, it will consider all options with respect to its shareholding, among which may be disposal of some or all of its shares in Luiri.

At year end the consolidated entity's investment in Luiri assumes no value is attributable to Luiri's mineral properties. The relevant loss is recognised as part of the share of net loss of the associate accounted for using the equity method.

Exco Resources

In the prior period the Company purchased 2 million shares in Exco Resources Limited in a placement at a price of 23.5c per share. During the current period the Company sold all the shares, realising a cash profit of $52,987.

Bushranger Copper Project - EL 5574 (100%)

The Bushranger copper project is located in the Lachlan Fold Belt of New South Wales and contains an Indicated and Inferred resource of 124,000 tonnes of copper and 1.6 million ounces of silver. Work during the year included a review of the historical exploration results and planning of an exploration drilling program to be carried out subsequent to year end. The application for the renewal of the tenement was approved during the year.

A ground magnetic survey was recently completed over the Swatchfield prospect which has identified a large magnetic anomaly. The existing geochemical data is being plotted against this magnetic anomaly in order to identify drill targets.

Alexander Coal Project

The claim holder of the Alexander Coal Project is in dispute with another party over the title of the project. This dispute is progressing through the courts in South Africa and all work by the consolidated entity has been halted on the project until more clarity is received on the title of the project.

The consolidated entity continues to explore other opportunities within the minerals sector.

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves for the Bushranger Project is based on information compiled by Michael McMullen, who is a Member of The Australasian Institute of Mining and Metallurgy. Michael McMullen is employed by Wildeville Enterprises Pty Ltd. Michael McMullen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Michael McMullen consents to the inclusion 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") and its subsidiaries, at the end of and for the year ended 30 June 2010. 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.

Michael James McMullen
Executive Chairman

BSc (Geology)
Age 40. Appointed 26 September 2007.

Mr McMullen is a geologist with in excess of 16 years experience in exploration, financing, development and operation of mining projects. During that time he has worked in Australia, Africa, Europe, Asia and South America. He has acted as technical adviser to many of the major resource banks for project financing and mergers and acquisitions and has worked on several corporate finance transactions on the ASX, AIM, JSE and TSX markets.

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

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

Luiri Gold Limited (Chairman)	Since September 2009
Northern Iron Limited	From May 2007 to November 2009

Declan Thomas Franzmann
Non-Executive Director

Age 42. Appointed 26 September 2007.

Mr Franzmann is a mining engineer with more than 17 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 and geology services to a variety of companies. Mr Franzmann became a member of the Audit Committee on 19 November 2009.

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

Every Day Mine Services Limited	Since March 2007
Luiri Gold Limited	Since August 2009

Thomas Ernest Duckworth
Non-Executive Director

B Sc., ARSM, FIMM, C Eng, F Aus IMM.
Age 72. Appointed 26 September 2007.

Mr Duckworth is a metallurgist with over 50 years working experience in resource development and engineering. Recent roles have been as a metallurgical consultant for iron, gold and base metal projects in Australia and Europe with previous major roles in the metallurgical development of a number of base metal projects including Hellyer, Cannington, Rapu Rapu and Tritton. He has been an independent consultant for 16 years prior to which he was a founding director of Signet Engineering, and previous to that held positions as Chief Metallurgist for BP\Seltrust in Australia and Group Metallurgist for Selection Trust in London. His experience covers the plant design and processing of most minerals including diamonds and coal in all five continents and he has held previous directoships in listed resource companies.

During the past three years Mr Duckworth has not been a director of any other listed entity.

Mr Duckworth is a member of the Audit Committee, and became Chairman of that committee on 19 November 2009.

Directors (continued)

Hamish John Lindsey Bohannan
Non-Executive Director

B(Eng)Sc Hons Mining, M (Eng)Sc Rock Mechanics, MBA,
FAusIMM, CE, MAICD
Age 54. Appointed 26 September 2007 and resigned 19 November 2009.

Mr Bohannan is a mining engineer with over 30 years experience in the minerals industry. His former roles include Managing Director of Gallery Gold, Executive General Manager of Operations for Iluka, General Manager for both the Leinster and Kambalda Nickel Operations of WMC, Executive General Manager of Operations for Mt Lyell, and Managing Director of Bathhurst Resources Limited and Braemore Resources, an AIM listed company with nickel and platinum assets.

Mr Bohannan was Chairman of the Audit Committee until his resignation as a director on 19 November 2009.

During the three years prior to his resignation Mr Bohannan held the following listed company directorships:

Tectonic Resources Limited	From February 2007 (Chairman)
Bathurst Resources Limited	From September 2008
Braemore Resources Plc	From November 2006 to April 2008

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.

Audit Committee

Names and qualifications of Audit Committee members

The Committee is to include at least 2 members. Members of the Committee are Mr Declan Franzmann (from 19 November 2009) and Mr Thomas Duckworth (Chairman from 19 November 2009). Mr Hamish Bohannan was Chairman of the Committee until his resignation as a director on 19 November 2009.

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)
HJL Bohannan	1	1
DT Franzmann	1	1
TE Duckworth	2	2

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

Remuneration report

The Remuneration Report is set out on pages 10 to 14 and forms part of this Directors' Report.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2009: Nil).

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)
MJ McMullen	2	2
DT Franzmann	2	2
TE Duckworth	2	2
HJL Bohannan	-	-

(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.

Identification of independent directors

The independent directors are identified in the Corporate Governance Statement section of this Annual Report as set out on pages 44 to 46.

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 15 and forms part of the directors' report for the financial year ended 30 June 2010.

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.

Non-audit services

The auditors did not provide any non-audit services during the current or prior year. There was no compromise of the auditors' independence requirements under the Corporations Act 2001.

Details of the amounts paid or payable to the auditor of the consolidated entity for audit and review services provided during the year are set out below:

	2010 ($)	2009 ($)
Statutory audit:		
Audit and review of financial reports	42,200	38,500

Share options

Options granted to directors and officers of the consolidated entity

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

2010

Director	Expiry Date	Exercise price	Date issued	Vesting date	Number
MJ McMullen	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
MJ McMullen	18/11/12	$0.025	20/11/09	20/11/09	4,000,000
TE Duckworth	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
TE Duckworth	18/11/12	$0.025	20/11/09	20/11/09	4,000,000
DT Franzmann	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
DT Franzmann	18/11/12	$0.025	20/11/09	20/11/09	4,000,000

Executive Officer	Expiry Date	Exercise price	Date issued	Vesting date	Number
K Dekker	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
K Dekker	18/11/12	$0.025	20/11/09	20/11/09	4,000,000
RA Anderson	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
RA Anderson	18/11/12	$0.025	20/11/09	20/11/09	4,000,000

2009

Executive Officer	Expiry Date	Exercise price	Date issued	Vesting date	Number
Kees Dekker	20/04/10	$0.025	10/7/08	10/7/08	2,500,000
Kees Dekker	20/04/11	$0.035	10/7/08	20/4/09	2,500,000

Shares under option

The following unissued ordinary shares of the Company are under option.

Expiry Date	Exercise price	01/07/09	Issued	Number Exercised	Expired	30/6/10
20/04/10	$0.025	2,500,000	-	-	2,500,000	-
20/04/11	$0.035	2,500,000	-	-	-	2,500,000
18/11/11	$0.02	-	22,500,000	-	-	22,500,000
18/11/12	$0.025	-	22,500,000	-	-	22,500,000
		5,000,000	45,000,000	-	2,500,000	47,500,000

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

Operating and financial review

An operating and financial review of the consolidated entity for the financial year ended 30 June 2010 is set out on pages 3 and 4 and forms part of this report.

Environmental regulation and performance

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

No environmental breaches have been notified by any government agency during the year ended 30 June 2010.

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
MJ McMullen	116,214,689	8,000,000
DT Franzmann	52,039,171	8,000,000
TE Duckworth	12,259,326	8,000,000

Likely developments

The likely developments for the 2011 financial year are contained in the operating and financial review as set out on pages 3 and 4. The directors are of the opinion that further information as to likely developments in the operations of the consolidated entity would prejudice the interests of the consolidated entity and accordingly it has not been included.

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.

Proceedings on behalf of the consolidated entity

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

Events subsequent to reporting date

Lachlan Star currently holds approximately 27.9% of the issued share capital of Luiri Gold Limited ("Luiri"), a TSX Venture and ASX listed company with gold projects in Zambia.

Subsequent to year end, on 29 July 2010, Luiri announced that it had received a letter from the Zambian government stating that it has cancelled LML 48 and that Luiri had appealed that decision to the Ministry of Mines in accordance with the Mining Act.

On 2 August 2010 Luiri announced that it had received a letter from the Minister of Mines in Zambia in which he had upheld the decision of the Director of Mines to cancel LML48. On 31 August 2010, Luiri announced that it had lodged an appeal with the High Court in Zambia with respect to the cancellation of LML 48. Luiri stated that its Zambian legal counsel has continuously advised that it (Luiri) is in compliance with all provisions of the mining license. LML48 contains both the Matala and Dunrobin gold deposits which have formed the core of the exploration and development work carried out by Luiri to date. Luiri has halted all fieldwork in Zambia until the tenure situation can be clarified.

On 18 August 2010 the Company lodged a requisition notice with Luiri seeking an Extraordinary General Meeting of Luiri shareholders to remove three Luiri directors. If successful it is the Company's intention to recommend to the Luiri board that the management contracts of the incumbent Luiri CEO and CFO be terminated and that they be replaced initially with Lachlan management, subject to the hiring of new management. If Lachlan is unsuccessful in revitalising the management of Luiri, it will consider all options with respect to its shareholding, among which may be disposal of some or all of its shares in Luiri.

Other than this no matter or circumstance has arisen since 30 June 2010 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.

Principal activities

During the course of the 2010 financial year the consolidated entity's principal continuing activities were directed towards mineral exploration and investment in the minerals sector.

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 Company'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.

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 consolidated entity's focus on new projects during the year, the Board did not have regard to the consolidated entity's performance and / or change in shareholder wealth occurring in the current financial year and previous three financial years in setting remuneration. No dividends were paid or declared during this period (2009: Nil).

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.

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.

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 $30,000 per annum. The Executive Chairman receives $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.

Remuneration report (continued)

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.

Service contracts

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

(i) Declan Franzmann, Non-executive Director, is engaged through a Consultancy Agreement expiring 31 October 2011. Termination by the Company is with 12 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice.

(ii) Robert Anderson, Company Secretary and Chief Financial Officer, is engaged through a Consultancy Agreement expiring 31 July 2012. Termination by the Company is with 6 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice.

(iii) Michael McMullen, Executive Chairman, is engaged through a Consultancy Agreement expiring 31 July 2012. Termination by the Company is with 12 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice.

(iv) Kees Dekker, Regional Manager – Southern Africa, is engaged through an employment agreement with no fixed expiry date. Termination by the Company is with 1 month's notice or payment in lieu thereof. Termination by the consultant is with 1 month's notice.

Directors' and 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 key management personnel receiving the highest remuneration are set out on the following page.

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 during the current and prior period.

2010 Grant date	Expiry date	Fair value per option	Exercise price	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
20/11/2009	18/11/2011	$0.011	$0.02	$0.02	110%	5.25%	0%
20/11/2009	18/11/2012	$0.012	$0.025	$0.02	110%	5.25%	0%

2009 Grant date	Expiry date	Fair value per option	Exercise price	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
10/07/2008	20/04/2010	$0.016	$0.025	$0.035	55%	6.75%	0%
10/07/2008	20/04/2011	$0.014	$0.035	$0.035	53%	6.75%	0%

Remuneration report (continued)

Directors' and executive officers' remuneration, Company and consolidated entity (continued)

	Short term		Share based	Post employment			
Name	Salary and fees ($)	Bonus ($)	Options ($)	Superannuation contributions ($)	Total ($)	Proportion of remuneration performance related (%)	Value of options as a % of remuneration (%)
Directors							
Non-Executive							
Mr TE Duckworth							
2010	-	-	$98,391	$30,000	128,391	-	76.6%
2009	-	-	-	$30,000	$30,000	-	-
Mr HJL Bohannan (resigned 19 November 2009)							
2010	-	-	-	$11,610	$11,610	-	-
2009	-	-	-	$30,000	$30,000	-	-
Mr DT Franzmann							
2010	$35,055	-	$98,391	-	$133,446	-	73.7%
2009	$36,125	-	-	-	$36,125	-	-
Executive							
MJ McMullen (Executive Chairman)							
2010	$150,000	-	$98,391	-	$248,391	-	39.6%
2009	$150,000	$75,000	-	-	$225,000	33.3%	-
Mr DT Franzmann (Executive Director)							
2009	$50,000	$75,000	-	-	$125,000	60.0%	-
Executive Officers							
Mr RA Anderson (CFO/Company Secretary)							
2010	$100,000	-	$98,391	-	$198,391	-	49.6%
2009	$100,000	-	-	-	$100,000	-	-
Mr K Dekker (Regional Manager – Southern Africa)							
2010	$116,598	-	$98,391	-	$214,989	-	45.8%
2009	$118,417	$14,289	$75,349	-	$208,055	-	36.2%
Total compensation: key management personnel (Company and consolidated entity)							
2010	$401,653	-	$491,955	$41,610	$935,218		
2009	$454,542	$164,289	$75,349	$60,000	$754,180		

Directors' fees are paid or payable to the director or a director related entity.

Mr Franzmann changed from an executive to non-executive director on 1 November 2008.

Remuneration report (continued)

Equity instruments

(i) Shares

No shares of the Company were granted as compensation to key management personnel during the reporting period (2009: Nil).

(ii) Options over equity instruments granted as compensation

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

2010

Director	Expiry Date	Exercise price	Date issued	Vesting date	Number
MJ McMullen	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
M JMcMullen	18/11/12	$0.025	20/11/09	20/11/09	4,000,000
TE Duckworth	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
TE Duckworth	18/11/12	$0.025	20/11/09	20/11/09	4,000,000
DT Franzmann	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
DT Franzmann	18/11/12	$0.025	20/11/09	20/11/09	4,000,000

Executive Officer	Expiry Date	Exercise price	Date issued	Vesting date	Number
K Dekker	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
K Dekker	18/11/12	$0.025	20/11/09	20/11/09	4,000,000
RA Anderson	18/11/11	$0.02	20/11/09	20/11/09	4,000,000
RA Anderson	18/11/12	$0.025	20/11/09	20/11/09	4,000,000

2009

Executive Officer	Expiry Date	Exercise price	Date issued	Vesting date	Number
K Dekker	20/04/10	$0.025	10/7/08	9/7/08	2,500,000
K Dekker	20/04/11	$0.035	10/7/08	20/4/09	2,500,000

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 8.

Remuneration report (continued)

Equity instruments (continued)

(ii) Options over equity instruments granted as compensation (continued)

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

2010

	Value of Options			
Director	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Total value in year ($)
MJ McMullen	98,391	-	-	98,391
TE Duckworth	98,391	-	-	98,391
DT Franzmann	98,391	-	-	98,391

	Value of Options			
Executive Officer	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Total value in year ($)
K Dekker	98,391	-	-	98,391
RA Anderson	98,391	-	-	98,391

2009

	Value of Options			
Executive Officer	Granted in year ($)	Exercised in year ($)	Forfeited in year ($)	Total value in year ($)
K Dekker	75,349	-	-	75,349

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 or repay the loan.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the period under review.

Signed in accordance with a resolution of the directors.

MJ McMullen
Executive Chairman

Perth 3 September 2010

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Auditor's Independence Declaration

As lead auditor for the audit of Lachlan Star Limited for the year ended 30 June 2010, 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.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
3 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenue from operations	2	182,153	500,624
Corporate compliance costs		(42,456)	(50,010)
Corporate management fees and salaries		(386,629)	(379,972)
Financial assets fair valued through profit and loss		(17,012)	122,990
Share based payments expense		(553,448)	(74,963)
Occupancy costs		(59,577)	(19,593)
Loss on dilution of associate	20	(36,445)	-
Share of net loss of associate accounted for using the equity method	20	(3,458,083)	-
Exploration and new venture expenditure written off		(156,694)	(417,062)
Other		(109,569)	(89,262)
Loss before income tax		(4,637,760)	(407,248)
Income tax expense	4	-	-
Loss for the year	16(c)	(4,637,760)	(407,248)
Other comprehensive income for the year net of income tax		-	-
Total comprehensive loss for the year		(4,637,760)	(407,248)
Basic and diluted loss per share (cents per share)	5	(0.43)	(0.04)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	2010 $	2009 $
Current assets			
Cash and cash equivalents	15(b)	3,855,725	8,461,832
Other receivables	6	126,204	443,246
Financial assets at fair value through profit and loss	7	-	540,000
Total current assets		3,981,929	9,445,078
Non-current assets			
Exploration and evaluation	8	2,527,209	2,509,773
Property, plant and equipment	9	41,253	9,922
Investments accounted for using the equity method	10	1,395,528	-
Total non-current assets		3,963,990	2,519,695
Total assets		7,945,919	11,964,773
Current liabilities			
Trade and other payables	11	140,924	135,279
Total current liabilities		140,924	135,279
Total liabilities		140,924	135,279
Net assets		7,804,995	11,829,494
Equity			
Contributed equity	16(a)	146,145,042	146,105,016
Reserves		648,584	75,349
Accumulated losses	16(c)	(138,988,631)	(134,350,871)
Total equity		7,804,995	11,829,494

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Contributed equity $	Accumulated losses $	Share based payments reserve $	Total $
Balance at 1 July 2008	146,081,187	(133,943,623)	465	12,138,029
Total comprehensive loss for the year	-	(407,248)	-	(407,248)
	146,081,187	(134,350,871)	465	11,730,781
Transactions with owners in their capacity as owners:				
Shares issued on exercise of options	23,750	-	-	23,750
Share based payments	-	-	75,349	75,349
Premium received on option issue	79	-	(79)	-
Share based expense on option expiry	-	-	(386)	(386)
Balance at 30 June 2009	146,105,016	(134,350,871)	75,349	11,829,494
Total comprehensive loss for the year	-	(4,637,760)	-	(4,637,760)
	146,105,016	(138,988,631)	75,349	7,191,734
Transactions with owners in their capacity as owners:				
Share based payments	40,026	-	573,235	613,261
Balance at 30 June 2010	146,145,042	(138,988,631)	648,584	7,804,995

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers and GST recovered		49,537	136,520
Payments to suppliers and employees		(819,774)	(1,091,745)
Interest received		192,764	441,737
Net cash flows used in operating activities	15(a)	(577,473)	(513,488)
Cash flows from investing activities			
Exploration and evaluation expenditure		(37,436)	(105,328)
Acquisition of property, plant and equipment	9	(44,646)	-
Sale of property, plant and equipment		7,713	-
Acquisition of financial assets		-	(470,000)
Loans to third parties		-	(300,000)
Acquisition of investment in associate	20	(4,477,253)	-
Net cash flows used in investing activities		(4,551,622)	(875,328)
Cash flows from financing activities			
Sale of financial assets		522,988	-
Payment of share issue costs		-	(12,030)
Net cash flows from / (used in) financing activities		522,988	(12,030)
Net decrease in cash and cash equivalents		(4,606,107)	(1,400,846)
Cash and cash equivalents at the beginning of the financial year		8,461,832	9,862,678
Cash and cash equivalents at the end of the financial year	15(b)	3,855,725	8,461,832

There were no non-cash investing or financing activities during the current or prior year.

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

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 ("AASBs") (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. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Lachlan Star Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative information is reclassified where appropriate to enhance comparability.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the directors on 3 September 2010. 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.

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.

(i) Key estimate – impairment

The consolidated entity assesses impairment at each reporting date by evaluating specific conditions that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where appropriate, value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Key estimate - exploration, evaluation and development of mineral resources

Determining the carrying amount may require management to (i) estimate whether the project is in the exploration and evaluation or development phase, and; (ii) make assumptions regarding the expected future cash generation of the assets, discount rates to be applied, and the expected period of benefits.

Financial statement presentation

The group has applied revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. Consequently, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

1. Significant accounting policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity controlled by the Company whereby the parent entity has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. 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 group has significant influence but not control or joint control, generally accompanying 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 group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves 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 group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group'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 group.

Change in accounting policy

Revised AASB 127 *Consolidated and Separate Financial Statements* has been implemented from 1 July 2009. The revision of AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB131 *Interests in Joint Ventures.* There has been no impact on the current year as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the consolidated entity’s previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be re-measured to fair value and a gain or loss is recognised in profit or loss. Under the consolidated entity’s previous accounting policy, the retained interest in the carrying amount of the former subsidiary’s assets and liabilities became the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value, however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The consolidated entity will in future allocate losses to the non-controlling interest in its subsidiaries even if accumulated losses exceed the non-controlling interest in the subsidiary’s equity. Under the previous policy, excess losses were allocated to the parent entity. Dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity’s previous policy dividends would have been deducted from the cost of the investment.

1. Significant accounting policies (continued)

(c) Recoverable amount of assets and impairment testing

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment 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. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the profit and loss.

(d) Other receivables

Other receivables are stated at amortised cost or fair value.

(e) Segment reporting

Change in accounting policy

The consolidated entity has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Comparatives have been restated for the corresponding period.

(f) Business combinations

Change in accounting policy

Revised AASB 3 *Business Combinations* was implemented from 1 July 2009. There has been no impact on the current period as no acquisitions have taken place in the reporting period. AASB 3 (Revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the profit and loss. Under the consolidated entity's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition. Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets. If the consolidated entity recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the consolidated entity's net profit after tax.

1. Significant accounting policies (continued)

(g) 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 adjusted by changes in deferred tax assets and liabilities. It is calculated using tax rates that have been enacted or are substantively enacted by balance sheet 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. Current and 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 profit or loss except where it relates to items recognised in other comprehensive income or directly in equity, in which case it is also recognised in other comprehensive income or directly in equity respectively. 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 company / consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

The Company and its wholly-owned Australian resident controlled entities formed a tax-consolidated group with effect from 1 July 2007 and are therefore taxed a single entity from that date. 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.

(h) 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(c).

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 properties.

(i) 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.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes 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.

1. Significant accounting policies (continued)

(k) Share based payments – shares and options

The 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. The 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.

(l) Employee benefits

Liability for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' service provided to reporting date and are calculated at undiscounted amounts based on remuneration rates including related on-costs such as workers compensation insurance and payroll tax which are expected to apply when the liability is settled.

(m) 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.

(n) Foreign currency

Functional and presentation currency

The functional currency of each of the group'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.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST 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. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Trade and other payables

Trade and other payables are stated at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 45 days of recognition.

1. Significant accounting policies (continued)

(q) 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(c).

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 on a straight line basis at 20% (2009: 20%) over the expected useful life to the consolidated entity commencing from the time the asset is held ready for use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(r) Parent entity financial information

The financial information for the parent entity, Lachlan Star Limited, disclosed in Note 12, 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 legislation

Lachlan Star Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Lachlan Star Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Lachlan Star Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

1. Significant accounting policies (continued)

(s) Investments and other financial assets

The consolidated entity determines the classification of its financial instruments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at 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. 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 the profit and loss.

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise.

(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.

(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 the profit and loss as gains and losses from investment securities.

(t) Revenue recognition

Interest revenue on funds invested is recognised as it accrues on a time proportion basis, using the effective interest rate method.

(u) Borrowing costs

Interest expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

1. Significant accounting policies (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010).*

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity-settled or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the financial statements of the group.

(ii) *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010).*

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

(iii) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013).*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group has not yet decided when to adopt AASB 9.

(iv) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

1. Significant accounting policies (continued)

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

(v) *AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010).*

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

(vi) *AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011).*

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

(vii) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011).*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as a result of applying the revised rules.

(viii*) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).*
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Lachlan Star Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the consolidated entity.

	2010 $	2009 $
2. Revenue from operations		
Interest income	182,153	500,624
	182,153	500,624

	2010 $	2009 $
3. Auditors' remuneration		
Audit and review services:		
Auditors of the Company	42,200	38,500
	42,200	38,500

4. Income tax expense

Numerical reconciliation of income tax expense to prima facie tax expense:

	2010 $	2009 $
Loss before income tax expense	(4,637,760)	(407,248)
Prima facie income tax benefit on pre-tax loss at the Australian income tax rate of 30% (2009: 30%)	(1,391,328)	(122,174)
Tax effect of:		
Non deductible costs	1,048,571	91,014
Share based payments expense	166,034	22,489
Current year tax benefit not brought to account	176,723	8,671
Income tax expense	-	-

Unrecognised net deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (refer Note 1(g)):

	2010 $	2009 $
Deductible temporary differences	1,001,921	84,406
Tax losses	273,559	96,448
	1,275,480	180,854

5. Loss per share

	Number 2010	Number 2009
Weighted average number of ordinary shares:		
1 July	1,079,867,371	1,077,492,371
Shares issued on exercise of options	-	2,361,986
30 June (basic and diluted)	1,079,867,371	1,079,854,357
Loss attributable to ordinary shareholders for basic and diluted loss per share:	($4,637,760)	($407,248)

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

	2010 $	2009 $
6. Other receivables		
Current		
Other receivables	126,204	90,256
Amount receivable from third parties	-	352,990
	126,204	443,246

	2010 $	2009 $
7. Financial assets		
Current		
Financial assets designated at fair value through profit and loss	-	540,000
	-	540,000

	2010 $	2009 $
8. Exploration and evaluation		
Cost at beginning of financial year	7,724,367	7,632,115
Additions	17,436	92,252
Cost at end of financial year	7,741,803	7,724,367
Impairment provision	(5,214,594)	(5,214,594)
Carrying amount	2,527,209	2,509,773

	2010 $	2009 $
9. Property, plant and equipment		
Cost: Fixtures and Fittings		
Balance at beginning of financial year	14,102	14,102
Additions	44,646	-
Sales	(10,907)	-
Balance at end of financial year	47,841	14,102
Accumulated depreciation: Fixtures and Fittings		
Balance at beginning of financial year	4,180	1,366
Depreciation charge for year	5,602	2,814
Accumulated depreciation on sales	(3,194)	-
Balance at end of financial year	6,588	4,180
Carrying amount	41,253	9,922

	2010 $	2009 $
10. Investments accounted for using the equity method		
Non-current		
Shares in associates (Note 20)	1,395,528	-
	1,395,528	-

11. Trade and other payables

	2010 $	2009 $
Current		
Trade payables – third parties	42,426	82,398
Trade payables – related parties	41,358	7,500
Non-trade payables and accrued expenses	35,500	35,500
Employee benefits	21,640	9,881
	140,924	135,279

All trade and other payables are expected to be settled with 12 months.

12. Parent entity financial information

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

	2010 $	2009 $
Statement of Financial Position		
Current assets	3,938,904	9,417,697
Total assets	11,380,078	11,964,724
Current liabilities	140,368	135,230
Total liabilities	140,368	135,230
Equity		
Contributed equity	146,145,042	146,105,016
Share based payments reserve	588,771	75,349
Accumulated losses	(135,494,103)	(134,350,871)
	11,239,710	11,829,494
Loss for the for the year	(1,143,232)	(407,248)
Total comprehensive loss for the year	(1,143,232)	(407,248)

The parent entity has not provided any financial guarantees in respect of subsidiaries, nor did it have any contingent liabilities or capital commitments as at 30 June 2010 or 30 June 2009.

13. Capital and other commitments

	2010 $	2009 $
Exploration and evaluation		
Within 1 year	152,000	152,000

14. Related party disclosures

Lachlan Star Limited is the ultimate parent entity.

The consolidated entity recharged $22,311 (2009: $Nil) to its associate, Luiri Gold Limited, for office rent, administration staff, and direct costs paid on its behalf. At period end $4,662 (2009: $Nil) is included in 'other receivables" for outstanding costs and expenses.

The consolidated entity did not have any other transactions with related parties during the current or prior year other than remuneration to directors and their related parties, as disclosed in the Remuneration Report as set out on pages 10 to 14, and as disclosed in Note 18. At 30 June 2010 an amount of $41,358 (2009: $7,500) is included in "trade and other payables" for outstanding director fees and expenses.

15. Reconciliation of cash flows used in operating activities

(a) Cash flows used in operating activities

	2010 $	2009 $
Loss for the year	(4,637,760)	(407,248)
Depreciation	5,602	2,814
Financial assets fair valued through profit and loss	17,012	(122,990)
Share based payments expense	553,448	74,963
Loss on dilution of associate	36,445	-
Share of net loss of associate accounted for using the equity method	3,458,083	-
Changes in assets and liabilities:		
(Increase) / decrease in other receivables	(15,948)	43,671
Increase / (decrease) in trade and other payables	5,645	(104,698)
Net cash flows used in operating activities	(577,473)	(513,488)

(b) Reconciliation of cash and cash equivalents

	2010 $	2009 $
Cash at bank and at call	3,855,725	8,461,832

(c) Risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 23. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

16. Capital and reserves

(a) Contributed equity:	2010 Number	2010 ($)	2009 Number	2009 ($)
1 July	1,079,867,371	146,105,016	1,077,492,371	146,081,187
Options exercised at $0.01 per share	-	-	2,375,000	23,750
Share based payments reserve	-	40,026	-	79
30 June	1,079,867,371	146,145,042	1,079,867,371	146,105,016

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.

(b) Share based payments reserve

Movements in the share based payments reserve are set out in the statements of changes in equity on page 18. 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

	2010 ($)	2009 ($)
1 July	(134,350,871)	(133,943,623)
Loss for the year	(4,637,760)	(407,248)
30 June	(138,988,631)	(134,350,871)

17. Segment information

(a) Description of segments

The consolidated entity reports two segments, being 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 operating segments based on a measure of net cash inflow / (outflow). The segment information provided to the board of directors for the reportable segments is as follows:

	Exploration and evaluation 2010 ($)	**Exploration and evaluation 2009 ($)**	**Corporate 2010 ($)**	**Corporate 2009 ($)**	**Consolidated 2010 ($)**	**Consolidated 2009 ($)**
Net cash outflow	(37,436)	(105,328)	(4,568,671)	(1,295,518)	(4,606,107)	(1,400,846)

A reconciliation of net cash outflow to loss before income tax is provided as follows:

	2010 ($)	**2009 ($)**
Net cash outflow	(4,606,107)	(1,400,846)
Exploration and evaluation expenditure	37,436	105,328
Acquisition of financial assets	-	470,000
Acquisition of property, plant and equipment	44,646	-
Loans to third parties	-	300,000
Sale of property, plant and equipment	(7,713)	-
Acquisition of investment in associate	4,477,253	-
Sale of financial assets	(522,988)	-
Payments of share issue costs	-	12,030
Depreciation	(5,602)	(2,814)
Share based payments expense	(553,448)	(74,963)
Financial assets fair valued through profit and loss	(17,012)	122,990
Loss on dilution of associate	(36,445)	-
Share of net loss of associate accounted for using the equity method	(3,458,083)	-
Increase / (decrease) in receivables	15,948	(43,671)
(Increase) / decrease in payables	(5,645)	104,698
Loss before income tax	(4,637,760)	(407,248)

18. Key management personnel disclosures

Apart from the details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(a) Key management personnel compensation

Key management personnel compensation included in corporate management fees and expenses are as follows:

	2010 ($)	2009 ($)
Short term benefits	401,653	618,831
Post employment	41,610	60,000
Share based payments	491,955	75,349
	935,218	754,180

Information regarding individual directors and executives compensation is provided in the Remuneration Report as set out on pages 10 to 14.

(b) Other key management personnel transactions

Amounts payable to key management personnel at reporting date in respect of outstanding fees and expenses are as follows:

	2010 ($)	2009 ($)
Current		
Trade and other payables	78,042	62,500

(c) 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:

2010

Director	**Held at 01/07/09**	**Issued**	**Expired**	**Held at 30/06/10**
MJ McMullen	-	8,000,000	-	8,000,000
TE Duckworth	-	8,000,000	-	8,000,000
DT Franzmann	-	8,000,000	-	8,000,000
Executive Officer				
RA Anderson	-	8,000,000	-	8,000,000
K Dekker	5,000,000	8,000,000	(2,500,000)	10,500,000

2009

Executive Officer	**Held at 01/07/08**	**Issued**	**Exercised**	**Held at 30/06/09**
K Dekker	-	5,000,000	-	5,000,000

18. Key management personnel disclosures (continued)

(d) 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:

2010 ***Director***	**Held at 01/07/09**	**Net acquired**	**Held at 30/6/10 or resignation**
DT Franzmann	52,039,171	-	52,039,171
MJ McMullen	99,434,464	11,350,000	110,784,464
TE Duckworth	12,259,326	-	12,259,326
HJL Bohannan	22,240,855	-	22,240,855
Executive Officer			
RA Anderson	12,359,326	3,330,000	15,689,326
K Dekker	2,500,000	-	2,500,000

2009 ***Director***	**Held at 01/07/08**	**Net acquired**	**Held at 30/6/09**
DT Franzmann	52,039,171	-	52,039,171
MJ McMullen	99,434,464	-	99,434,464
TE Duckworth	12,259,326	-	12,259,326
HJL Bohannan	22,240,855	-	22,240,855
Executive Officer			
RA Anderson	12,359,326	-	12,359,326
K Dekker	2,500,000	-	2,500,000

19. Events subsequent to reporting date

Lachlan Star currently holds approximately 27.9% of the issued share capital of Luiri Gold Limited ("Luiri"), a TSX Venture and ASX listed company with gold projects in Zambia.

Subsequent to year end, on 29 July 2010, Luiri announced that it had received a letter from the Zambian government stating that it has cancelled LML 48 and that Luiri had appealed that decision to the Ministry of Mines in accordance with the Mining Act.

On 2 August 2010 Luiri announced that it had received a letter from the Minister of Mines in Zambia in which he had upheld the decision of the Director of Mines to cancel LML48. On 31 August 2010, Luiri announced that it had lodged an appeal with the High Court in Zambia with respect to the cancellation of LML 48. Luiri stated that its Zambian legal counsel has continuously advised that it (Luiri) is in compliance with all provisions of the mining license. LML48 contains both the Matala and Dunrobin gold deposits which have formed the core of the exploration and development work carried out by Luiri to date. Luiri has halted all fieldwork in Zambia until the tenure situation can be clarified.

On 18 August 2010 the Company lodged a requisition notice with Luiri seeking an Extraordinary General Meeting of Luiri shareholders to remove three Luiri directors. If successful it is the Company's intention to recommend to the Luiri board that the management contracts of the incumbent Luiri CEO and CFO be terminated and that they be replaced initially with Lachlan management, subject to the hiring of new management. If Lachlan is unsuccessful in revitalising the management of Luiri, it will consider all options with respect to its shareholding, among which may be disposal of some or all of its shares in Luiri.

Other than this no matter or circumstance has arisen since 30 June 2010 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.

20. Investments in associates

(a) *Summarised financial information of associate*

The consolidated entity's share of the results of its associate and its aggregated assets and liabilities are as follows:

2010	30 June 2010 ownership interest (%)	30 April 2010 assets ($)	30 April 2010 liabilities ($)	9 months to 30 April 2010 revenues ($)	9 months to 30 April 2010 net loss ($)
Luiri Gold Limited	27.9	1,759,284	86,930	31,724	(3,458,083)

The group has a 27.9% (2009: Nil) interest in Luiri Gold Limited ("Luiri") which is incorporated in Canada, listed on both ASX Limited and the TSX venture exchange in Canada, and involved in the acquisition, exploration and development of mineral properties. Luiri's financial year end is 31 October. Equity accounting is based on results to 30 April 2010 adjusted for material transactions. Luiri does not issue publicly available financial statements at 30 June.

The market value of the consolidated entity's listed investment in Luiri at 30 June 2010 was $5,572,133 (2009: $Nil).

There were no investments in associates at 30 June 2009.

(b) Movements in carrying amounts

	2010 ($)	2009 ($)
Carrying amount at the beginning of the year	-	-
Loss on dilution	(36,445)	-
Acquisition cost	4,477,253	-
Exercise of convertible note	300,000	-
Fair value on exercise of convertible note	52,990	-
Share of reserve movement of associate	59,813	
Share of net loss of associate accounted for using the equity method	(3,458,083)	-
Carrying amount at the end of the year	1,395,528	-

On 2 August 2010 Luiri announced that it had received a letter from the Minister of Mines in Zambia in which he had upheld the decision of the Director of Mines to cancel LML48. On 31 August 2010, Luiri announced that it had lodged an appeal with the High Court in Zambia with respect to the cancellation of LML 48. Luiri stated that its Zambian legal counsel has continuously advised that it (Luiri) is in compliance with all provisions of the mining license. LML48 contains both the Matala and Dunrobin gold deposits which have formed the core of the exploration and development work carried out by Luiri to date. Luiri has halted all fieldwork in Zambia until the tenure situation can be clarified.

At year end the consolidated entity's investment in Luiri assumes no value is attributable to Luiri's mineral properties. The relevant loss is recognised as part of the share of net loss of the associate accounted for using the equity method.

21. Share based payments

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

	2010			2009		
	Weighted average exercise price	**Number of options**	**Expiry date**	**Weighted average exercise price**	**Number of options**	**Expiry date**
Outstanding 1 July	$0.03	5,000,000		$0.01	13,958,333	
Exercised during the period	-	-		$0.01	2,375,000	
Expired during the period	$0.025	2,500,000		$0.01	11,583,333	
Issued during the period	$0.0225	45,000,000		$0.03	5,000,000	
Outstanding 30 June	$0.0232	47,500,000		$0.03	5,000,000	
Exercisable at 30 June	$0.0232	47,500,000		$0.03	5,000,000	
Outstanding 30 June comprise:	$0.02	22,500,000	18/11/11	$0.025	2,500,000	20/04/10
	$0.025	22,500,000	18/11/12	$0.035	2,500,000	20/04/11
	$0.035	2,500,000	20/04/11			

The weighted average share price at the date of exercise for share options exercised during the prior period was $0.04.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	**2010**	**2009**
Fair value at measurement date (cents)	1.2 to 1.3	1.4 to 1.6
Share price at date of issue (cents)	2.0	3.5
Exercise price (cents)	2.0 to 2.5	2.5 to 3.5
Expected volatility	110%	53% to 55%
Actual option life	24 to 36 months	21 to 31 months
Expected dividends	Nil	Nil
Risk-free interest rate	5.25%	6.75%
Share-based expense recognised	$553,448	$75,349

The current year volatility approximates the Company's historic volatility over a 30 day period prior to the option 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 10 to 14.

22. Consolidated entities

		Ownership interest	
Name	**Country of incorporation**	**2010**	**2009**
Legal parent			
Lachlan Star Limited	Australia		
Legal subsidiaries			
Ord Investments Pty Ltd	Australia	100%	100%
Toodyay Uranium Pty Ltd	Australia	100%	100%

23. Financial risk management

The consolidated entity's activities expose it to credit risk, market risk (including interest rate risk, currency 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, their 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. The consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in interest 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.

The consolidated entity is not currently exposed to commodity price risk.

(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. The consolidated entity does not have any trade receivables at June 2010 or June 2009 and has no significant concentration of credit risk. 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.

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

	2010 ($)	**2009 ($)**
Carrying amount:		
Cash and cash equivalents	3,855,725	8,461,832
Other receivables	126,204	443,246
	3,981,929	8,905,078

(b) Market risk

(i) 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;
- maturity dates of investments; and
- proportion of investments that are fixed rate or floating rate.

The risk is managed by the consolidated entity maintaining an appropriate mix between fixed and floating rate investments. All cash assets are held in Australian dollars.

23. Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of income-earning financial assets at the reporting date are as follows. There were no interest-bearing financial liabilities.

	Variable rate instruments at call 2010 ($)	Fixed rate instruments 2010 ($)	Weighted average effective interest rate 2010	Variable rate instruments at call 2009 ($)	Fixed rate instruments 2009 ($)	Weighted average effective interest rate 2009
Financial assets						
Cash and cash equivalents	3,855,725	-	3.7%	8,461,832	-	3.6%
Other receivables	-	-	-	-	352,990	2.0%

At the reporting date the carrying amount of the consolidated entity's interest bearing financial instruments was:

	2010 ($)	2009 ($)
Variable rate instruments		
Financial assets	3,855,725	8,461,832
Fixed rate instruments		
Financial assets	-	352,990

Sensitivity analysis

A 10% increase or decrease of in the weighted average year-end interest rate of variable rate instruments, being 37 basis points (2009: 36 basis points),would have increased / (decreased) consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009:

	Profit and loss ($)
30 June 2010 increase	14,194
30 June 2010 decrease	(14,194)
30 June 2009 increase	32,096
30 June 2009 decrease	(29,565)

(ii) Currency risk

The consolidated entity is exposed to currency risk on shares held in Luiri which are quoted in a currency (C$) other than the functional currency of the consolidated entity, being the A$.

The consolidated entity does not hedge this risk, however it continues to monitor the A$ / C$ exchange rate so that this currency exposure is maintained at an acceptable level.

23. Financial risk management (continued)

(b) Market risk (continued)

(iii) Price risk

The consolidated entity is exposed to equity securities price risk. This arises from an investment held by the consolidated entity and classified on the statement of financial position at fair value through profit and loss. The equity investment is publicly traded.

To manage price risk arising from investments in equity securities the consolidated entity diversifies its portfolio as determined by the Board.

Given the consolidated entity only had one investment in listed securities at period end, an ASX listed company, a comparison to movements in the value of this security relative to the movement in any ASX index is not considered relevant and has not been included in a sensitivity analysis.

(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 consolidated entity currently doesn't have any available lines of credit. The following are the contractual maturities of consolidated non-derivative financial liabilities:

	Carrying amount ($)	Contractual cashflows ($)	6 months or less ($)
2010			
Trade and other payables	140,924	140,924	140,924
	140,924	140,924	140,924
2009			
Trade and other payables	135,279	135,279	135,279
	135,279	135,279	135,279

(d) Fair values

The fair values of consolidated financial assets and financial liabilities, together with their carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 2010 ($)	Fair value 2010 ($)	Carrying amount 2009 ($)	Fair value 2009 ($)
Consolidated				
Cash and cash equivalents	3,855,725	3,855,725	8,461,832	8,461,832
Other receivables	126,204	126,204	443,246	443,246
Other financial assets	-	-	540,000	540,000
Trade and other payables	(140,924)	(140,924)	(135,279)	(135,279)
	3,841,005	3,841,005	9,309,799	9,309,799

All trade and other receivables / payables have a life of less than one year, and therefore their carrying amount is deemed to reflect their fair value. The basis for determining fair values is disclosed in Note 1(s).

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

(a) the financial statements and notes set out on pages 16 to 40 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 2010 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.

(2) 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.

MJ McMullen

MJ McMullen
Executive Director

Perth, 3 September 2010

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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 statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and 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 the Lachlan Star Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, 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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

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

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

Independence

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

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 2010 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;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 14 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of the company for the year ended 30 June 2010 included on Lachlan Star Limited's web site. The company's directors are responsible for the integrity of Lachlan Star Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
3 September 2010

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 2009 to 30 June 2010 (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 in relation to the matters specified below:

Principle Reference	**Recommendation Reference**	**Notification of Departure**	**Explanation for Departure**
2	2.2	The Chairman is not an independent director.	The Board considers that the Company is not currently of a size or complexity to require an independent Chairman. If the Company's activities increase in size, scope and/or nature the appointment of an independent Chairman will be considered by the Board.
2	2.3	The Chairman acts in the capacity of Chief Executive Officer.	The Board considers that the Company is currently of a size and complexity where the Chairman can act in the capacity of Chief Executive Officer. If the Company's activities increase in size, scope and/or nature the appointment of another person to fill the position of Chief Executive Officer will be considered by the Board.
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.
4	4.2	The Audit Committee only comprises the Company's two independent non-executive directors. Recommendation 4.2 states that the Audit Committee should contain at least three members.	The Board considers that the Company is not currently of a size or complexity to require a third member of the Audit Committee. If the Company's activities increase in size, scope and/or nature the appointment of a third Audit Committee member will be considered by the Board.
8	8.1	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 reviewed by the Board and implemented if appropriate.

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, in the case of the Chief Executive by the Board, and in all other cases by the Executive 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 10 to 14.

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 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 two independent directors are considered to be Mr Tom Duckworth and Mr Declan Franzmann.

Neither of these directors was considered to have a material relationship with the Company or another group member 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's revenue.

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.

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 5 August 2010

Substantial shareholders

The following shareholders have lodged substantial shareholder notices with ASX:

Name of Shareholder	Number of shares	% held
Wildeville Enterprises Pty Ltd	100,784,464	10.26%
Straits Resources Limited	97,000,000	8.98%

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.	Wildeville Enterprises Pty Ltd <Mcmullen Family A/C>	99,429,560	9.21
2.	Straits Exploration (Australia) Pty Ltd	97,000,000	8.98
3.	Citraen Pty Ltd <Franzmann Family A/C>	52,039,171	4.82
4.	Zero Nominees Pty Ltd	47,354,119	4.39
5.	Macquarie Bank Limited	26,518,653	2.46
6.	Ashwath Mehra	24,518,653	2.27
7.	Mr Hamish Bohannan + Ms Julie Bohannan <Putsborough Super Fund A/C>	20,840,855	1.93
8.	Ice Cold Investments Pty Ltd	17,164,666	1.59
9.	N & J Mitchell Holdings Pty Ltd <Ord Street Properties A/C>	17,000,000	1.57
10.	Hazardous Investments Pty Ltd	15,500,000	1.44
11.	UBS Wealth Management Australia Nominees Pty Ltd	13,350,000	1.24
12.	Mrs Lucinda Natalie-Anne Anderson	12,809,326	1.19
13.	Mr Thomas Ernest Duckworth + Mrs Jennifer Audrey Duckworth <Superannuation A/C>	12,259,326	1.14
14.	HSBC Custody Nominees (Australia) Limited	11,361,392	1.05
15.	Fiske Nominees Limited <Baile 012 A/C>	11,000,000	1.02
16.	Fiske Nominees Ltd <Edgew0001 A/C>	11,000,000	1.02
17.	Helmet Nominees Pty Ltd <Tim Weir Family Fund A/C>	10,000,000	0.93
18.	Mr Darren Walter Rudrum	10,000,000	0.93
19.	Donrose Investments Pty Ltd <Donrose Super Fund A/C>	9,400,000	0.87
20.	Emerald Corporation Pty Ltd <F R Blakiston No2 A/C>	9,000,000	0.83
	Total	527,545,721	48.85

a) Shareholdings as at 5 August 2010 (continued)

Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	485	151,940
1,001	to	5,000	113	228,618
5,001	to	10,000	19	147,293
10,001	to	100,000	514	28,058,278
100,001	and over		630	1,051,281,242
			1,761	1,079,867,371

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,015.

b) Unlisted option holdings as at 5 August 2010

	$0.035 options expiring 20 April 2011	$0.02 options expiring 18 November 2011	$0.025 options expiring 18 November 2012
Number on issue	2,500,000	22,500,000	22,500,000
Number of holders	1	6	6

Those holding more than 20% of the class:

Mr Kees Dekker	2,500,000		

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	100%