

Lachlan Star Announces C\$12.93 Million Non-Brokered Private Placement and Updates Corporate Strategy

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PERTH, WESTERN AUSTRALIA -- (Marketwired - April 4, 2013) - Gold miner, [Lachlan Star Limited](#) ("Lachlan" or the "Company") (TSX:LSA) (ASX:LSA) is pleased to announce that it has entered into subscription agreements with accredited North American and European investors to raise a total of C\$12.93 million at an issue price of C\$0.57 a share from the issuance of 22,683,468 ordinary shares.

Private Placement

The private placement is non-brokered and the issue price represents a 12% premium to the 5 day Volume Weighted Average Price (VWAP) for the Company's ordinary shares on the Toronto Stock Exchange (the "TSX") prior to 2 April 2013. A total of 22,683,468 ordinary shares will be issued on closing and the Company will receive gross proceeds of \$12.93 million. No broker commissions or finder's fees are payable and no options or warrants will be issued in association with the private placement. The offer is not underwritten and no underwriting fees are payable.

The private placement is being completed to raise funds for the following purposes:

- \$2.5 million for additional spares inventory for the crushing and ADR plants to increase plant availability
- \$0.75 million to advance capital works associated with increasing fluid flows and solution grades in the leach pads
- \$1 million to advance capital works on the ROM and dynamic pads
- \$8.68 million for general working capital purposes

The private placement is being made under the Company's existing shareholder approval limits. Completion of the private placement is subject to receipt of conditional listing approval of the TSX. Subject to receipt of that approval, closing is expected to occur within the next week. Ordinary shares issued under the placement to North Americans will be subject to the customary 4-month hold period from the date of issue. No prospectus will be issued in association with the private placement.

The Company is making the private placement within its 15% approval limit under Australian Securities Exchange (the "ASX") Listing Rule 7.1 and the additional 10% approval limit approved by shareholders at the last Annual General Meeting under ASX Listing Rule 7.1A. The Company has elected to raise the additional funds needed by way of private placement pursuant to its 10% capacity under ASX Listing Rule 7.1A rather than a rights issue for the following reasons:

- Rights issues are not widely used in North America (where the bulk of the Company's shareholders reside) compared to Australia
- Pricing the offer at a premium to the share price would not have been possible had the Company elected to raise the funds by way of a rights issue given that existing shareholders can buy stock on market at a price below the private placement price
- The timetable of a rights issue would have exposed the Company to pricing risk on the financing

Once the Company has issued the 13,521,409 ordinary shares within its 15% approval limit under ASX Listing Rule 7.1 there will be 105,363,862 ordinary shares on issue. The issue of the additional 9,162,059 ordinary shares within its 10% approval limit under ASX Listing Rule 7.1A will result in a dilution of 8.70%.

Corporate Strategy

The Company has reviewed its corporate strategy and provides the following guidance:

- Going forward the Company intends to pay out the maximum amount of free operating cash flow possible as dividends once sufficient cash and gold has been accrued to the balance sheet to provide a suitable cash buffer and ensure all internal capital projects are fully funded
- Subject to the commitments above, the Company will pay such free cash flow out on a quarterly basis and will give shareholders the option to take payment in dollars or gold
- The Company will begin to report its financial and operating results in gold as well as dollars
- The Company does not currently intend to pursue acquisitions but will instead focus on building a long-term reliable producing gold asset at the CMD Gold Mine and maximising cash flow from the mine
- Peter Babin, an existing director of the Company and former President of Royal Gold, Inc., will commence as President of Lachlan Star on 1 July 2013 and assume day to day responsibility for the Company. Management of operations will remain with the current Chief Operating Officer (Bira de Oliveira). The current Executive Chairman (Mick McMullen) will revert to non-executive Chairman

This strategy statement is aimed at providing clear guidance to shareholders and is driven by a desire by the Board and major shareholders to see free operating cash flow maximised from the CMD Gold Mine and for that cash flow to be paid out to shareholders to the maximum extent possible on a regular basis.

Payment of dividends in cash or gold will enable shareholders to opt to have direct exposure to the commodity that they are investing in, namely gold. The Company will hold a portion of its funds in gold once sufficient working capital has been built up on the balance sheet.

Reporting of the Company's results in gold as well as dollars will allow shareholders to determine how many gold ounces their shareholding represents.

The relative outperformance of cash flow paying royalty companies over gold equities has increased over recent times, and this appears to be at least partly attributable to investors' desire for yield. The Company intends to pursue a strategy of paying out its cash flow and not to risk shareholders' funds on potential mergers and acquisitions.

Peter Babin's appointment as President will continue to strengthen the Company's management in the Americas. The Company considers this to be a logical transition given that:

- Approximately 85% of the Company's shares are held in North America
- The vast majority (88% by volume in the past 3 months) of trading in the Company's ordinary shares is on the TSX
- The sole operating asset of the Company and all operational management personnel are located in the Americas
- Corporate overheads will be reduced by virtue of reduced travel and overhead expenses

Peter Babin is a resident of Denver, Colorado and knows the CMD Gold Mine intimately given his time as a part owner of the mine from 2004 to 2010. He has been a non-executive director of Lachlan Star from late 2010 and was formerly the President of Royal Gold, a royalty company with a market capitalization of approximately \$4.5 billion. Peter Babin has a beneficial interest in a total of 3.32 million shares in the Company, which strongly aligns his interests with other shareholders.

Mick McMullen, the current Executive Chairman, will return to a non-executive Chairman role once Peter Babin assumes the President position.

Summary

The Company believes that the private placement and corporate strategy will deliver on various requirements for shareholders, namely:

- Adds a significant cash buffer to the balance sheet at a premium to the market price at a time when capital

for gold mining companies is difficult to source

- Enables the Company to advance certain capital works that will increase gold production
- Removes uncertainty in the market place about whether the Company would require additional funding for working capital
- Provides clarity for shareholders on the Company's intentions about maximising cash flow and paying that out in gold or cash as a dividend
- Transitions corporate management to an experienced corporate executive who's interests are strongly aligned with shareholders to maximise shareholder returns and who is based in the right time zone

For and on behalf of the Board

Mick McMullen
Chairman

To view the full announcement please click the link below:

http://www.lachlanstar.com.au/images/130404_LSA_PrivatePlacement_Final.pdf

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