# LUIRI GOLD LIMITED

**EXEMPT COMPANY NO. 46884**
**ARBN 139 588 926**

Annual Report
For the 14 month period ended
31 December 2013

# Contents

## Corporate Information

| | |
|---|---|
| **Directors** | Rob Brown<br>Evan Kirby<br>Michael Langoulant |
| **Company secretary** | Michael Langoulant |
| **Registered office** | Clarendon House<br>2 Church Street<br>Hamilton, Bermuda |
| **Australian office** | Suite 2, 47 Havelock Street<br>West Perth, Western Australia 6005<br>Telephone: +61-8 6313 5155<br>Facsimile: +61-8 9324 2977 |
| **Zambian office** | Plot 1266 Fulwe Close<br>Rhodes Park, Lusaka, Zambia<br>Telephone: +260 211 256 752 |
| **Share registry** | Computershare Investor Services Pty Ltd<br>Reserve Bank Building<br>Level 2, 45 St George's Terrace<br>Perth, Western Australia 6000 |
| **Auditors** | HLB Mann Judd<br>Chartered Accountants<br>Level 4, 130 Stirling Street<br>Perth, Western Australia 6000 |
| **Solicitors** | Allen & Overy<br>2 The Esplanade<br>Perth, Western Australia 6000 |
| **ASX code** | Luiri Gold Limited is listed on the Australian Securities Exchange (Shares: LGM) |
| **Website** | www.luirigold.com |

## Directors' Report

Your Directors present their financial report for the 14 month period ended 31 December 2013. The financial report is prepared in accordance with the Bermudian Companies Act, 1981.

**Directors**

The following persons were Directors of Luiri Gold Limited (**the Company or Luiri**) during the whole of the period and up to the date of this report unless otherwise stated:

Robert Brown – *Non-executive Chairman*
Evan Kirby – *Technical Director*
Michael Langoulant – *Executive Director*

Melissa Sturgess was a director for the whole period and up to 13 February 2014.

**Review of operations**

**Highlights**

- Resource Update – in November 2012, new resource estimate by Coffey Mining delivers Measured Resource at Dunrobin of 978,000 tons @ 2.6 g/t for 81,000 ounces gold (42% of Dunrobin ounces in Measured Category)

- Total Measured, Indicated & Inferred Resources at Dunrobin and Matala of 10.53 million tons @ 2.2 g/t Au, for 761,000 ounces

- Feasibility study work completed during the period includes:
    - Scoping level underground mining at Matala
    - Open pit optimisation studies at Matala at USD1,200 per ounce indicate potential for 1.0 million tons of ore at 3.2 g/t
    - Ore Reserve Estimation for Dunrobin open pit – probable ore reserve (JORC 2004) 1.0 million tons @ 2.7 g/t for 87,000 ounces based on gold price of USD1,225 per ounce
    - November 2013 detailed, independent feasibility issued by Coffey Mining confirms that the Dunrobin project is technically feasible and economically viable in the current gold price environment

- Environmental permit granted for the Dunrobin project in October 2013

- In December 2013 a bulldozer and grader were mobilised to site to commence pre-development activities

- Zambian Government confirmation of mining development schedule tied to provision of electrical power on site by Zambian Electricity Supply Company

- On 19 December 2013, the Company announced that it had entered into a binding heads of agreement (**HOA**) (subject to due diligence) with African based mining contractor, Bamboo Rock Ltd (**Bamboo Rock**), for the sale of a 75% majority stake in the Company's subsidiaries that hold the Luiri Hill Gold Projects in Zambia

## LUIRI HILL GOLD PROJECT

The Company's Luiri Hill Gold Project currently consists of 2 large-scale mining licenses, 8074-HQ-LML ($32km^2$) granted in 2003 and 14948-HQ-LML ($245km^2$) granted in 2012, covering a total area of $277km^2$ (**Tenements**). The Tenements have a 25 year renewable term and combined with the recently issued Environmental Permit have all necessary rights to commence mining.

### Completion of Exploration Work, Resource Estimation, Pre-Feasibility Studies and Permitting

The exploration program that commenced in early 2012 was completed in November 2012. This work included infill drilling at Dunrobin plus a limited amount of exploration drilling on extensions to Matala, target drilling on the Chosa, Eclipse and Shadreck prospects and a low-level, high-resolution magnetic and radiometric survey and associated interpretive reporting of over $544km^2$, covering the entire Luiri Hill Gold Project area.

In November 2012 the Company announced that a JORC compliant Measured, Indicated and Inferred Resource had been defined at Dunrobin. The new Resource at Dunrobin as defined by Coffey Mining is outlined in the table below.

| Dunrobin Deposit - Summarized Resource Estimate Reported at 1 g/t Gold Cut-Off | | | | |
|---|---|---|---|---|
| | Lower Cut-Off Grade (g/t Au) | Tonnes (000's) | Average Grade (g/t Au) | Ounces (000's) |
| Measured | 1.0 | 978 | 2.6 | 81 |
| Indicated | 1.0 | 1,063 | 2.0 | 69 |
| Inferred | 1.0 | 763 | 1.8 | 43 |

Pre-feasibility level studies were conducted on both underground and open pit mining at Matala. The open pit work included pit optimisation studies at a range of gold prices.

In October 2013, the Company received official approval of its Environmental Impact Assessment study (EIA) and the accompanying Environmental Permit for the proposed open pit and processing plant at Dunrobin. A positive decision was made by the Zambia Environmental Management Agency (ZEMA) following extensive consultation with numerous stakeholders and is valid for a three year period in which project implementation must take place. This approval and issue of the Environmental Permit was the last major permit required ahead of project development.

### Dunrobin Ore Reserve Estimate and Feasibility Study

Negotiations with potential debt funders were undertaken throughout the reporting period notwithstanding the worsening climate for junior explorers and a declining gold price. As negotiations progressed, increasingly stringent due diligence reviews were being undertaken by potential financiers. Against this background in mid-2013, the Company concluded that an Ore Reserve Statement was required to satisfy potential funders. Then as the year progressed, it became apparent that a fully independent Feasibility Study was required to satisfy the increasingly stringent due diligence requirements.

An Ore Reserve Statement was completed by Coffey Mining using a mix of independent capital and operating cost estimates and mining data generated by Coffey. The Company announced the probable Ore Reserve of 1.0 million tons @ 2.7 g/t for 87,000 ounces of gold on 12 July 2013. This Ore Reserve estimate effectively required a feasibility study to confirm that it was technically and economically feasible to mine and produce gold from the ore. However, whilst Coffey reviewed and accepted the external work, they did not have full control of the study work so the result fell short of a "fully independent study".

Coffey Mining Pty Ltd of Perth was subsequently commissioned to undertake an independent Feasibility Study (**Coffey FS**) of the Dunrobin project. The report was issued on 6 November 2013 and it confirmed that the Dunrobin project is technically and economically feasible in the current gold price environment. The Coffey FS utilised a life of mine USD1,300/oz gold price and indicated a positive IRR of 18.2%. The sensitivity analysis shows that this return will increase substantially with gold price improvement.

At Matala, a review of earlier pit optimisation studies by Coffey Mining indicated that at a gold price USD1,200 per ounce, a Matala open pit mining development could supply about one million tonnes of ore at a grade of about 3.2 g/t for processing at Dunrobin. This could significantly extend the life of the Dunrobin project in a low gold price scenario.

**Project Financing**

The licence within which both the Dunrobin and Matala projects lie, 8074-HQ- LML, was cancelled in July 2010. Upon its reinstatement in September 2011 a key condition of the renewal agreement with the Zambian government was that the Company shall by 14 December 2013:

"....be in a position to complete project implementation, secure the requisite statutory permits for its operations, have commenced construction of the mining operation and have secured the requisite financing to complete a fully operational Large Scale Mine in line with the development plan which shall be submitted to the Respondent [Ministry of Mines] within a reasonable period of time from the filing of this consent settlement order;...."

In the face of difficult equity and capital raising markets and with gold trading at recent lows for most of the reporting period the Company was unable to secure funding (neither debt nor equity nor a mixture of both) to satisfy this Government imposed development requirement. The Company was however able to secure in December 2013 a binding Heads of Agreement (**HOA**) with Bamboo Rock that enabled the Company to satisfy this Government imposed funding deadline.

At the time of issuing this report the Company and Bamboo Rock are in negotiations to amend the terms of the original HOA.

**Project Development**

The due diligence period within which Bamboo Rock was to decide whether to proceed with the Dunrobin project has now passed. However, Bamboo Rock and the Company continue to investigate the optimum project development for which project finance can be secured. As part of these investigations the Company and Bamboo Rock are presently renegotiating the terms of the HOA.

The Company has determined that a key risk to a successful development at Dunrobin is the provision of adequate electrical power on site. Electrical power will be required to operate the Dunrobin processing plant and mining infrastructure. Zambia has abundant low cost hydroelectric power and economic considerations dictate that the project development schedule be linked to the timing for the supply of sufficient electrical power to the site.

Zesco has planned an upgrade to the electricity supply in the Mumbwa region for late 2014. The increased power capacity supplied to Dunrobin will be implemented as part of this upgrade. Discussions with Zesco and the Zambian department of Mines and Energy are continuing and the Company has advanced discussions with Zesco for the provision of this power upgrade during the next 12 months.

As a result and subsequent to period end the Company has secured a confirmed development schedule from the Zambian government that ties the timing of the Company's development obligations to provision of an increased and upgraded electrical power supply to the Dunrobin project site. Zesco are well advanced in calling for tenders for this upgrade to, and improvement of, the power line that presently runs across the Company's mining tenement.

**Corporate**

During February to March 2013 the Company, through a mixture of placements and a partially underwritten rights issue, raised approximately $2.1 million in working capital to continue development of the Dunrobin gold project.

In December 2013, the Company signed a binding HOA with Bamboo Rock that envisaged the Company selling 75% of various Luiri subsidiary companies to Bamboo, who would assume board and management control of the Zambian operations. Luiri would maintain a contributing 25% shareholding in the project.

As noted above the HOA was not completed on its current terms and the Company continues to negotiate with Bamboo Rock with the aim to reach a binding transaction in the near future.

Given the difficulty in sourcing finance for the Dunrobin project and in equity markets in general the Company has made significant cuts to its corporate overheads and operational costs. Further, the number of Board members has been reduced from 4 to 3 with the resignation of Melissa Sturgess in February 2014. The Board thanks Melissa for her contribution during her time as a Director of the Company.

On 28 March 2014 the Company announced a placement of approximately 38 million Luiri shares at an issue price of $0.005 to raise approximately $190,000 in working capital.

This report is signed in accordance with a resolution of the Directors.

**M Langoulant**
**Executive Director**

**Perth**
**31 March 2014**

## Resource Summary

Coffey Mining Pty Ltd of Perth have estimated the current Multiple Indicator Kriging derived open pit gold resource at the Matala and Dunrobin deposits to be a combined (Measured, Indicated plus Inferred) resource of 10.53 million tonnes at 2.2 g/t Au, for 761,000 ounces of gold reported at a cut-off of 1.0 g/t. Refer to the table below.

| Luiri Hill Gold Project<br>Summarized Resource Estimate Reported at 1 g/t Gold Cut-Off | | | | |
|---|---|---|---|---|
| Matala Deposit | | | | |
| | Lower Cut-Off Grade (g/t Au) | Tonnes (000's) | Average Grade (g/t Au) | Ounces (000's) |
| Indicated | 1.0 | 3,204 | 2.7 | 278 |
| Inferred | 1.0 | 4,525 | 2.0 | 290 |
| Dunrobin Deposit | | | | |
| | Lower Cut-Off Grade (g/t Au) | Tonnes (000's) | Average Grade (g/t Au) | Ounces (000's) |
| Measured | 1.0 | 978 | 2.6 | 81 |
| Indicated | 1.0 | 1,063 | 2.0 | 69 |
| Inferred | 1.0 | 763 | 1.8 | 43 |
| Matala and Dunrobin Deposits Combined | | | | |
| | Lower Cut-Off Grade (g/t Au) | Tonnes (000's) | Average Grade (g/t Au) | Ounces (000's) |
| Measured | 1.0 | 978 | 2.6 | 81 |
| Indicated | 1.0 | 4,267 | 2.5 | 347 |
| Inferred | 1.0 | 5,288 | 2.0 | 332 |

*Competent Persons*
*The information in this report that relates to both the Dunrobin and Matala Mineral Resources is based on information compiled or supervised by Mr Ingvar Kirchner who is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Kirchner is employed by Coffey Mining and has reviewed this report and consents to the inclusion, form and context of the relevant information herein as derived from the original resource reports. Mr Kirchner has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*The technical exploration and mining information contained in this report has been reviewed and approved by Mr C White B Sc (Hons) in Applied Geology, General Manager for Luiri Gold Limited. Mr White has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr White is an Employee of Luiri Gold Limited and is a Member of the Institute of Materials, Minerals and Mining. Mr White consents to the inclusion in this report of such information in the form and context in which it appears.*

The information relating to the Company's past exploration results and reported resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

# Corporate Governance Report

## Introduction

Luiri Gold Limited (**Company**) considers the adoption of appropriate systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (**Recommendations**) the Company has followed each Recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices, polices and Charters are set out on the Company's website at www.luirigold.com. In accordance with the Recommendations, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

## Disclosure – Principles & recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Recommendations during the 14 month period ended 31 December 2013 (**Reporting Period**).

***Board***

**Roles and responsibilities of the Board and Senior Executives**
**(Recommendations: 1.1, 1.3)**

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

**Skills, experience, expertise and period of office of each Director**
**(Recommendation: 2.6)**

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board are: ability to provide guidance on the development of the Company's assets; independence; understanding of exploration; capital markets; geological; accounting and finance; and mining experience.

**Director independence**
**(Recommendations: 2.1, 2.2, 2.3, 2.6)**

For the Reporting Period the Board did not have a majority of directors who were independent.

The Company has not complied with this Recommendation. The Board has no independent directors. Given the size and scope of the Company's operations, the Board considers that it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from both a long-term strategic and operational perspective.

The Board considers the independence of directors having regard to its Policy on Assessing the Independence of Directors, which provides that when determining the independent status of a director the Board should consider whether the director:

- is a substantial shareholder of the Company or an officer, of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by a Group company and there has not been a period of at least 3 years between ceasing such employment and serving on the Board;
- has within the last 3 years been a principal of a material professional adviser or a material consultant to the Group;
- has a material contractual relationship with the Company or other group member other than as a director;
- is a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.

The Board has agreed on the following guidelines for assessing the materiality of matters:
- Statement of Financial Position items are material if they have a value of more than 5% of pro-forma net assets.
- Statement of Comprehensive Income items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on asset, liability, income or expense items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.

**Independent professional advice**
**(Recommendation: 2.6)**

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

**Selection and (Re) Appointment of Directors**
**(Recommendation: 2.6)**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer).

However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

***Board committees***
**Nomination Committee**
**(Recommendations: 2.4, 2.6)**

The Board has not established a separate Nomination Committee. The Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company’s Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period. Informal nomination-related discussions occurred from time to time during the year as required.

**Audit Committee**
**(Recommendations: 4.1, 4.2, 4.3, 4.4)**

During the Reporting Period the Board had an Audit Committee however the composition of the Audit Committee did not comply with the Recommendations.

At present, as the Board consists of only 3 members the Audit Committee has been dissolved. Accordingly, the Board performs the role of the Audit Committee. Items that are usually required to be discussed by a Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter.

The Board has stated its audit and compliance responsibilities in the Board Charter.

**Remuneration Committee**
**(Recommendations: 8.1, 8.2, 8.3, 8.4)**

The Board has not established a Remuneration Committee.

The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. The Company's constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by general meeting. Time is set aside at one Board meeting each year specifically to address the matters usually considered by a Remuneration Committee. Remuneration matters, usually considered by a Remuneration Committee, were considered during a number of Board meetings during the year.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

***Performance evaluation***
**Senior executives**
**(Recommendations: 1.2, 1.3)**

The Chair is responsible for evaluating the performance of senior executives. The performance evaluation of senior executives is undertaken by meetings held with each senior executive and the Chair on an informal basis at least once a year.

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed above.

**Board, its committees and individual directors**
**(Recommendations: 2.5, 2.6)**

The Chair is responsible for evaluating the performance of the Board and, when deemed appropriate, Board committees and individual directors. Evaluations of the Board and its committees are undertaken by way of round-table discussions and individual directors by one on one interview.

During the Reporting Period an evaluation of the Board and individual directors took place in accordance with the process disclosed above.

***Ethical and responsible decision making***
**Code of Conduct**
**(Recommendations: 3.1, 3.5)**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Diversity**
**(Recommendations: 3.2, 3.3, 3.4, 3.5)**

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

Given the small size of the Company, the Board has not set measurable objectives for achieving gender diversity. However, the Company's Board does take into account the gender, age, ethnicity and cultural background of potential Board members, executives and employees.

At the date of this report the Company had 22 male employees and three female employees.

A summary of the Company’s Diversity Policy is disclosed on the Company’s website.

***Continuous Disclosure***
**(Recommendations: 5.1, 5.2)**

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

***Shareholder Communication***
**(Recommendations: 6.1, 6.2)**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

***Risk Management***
**Recommendations: 7.1, 7.2, 7.3, 7.4)**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director**,** who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director has unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval; and
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations.

During the Reporting Period, the Company formalised its approach to risk management by documenting all material business risks in a risk register and allocation of ownership for material business risks to the Managing Director and management of individual material business risks to senior management and individuals within the organisation. The risk register is regularly reviewed by the Board and management. All risks identified in the risk register will be reviewed and assessed by management and the Board at least annually. Risk is a standing discussion item at scheduled Board meetings.

The key categories of risk of the Company, as reported on by management, include:
- cash management and the ability to raise fresh equity capital;
- financial reporting;
- ASX reporting compliance;
- project ownership retention;
- executive travel safety;
- maintaining joint venture partnerships;
- employee health and safety;
- retention of key employees;
- environmental compliance;
- foreign exchange risk; and
- sovereign risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

## Statement of Comprehensive Income
## For the 14 month period ended 31 December 2013

| | Note | **Consolidated** **14 Months ended 31 December 2013 $** | 12 Months ended 31 October 2012 $ |
|---|---|---|---|
| Revenue | | | |
| Interest income | | 47,544 | 193,865 |
| Other income | 2 | 15,335 | - |
| | | 62,879 | 193,865 |
| Depreciation | | 41,142 | 46,676 |
| Exploration expenditure written off | | 1,589,637 | 2,968,879 |
| Foreign exchange loss | | 8,680 | 3,326 |
| Impairment of mining properties | | 913,209 | - |
| Other expenses | | 2,248,990 | 2,467,833 |
| Share-based payment expense | | 518,930 | 1,094,092 |
| | | 5,320,588 | 6,580,806 |
| **Loss before income tax expense** | 2 | (5,257,709) | (6,386,941) |
| Income tax expense | | - | - |
| **Loss after income tax for the period** | | (5,257,709) | (6,386,941) |
| **Other comprehensive income** | | | |
| Items which may subsequently be classified to profit and loss | | | |
| Exchange differences on translation of foreign subsidiaries | | (95,240) | 31,308 |
| **Total comprehensive result for the period** | | (5,352,949) | (6,355,633) |
| | | Cents | Cents |
| Basic loss per share (cents per share) | | (2.1) | (4.0) |

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Statement of Financial Position
## As at 31 December 2013

| | | Consolidated | |
|---|---|---|---|
| | Note | **31 December 2013** $ | 31 October 2012 $ |
| **Current assets** | | | |
| Cash and cash equivalents | | 228,606 | 2,449,477 |
| Trade and other receivables | 6 | 87,660 | 245,791 |
| **Total current assets** | | 316,266 | 2,695,268 |
| **Non-current assets** | | | |
| Plant and equipment | 7 | 119,202 | 143,433 |
| Mining properties | 8 | 250,000 | 1,163,209 |
| **Total non-current assets** | | 369,202 | 1,306,642 |
| **Total assets** | | 685,468 | 4,001,910 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 550,326 | 964,179 |
| **Total current liabilities** | | 550,326 | 964,179 |
| **Non-current liabilities** | | | |
| Provisions | 10 | 117,892 | 124,265 |
| **Total non-current liabilities** | | 117,892 | 124,265 |
| **Total liabilities** | | 668,218 | 1,088,444 |
| **Net assets** | | 17,250 | 2,913,466 |
| **Equity** | | | |
| Issued capital | 11 | 27,588,627 | 25,653,478 |
| Shares to be issued | 11 | 448,000 | 448,000 |
| Reserves | 12 | 5,397,297 | 4,970,953 |
| Accumulated losses | | (33,416,674) | (28,158,965) |
| **Total equity** | | 17,250 | 2,913,466 |

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

## Statement of Changes in Equity
## For the 14 month period ended 31 December 2013

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | **Issued capital** | **Shares to be issued** | **Accumulated losses** | **Reserves** | **Total equity** |
| | **$** | **$** | **$** | **$** | **$** |
| Balance as at 31 October 2011 | 20,731,748 | - | (21,772,024) | 3,845,553 | 2,805,277 |
| Loss for the period | - | - | (6,386,941) | - | (6,386,941) |
| Other comprehensive income | - | - | - | 31,308 | 31,308 |
| Total comprehensive result for period | - | - | (6,386,941) | 31,308 | (6,355,633) |
| Shares issued during the year (net of issue costs) | 4,921,730 | - | - | - | 4,921,730 |
| Shares to be issued for exploration and evaluation assets | - | 448,000 | - | - | 448,000 |
| Share-based compensation | - | - | - | 1,094,092 | 1,094,092 |
| Balance at 31 October 2012 | 25,653,478 | 448,000 | (28,158,965) | 4,970,953 | 2,913,466 |
| Balance as at 31 October 2012 | 25,653,478 | 448,000 | (28,158,965) | 4,970,953 | 2,913,466 |
| Loss for the period | - | - | (5,257,709) | - | (5,257,709) |
| Other comprehensive income | - | - | - | (95,240) | (95,240) |
| Total comprehensive result for period | - | - | (5,257,709) | (95,240) | (5,352,949) |
| Shares issued during the period (net of issue costs) | 1,935,149 | - | - | - | 1,935,149 |
| Share-based compensation | - | - | - | 521,584 | 521,584 |
| **Balance at 31 December 2013** | 27,588,627 | 448,000 | (33,416,674) | 5,397,297 | 17,250 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## Statement of Cash Flows
## For the 14 month period ended 31 December 2013

| | Note | Consolidated<br>**14 months ended 31 December 2013**<br>$ | 12 months ended 31 October 2012<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 10,000 | - |
| Payments to suppliers and employees | | (4,100,723) | (5,294,168) |
| Interest received | | 47,544 | 193,865 |
| **Net cash outflow from operating activities** | 19 | (4,043,179) | (5,100,303) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of assets | | 5,335 | - |
| Payments for plant and equipment | | (16,911) | (127,956) |
| **Net cash outflow from investing activities** | | (11,576) | (127,956) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of securities | | 2,138,120 | 5,250,000 |
| Capital raising costs | | (200,317) | (328,270) |
| **Net cash inflow from financing activities** | | 1,937,803 | 4,921,730 |
| **Net decrease in cash held** | | (2,116,952) | (306,529) |
| **Cash at the beginning of the period** | | 2,449,477 | 2,727,167 |
| Effect of exchange rate changes on cash and cash equivalents | | (103,919) | 28,839 |
| **Cash at the end of the period** | | 228,606 | 2,449,477 |

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

**Note 1: Statement of Significant Accounting Policies**

**(a) Basis of Preparation**

This general purpose financial report for the 14 month reporting period ended 31 December 2013 has been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**ISAB**).

The financial report is presented in Australian dollars. The Company is listed on the Australian Securities Exchange (ASX: LGM). The Company is a Bermudian incorporated company subject to the Bermudian Companies Act, 1981 as amended from time to time. The Company is not subject to the Australian Corporations Act, 2001.

The financial report has been prepared on a historical cost basis. The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

***Going Concern***

The Company and its controlled entities (**Group**) as at reporting date do not generate sufficient cash flows from their operating activities to finance their activities. Thus the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in completing a capital raising and or asset sale/joint venture agreement during the next 12 months. The Directors have mitigated this risk by reducing the Group's corporate overheads and postponing expenditure on the Group's projects where possible.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

***Comparatives***

The Company has changed its year end from 31 October to 31 December in order to match the year end of the parent company with that of its Zambian operating subsidiary. This will streamline reporting administration with a resultant cost saving. The current reporting period is for a 14 month period and as a result amounts presented in these financial statements are not necessarily entirely comparable.

**(b) Adoption of new and revised standards**

**Changes in accounting policies on initial application of Accounting Standards**

In the period ended 31 December 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the ISAB that are relevant to the Group's operations and effective for the current annual reporting period. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change necessary to Group accounting policies.

**(c) Statement of compliance**

The financial report was authorised by the Board of Directors for issue on31 March 2014.

The financial report complies with International Financial Reporting Standards (**IFRS**).

**(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Luiri Gold Limited (“Company” or “parent entity”) and its controlled entities as at 31 December 2013 (the “Group”).
The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.
In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**(e) Significant accounting judgements estimates and assumptions**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Exploration and evaluation costs carried forward*

The Group’s main activity is exploration for and evaluation of mineral deposits. The nature of exploration activities are such that it requires interpretation of complex and difficult geological models in order to make an assessment of the size, shape, depth and quality of resources and their anticipated recoveries. The economic, geological and technical factors used to estimate mining viability may change from period to period. In addition, exploration activities by their nature are inherently uncertain. Changes in all these factors can impact exploration asset carrying values.

*Share-based payment transactions*:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model using the assumptions contained in Note 13.

**(f) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*(i) Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(g) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Temporary bank overdrafts are included in cash at bank and in hand. Permanent bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(h) Income tax**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in controlled entities, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(j) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office equipment – 10-30%
Plant and equipment – 15%
Motor vehicles – 25%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, for each reporting period.

**(k) Impairment of assets**

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating-unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating-unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial periods.

Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(l) Trade and other payables**

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**(m) Provisions**

Where applicable, provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.
When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Provisions are measured at the net present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(n) Share-based payment transactions**

*Equity settled transactions:*

The Group provides benefits to employees and consultants of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black and Scholes model, further details of which are given in Note 13.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Group's best estimate of the number of equity instruments that will ultimately vest.

The statement of comprehensive income charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

**(o) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

**(q) Exploration and evaluation expenditure**

Exploration costs are expensed as incurred. Acquisition costs are accumulated in respect of each separate area of interest. Acquisition costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial year and accumulated acquisition costs written off to the extent that they will not be recovered in the future. Amortisation is not charged on acquisition costs carried forward in respect of areas of interest in the development phase until production commences.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(r) Foreign currency translation**

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operations, Luiri Gold Mines Limited is Zambian Kwacha (ZMW).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of HLB Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss

**(s) Segment reporting**

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

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **Note 2: Revenue and expenses** | | |
| **(a) Revenue from continuing operations** | | |
| *Other revenue* | | |
| Profit on sale of assets | **5,335** | - |
| Sundry income | **10,000** | - |
| | **15,335** | - |
| **(b) Expenses** | | |
| Loss from ordinary activities before income tax expense includes the following specific expenses: | | |
| Auditor's remuneration | **33,327** | 111,031 |
| Employee costs* | **752,209** | 1,030,703 |

* Includes all direct exploration employee costs

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **Note 3: Income tax** | | |
| **(a) Income tax benefit** | | |
| The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax benefit in the financial statements as follows | | |
| Accounting loss before tax from continuing operations | **(5,257,709)** | (6,386,941) |
| Tax expense/(benefit) calculated at 30% | **(1,577,313)** | (624,118) |
| Non-deductible expenses | | |
| Unused tax losses and tax offset not recognised as deferred tax assets | **174,589** | 590,463 |
| Deferred tax assets and tax liabilities not recognised in relation to foreign expenses | **1,402,724** | 33,655 |
| Income tax expense/(benefit) reported in the statement of comprehensive income | **-** | - |
| **(b) Unrecognised deferred tax balances** | | |
| The following deferred tax assets have not been brought to Account | | |
| Deferred tax assets comprise: | | |
| Accruals | **3,000** | - |
| Losses available for offset against future income – revenue | **540,273** | 452,638 |
| Net unrecognised deferred tax assets | **543,273** | 452,638 |

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **Note 4: Loss per share** | | |
| Total basic loss per share (cents) | **(2.1)** | (4.0) |
| The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows: | | |
| Net loss for the period | **(5,257,709)** | (6,386,941) |
| The weighted average number of ordinary shares | **246,430,210** | 166,759,501 |

The diluted loss per share is not reflected as the result is anti-dilutive.

**Note 5: Segment information**

For management purposes, the Board of Directors of the Company has been defined as the Chief Operating Decision Maker. Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

During the year the group operated predominantly in one business segment that consisted of mineral exploration in Zambia.

**Note 6: Trade and other receivables**

| | | |
|---|---|---|
| GST/VAT receivable | **22,602** | 219,992 |
| Other receivables | **62,635** | 15,383 |
| Prepayments | **2,423** | 10,416 |
| | **87,660** | 245,791 |

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **Note 7: Plant and equipment** | | |
| Opening balance | 143,433 | 63,010 |
| Additions | 16,911 | 127,099 |
| Depreciation charge | (41,142) | (46,676) |
| Closing net book value | **119,202** | 143,433 |
| Cost or fair value | 251,013 | 256,021 |
| Accumulated depreciation | (131,811) | (112,588) |
| Net carrying amount | **119,202** | 143,433 |
| **Note 8: Mining properties** | | |
| Opening balance | **1,163,209** | 715,209 |
| Mining property acquisition costs | **-** | 448,000 |
| Impairment of mining properties (a) | **(913,209)** | - |
| Closing balance | **250,000** | 1,163,209 |

The recoupment of exploration project acquisition costs carried forward is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively by sale of the respective areas.

(a) During the reporting period there has been a significant sustained drop in the price of gold. This has led to a decline in the current perceived value of gold projects, irrespective of the existence of a gold resource. Further, this decline in the gold price has resulted in difficulties in securing development capital for new gold projects (large and small).

In recognition of this world-wide market re-rating of the value of gold projects the Board has considered the implied value of its recent conditional transaction with Bamboo Rock, the average “attributed value” of in-ground gold resources in Africa generally and a range of other market related matters to determine the carrying fair value for the Company’s mining property acquisition costs. After considering all these factors the Board has determined that an impairment charge of $0.913 million was appropriate.

The Company has made formal commitments to the local communities in relation to community development programs during the exploration phase of the Luiri Hill Project.

These commitments of the Company include:

- Initial funding of a community development trust fund (the "Community Fund"), which is to be established, with the Company responsible for the following:
  - payment of US$150,000 to the Community Fund; and
  - issuance to the Community Fund of shares of the Company having a value equivalent to 5% of the market value of the project, based on an independent valuation of the project at the date of issue. The issuance of such shares shall be subject to regulatory approval and shareholder approval, if required.
- Facilitation and funding of a local community development committee. This committee will monitor and administer the funding of social development projects and activities within a certain area of the project.

As at 31 October 2012, the Company had accrued for the US$150,000 payment that is to be made to the Community Fund. In addition, the Company has recorded an accrual for 10 million shares to be issued to the value of $448,000 representing the estimated 5% of the market value of the project, based on an independent valuation of the project to meet its share issue obligation to the Community Trust. These accruals have been capitalised as exploration and evaluation assets.

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| **Note 9: Trade and other payables** | | |
| Trade payables * | **169,092** | 375,003 |
| Other accruals | **353,155** | 589,176 |
| Provisions | **28,079** | - |
| | **550,326** | 964,179 |

* Trade payables are non-interest bearing and are normally paid on 30 day terms.

| | | |
|---|---|---|
| **Note 10: Non-current provisions** | | |
| Payroll termination costs | **117,892** | 124,265 |

Termination obligations for Zambian workforce - quantum per employee is based upon years of service.

## Note 11: Issued capital

| (a) Ordinary shares | Number of shares 2013 | 2012 |
|---|---|---|
| Ordinary shares issued - 268,702,571 (2012: 197,431,905) | **27,588,627** | 25,653,478 |
| Ordinary shares to be issued – 10,000,000 (2012: 10,000,000) | **448,000** | 448,000 |
| | **28,036,627** | 26,101,478 |

Holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

### (b) Movements in ordinary shares issued:

| Date | Details | Number of shares | Issue Price $ | $ |
|---|---|---|---|---|
| Opening balance | | 127,431,905 | | 20,731,748 |
| March 2012 | Placement | 18,300,000 | 0.075 | 1,372,500 |
| April 2012 | Placement | 51,700,000 | 0.075 | 3,877,500 |
| | | - | | (378,270) |
| 31 October 2012 | | **197,431,905** | | **25,653,478** |
| February 2013 | Placement | 29,366,666 | 0.03 | 881,000 |
| March 2013 | Rights issue | 29,237,333 | 0.03 | 877,120 |
| May 2013 | Placement | 12,666,667 | 0.03 | 380,000 |
| Capital raising costs | | - | | (202,971) |
| 31 December 2013 | | **268,702,571** | | **27,588,627** |

**(c) Movements in ordinary shares to be issued**

| Date | Details | Number of shares | Issue Price $ | $ |
|---|---|---|---|---|
| 31 October 2012 | Accrued issue to Community Trust | 10,000,000 | 0.045 | 448,000 |
| 31 October 2012 | | 10,000,000 | | 448,000 |
| 31 December 2013 | | 10,000,000 | | 448,000 |

As part of the Company's community and social responsibility commitments to the local communities in the region it operates, the Company has conditionally agreed to issue 10,000,000 fully paid common shares to the local community trust (the Shakumbila Trust). The issue of these shares is subject to further documentation being received by the Company which will allow the issue of the shares.

**(d) Share options**

| | Number of options | |
|---|---|---|
| | **2013** | 2012 |
| Unlisted options exercisable at $0.45 on or before 1 April 2015 | **100,000** | 100,000 |
| Unlisted options exercisable at $0.60 on or before 1 April 2015 | **100,000** | 100,000 |
| Unlisted options exercisable at $0.85 on or before 1 April 2015 | **100,000** | 100,000 |
| Employee Options exercisable at $0.17 on or before 30 June 2015 | **8,800,000** | 8,800,000 |
| Employee Options exercisable at $0.10 on or before 30 June 2015 | **12,000,000** | 12,000,000 |
| Unlisted options exercisable at $0.08 on or before 30 June 2015 | **2,000,000** | - |
| | **23,100,000** | 21,100,000 |

**Note 12: Reserves**

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Foreign currency translation reserve (a) | **(1,665,057)** | (1,569,817) |
| Share-based payment reserve (b) | **7,062,354** | 6,540,770 |
| | **5,397,297** | 4,970,953 |

(a) Foreign currency translation reserve
The foreign currency translation reserve records the exchange differences arising from the translation of financial statements of foreign controlled entities.

(b) Share-based payment reserve
The share-based payment reserve is used to record the value of equity benefits provided to consultants and directors as part of their remuneration.

**Note 13: Share based payments**

Share based payments consists of unlisted options issued to Directors, employees and consultants. The expense is recognised in the Statement of Comprehensive Income and Statement of Financial Position over the vesting periods of the options. The following share-based payment arrangements were in place during the current and prior years:

| Number | Grant date | Expiry Date | Exercise price $ | Fair value at grant date* $ |
|---|---|---|---|---|
| 100,000 | 1/4/2010 | 1/4/2015 | 0.45 | 18,267 |
| 100,000 | 1/4/2010 | 1/4/2015 | 0.65 | 17,192 |
| 100,000 | 1/4/2010 | 1/4/2015 | 0.85 | 16,118 |
| 8,000,000 | 17/6/2011 | 30/6/2015 | 0.17 | 1,072,988 |
| 800,000 | 31/8/2011 | 30/6/2015 | 0.17 | 84,221 |
| 12,000,000 | 17/4/2012 | 30/6/2015 | 0.10 | 960,000 |
| 2,000,000 | 19/6/2013 | 30/6/2015 | 0.08 | 2,654 |

Fair value of options granted
* The fair value of the equity-settled share options granted under the Employee Share Option Plan is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted. The actual value of these options may be materially different to this accounting estimation.

The following table lists the inputs to the Black and Scholes model used to estimate the fair value of the options granted during the period ended 31 December 2013:

| | |
|---|---|
| Expected volatility % | 100% |
| Risk-free interest rate % | 3.25% |
| Life of option | 24.5 months |
| Exercise price | $0.08 |
| Grant date share price | $0.013 |
| Discount for lack of marketability | 33% |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The fair value of unlisted options was discounted to account for the existence of continuity of employment vesting conditions, non-transferability and the unlisted aspect of the employee options. No other features of options granted were incorporated into the measurement of fair value.

**Note 14: Financial instruments**

**(a) Capital risk management**

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Group's business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will, when appropriate, consider the need for raising additional equity capital or to farm-out exploration projects as a means of preserving capital.

**(b) Categories of financial instruments**

The Group's principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken during the year.

**(c) Financial risk management objectives**

The Group is exposed to market risk, credit risk and liquidity risk.

The main risks arising from the Group's financial instruments are interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

*(i) Interest rate risk management*

All cash balances attract a floating rate of interest. Excess funds that are not required in the short term are placed on deposit for a period of no more than 3 months. The Group's exposure to interest rate risk and the effective interest rate by maturity periods is set out below. As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

*(ii) Foreign currency risk management*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk primary relates to its operations in Zambia where expenses are incurred in USD and Zambian Kawcha.

Credit risk management

Credit risk relates to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from any defaults.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Group's business in an orderly and professional manner. Cash deposits are only held with major financial institutions. The table below summarises the maturity profile of the Group's financial liabilities:

| | Weighted Average Interest Rate | Less than 1 month | 1-3 months | 3 months – 1 year | 1-5 years |
|---|---|---|---|---|---|
| **2013** | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | n/a | 372,247 | - | 150,000 | - |
| Current provisions | n/a | - | - | 28,079 | - |
| Non-current provisions | n/a | - | - | - | 117,892 |
| | | 372,247 | - | 178,079 | 117,892 |
| **2012** | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | n/a | 814,179 | - | 150,000 | - |
| Non-current provisions | n/a | - | - | - | 124,265 |
| | | 814,179 | - | 150,000 | 124,265 |

**Note 15: Commitments and contingencies**

*Exploration expenditure commitments*

In order to maintain rights of tenure to its Zambian located mining licences the Company has secured a written advice that the Company's Luiri Hill development schedule is now linked to the completion of a power line upgrade that will supply sufficient power for plant milling.

In addition the Company is required to outlay certain amounts in respect of annual rents which are approximately $60,000 per annum.

*Other contingencies*

The Company is a co-guarantor to an office lease under which its remaining exposure through to the end of the lease in October 2015 is approximately $67,700.

**Note 16: Related party disclosure**

The ultimate parent entity in the wholly-owned group and the ultimate Bermudian parent entity is Luiri Gold Limited. The consolidated financial statements include the financial statements of Luiri Gold Limited and the controlled entities listed in the following table:

| Name of entity | Country of incorporation | Class of shares | Equity holding | |
|---|---|---|---|---|
| | | | **2013** | 2012 |
| | | | **%** | % |
| Luiri Gold Pty Ltd | Australia | Ordinary | 100 | 100 |
| LG Holdings Ltd | Mauritius | Ordinary | 100 | 100 |
| ZIO Holdings Ltd | Mauritius | Ordinary | 100 | 100 |
| Luiri Gold Mines Ltd | Zambia | Ordinary | 100 | 100 |

There were no transactions between Luiri Gold Limited and its controlled entities during the financial year (2012: nil).

**Note 17: Key management personnel disclosures**

(a) Directors
At the date of this report the directors of the Company are:
R Brown – *Non-executive Chairman*
M Langoulant – *Executive director*
E Kirby – T*echnical director*

M Sturgess was Executive Chairman of the Company during the reporting period and until her resignation in February 2014.

(b) Key management personnel
During the reporting periods the Company's other key management personnel was Clint White, Zambian country manager.

(c) Key management personnel compensation

| | Consolidated | |
|---|---|---|
| | **14 months ended 31 December 2013** | 12 months ended 31 October 2012 |
| | **$** | $ |
| Short term | **799,881** | 782,855 |
| Post-employment | **5,400** | 5,400 |
| Share-based payments | **518,930** | 1,094,092 |
| | **1,324,211** | 1,882,347 |

**Note 18: Events after the balance date**

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods except for:

On 28 March 2014 the Company announced it had arranged a placement of approximately 38,000,000 shares at an issue price of $0.005 to raise approximately $190,000 before costs.

In December 2013 the Company entered into a binding Heads of Agreement with Bamboo Rock, subject to due diligence, for the sale of 75% and development of the Dunrobin gold project. The Bamboo Rock due diligence investigation into the appropriate milling plant to treat the ore that will be produced at the Dunrobin gold project is ongoing. This investigation may have a material impact on the viability of developing the Dunrobin gold project. As a result the Company and Bamboo Rock are re-negotiating the proposed development agreement entered into in December 2013. At the time of lodging this report no binding agreement has been finalised.

**Note 19: Reconciliation of loss after income tax to net cash outflow from operating activities**

| | Consolidated | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| a) *Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities* | | |
| Net loss for the year | **(5,257,709)** | (6,386,941) |
| Depreciation | **41,142** | 46,676 |
| Share based payment expense | **518,930** | 1,094,092 |
| Impairment of mining properties | **913,209** | - |
| Profit on sale of plant | **(5,335)** | - |
| Foreign exchange loss | **8,680** | 3,326 |
| (Increase) / decrease in trade and other receivables | **150,138** | (185,906) |
| (Increase) / decrease in prepayments | **7,992** | (4,766) |
| Increase / (decrease) in trade and other payables | **(413,853)** | 287,032 |
| Increase / (decrease) in provisions | **(6,373)** | 46,184 |
| Net cash outflow from operating activities | **(4,043,179)** | (5,100,303) |

## Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 15 to 38:

(i) are in accordance with International Accounting Standards; and

(ii) give a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the 14 months ended 31 December 2013; and

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

This declaration is made in accordance with a resolution of the Board of Directors.

**M Langoulant**
**Executive Director**

**Perth, Western Australia**
**31 March 2014**

HLB Mann Judd

Accountants | Business and Financial Advisers

**INDEPENDENT AUDITOR'S REPORT**

To the members of Luiri Gold Limited

**Report on the Financial Report**

We have audited the accompanying financial report of Luiri Gold Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 14-month period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at period end or from time to time during the financial period.

***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state that the financial report complies 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 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 audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

***Independence***

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

***Auditor's opinion***

In our opinion the financial report of Luiri Gold Limited:

(i) gives a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the 14-month period ended on that date; and

(ii) complies with International Financial Reporting Standards.

***Emphasis of matter***

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the Group to continue as a going concern is dependent on the Group being successful in completing a capital raising and or asset sale/joint venture agreement during the next 12 months. This condition, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore the company may be unable to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial report.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

WMClark

**W M Clark**
**Partner**

**Perth, Western Australia**
**31 March 2014**

***A. Distribution of equity securities***

Analysis of numbers of equity security holders by size of holding:

| | *Class of equity security* <br> *Ordinary shares* |
|---|---|
| 1 – 1,000 | 11 |
| 1,001 – 5,000 | 26 |
| 5,001 – 10,000 | 34 |
| 10,001 – 100,000 | 139 |
| 100,001 and over | 191 |
| | 401 |

There were 168 holders of less than a marketable parcel of ordinary shares.

***B. Equity security holders***

Twenty largest quoted equity security holders – ordinary shares

| **Name** | **Ordinary shares held** | **% of issued shares** |
|---|---|---|
| LAGUNA BAY CAPITAL PTY LTD | 20,826,667 | 7.75 |
| JUTLAND NOMINEES PTY LTD <ROBERT BROWN FAMILY A/C> | 19,773,115 | 7.36 |
| ZERO NOMINEES PTY LTD | 14,268,757 | 5.31 |
| PORTICO INVESTMENTS LTD | 13,250,000 | 4.93 |
| SHUKRAN GMBH | 13,250,000 | 4.93 |
| MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C> | 9,000,000 | 3.35 |
| CITICORP NOMINEES PTY LIMITED | 7,281,962 | 2.71 |
| PALACE TRADING INVESTMENTS LTD | 6,666,667 | 2.48 |
| FITEL NOMINEES LIMITED | 6,066,666 | 2.26 |
| CARLTON RESOURCES PLC | 5,843,328 | 2.17 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 5,755,229 | 2.14 |
| NYOTA MINERALS LIMITED | 5,312,362 | 1.98 |
| JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C> | 4,856,805 | 1.81 |
| INKESE PTY LTD | 4,000,000 | 1.49 |
| MR KEITH WILLIAM SHEPPARD <SHEPPARD FAMILY A/C> | 4,000,000 | 1.49 |
| ELWOOD HOLDINGS LIMITED | 3,200,000 | 1.19 |
| TESKA LIMITED | 3,200,000 | 1.19 |
| MR DAVID KENNETH ANDERSON + MRS CHARMAYNE ANDERSON <CANTERBURY SUPERFUND A/C> | 3,000,000 | 1.12 |
| MR DAMIEN TERENCE MICHAEL RHODES | 3,000,000 | 1.12 |
| N & J MITCHELL HOLDINGS PTY LTD <STEINPREIS SUPER FUND A/C> | 2,954,285 | 1.10 |
| | 155,505,843 | 57.88 |

## Additional ASX information

### *C. Substantial shareholders*

Substantial shareholders in the Company are:

| Name | Ordinary shares held | % of issued shares |
|---|---|---|
| JUTLAND NOMINEES PTY LTD <ROBERT BROWN FAMILY A/C> | 20,898,115 | 7.78 |
| LAGUNA BAY CAPITAL PTY LTD | 20,826,667 | 7.75 |

### *D. Voting rights*

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### *E. Tenement schedule*

| Project Area | Tenement details | % Held |
|---|---|---|
| Luir Hills, Zambia | 8074-HQ-LML and 14948-HQ-LML | 100 |