# LUIRI GOLD LIMITED
**For the year ended October 31, 2010**

## Management's Discussion and Analysis
*(All amounts stated in Canadian dollars, unless otherwise indicated)*

*This annual report, including the consolidated financial statements and this MD&A contains certain "Forward-Looking Statements", which are prospective and reflect management's expectations regarding Luiri Gold Limited ("Luiri Gold")'s future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and reserves, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, exploration results and future plans and objectives of Luiri Gold are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Luiri Gold's expectations are disclosed in its documents filed from time to time with the TSX Venture Exchange and other regulatory authorities and include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.*

*Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Luiri Gold undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

## Introduction

This discussion and analysis of the operating results and financial condition of Luiri Gold Limited ("**Luiri Gold**", or the "Company") for the year ended October 31, 2010 should be read in conjunction with the audited consolidated financial statements for the same period, and is intended to provide the reader with a review of the factors that affected the Company's performance during the year ended October 31, 2010, and the factors reasonably expected to impact future operations and results.

The audited consolidated financial statements and related notes of Luiri Gold have been prepared in accordance with Generally Accepted Accounting Principles in Canada ("**Canadian GAAP**") and are expressed in Canadian dollars. All amounts in this report are in Canadian dollars, except where otherwise indicated.

## Executive Summary

In November 2009, Luiri Gold dual listed on the Australian Stock Exchange ("ASX") and undertook a successful concurrent fund raising of an underwritten A$8 million.

The Company's key focus is to expand its current resource base at its 100% owned Luiri Hill Gold Project in Zambia, and to complete a feasibility study. The current Mineral Resource at the Luiri Hill Project includes 422,000 ounces Indicated and 386,000 ounces Inferred gold contained in 5.4 million tonnes at 2.4 Au g/t and 5.1 million tonnes at 2.4 Au g/t respectively.

At the end of May 2010, the Company was advised by the Director of Mines in Zambia that it was in default of its mining licence LML48.

The default notice was lodged by the Director of Mines on the basis that Luiri Gold had failed to start mining operations as it was allegedly required to do under the terms of the mining licence.

The Company disagrees with both the decision and the interpretation of the requirements of its mining licence.

A subsequent appeal to the Minister of Mines was also rejected at the end of July.

Under the terms of the Mines and Minerals Development Act of 2008, the Company lodged an appeal against the decision to revoke its mining licence to the High Court in Zambia on August 27, 2010.

Luiri Gold Mines has also successfully received a stay against the cancellation of LML48 from the Zambian High Court until the full appeal process is completed.

Notwithstanding the legal process, it is the Company's preference to seek a solution to the tenure issue through its ongoing negotiations with the Government of Zambia and the Minister of Mines and has supplied additional information for the Department of Mines in support of its position. As part of those representations, the Company has proposed possible resolutions that meet both parties' objectives. The Company provided the Zambian Department of Mines with documentation supporting its continued tenure.

Solving this tenure issue has become the principal focus of the board and senior management since it was first advised of the issue. The Company has utilised both its internal relationships and knowledge in Zambia as well as providing direct representations from Company directors.

The Company also owns 100% of the Nambala Iron Project, which is located 20km to the west of the Luiri Gold Project. This project contains iron mineralization within a belt including several iron-rich hills that together form the Nambala Range, which is some 25km long and rises to over 260 metres above the surrounding plains.

This project contains hematite iron mineralization, with grades of up to 70% Fe having been encountered in drilling. The Nambala Iron Project is at a relatively early stage of exploration, but there appears to be potential to define significant iron mineralization at the project. An application to split off the Nambala Iron Project from PPL209 has been lodged with the Ministry of Mines in Zambia.

***Qualified Person***

The Luiri Gold exploration programs have been carried out under the supervision of Mr. Michael Sperinck, AUSMIM and Mr. Fergus Jockel, AUSIMM. The resource estimates for Dunrobin and Matala shallow were carried out by Mr. David Slater, AUSMIM and Mr. Brian Wolf, AUSMIM from Coffey Mining, respectively. The resource estimate for Matala deep was carried out by Mr. Sperinck.

They are all qualified person, as defined by National Instrument 43-101, and as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Sperinck is a Director and full-time employee of the Company. They have sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration with each having more than 15 to 25 years of experience in the mining industry.

## Background

The Company was incorporated as Stirling Exploration Ltd. on February 3, 2004 in the Province of British Columbia under the British Columbia Business Corporations Act. On June 23, 2006, the Company's name was changed to Luiri Gold Limited, and its common shares commenced trading on the TSX Venture Exchange under the trading symbol "LGL". In November 2009, the Company dual listed on the ASX and trades under the symbol "LGM". The Company maintains operational offices in Lusaka, Zambia and Perth, Western Australia and a corporate office at Suite 502, 155 Rexdale Blvd, Toronto, Ontario, Canada M9W 5Z8.

## Nature of Business

Luiri Gold is a developing gold resource company creating shareholder value through the acquisition, exploration and development of gold opportunities in Africa. Currently, Luiri Gold's wholly-owned Zambian subsidiary, Luiri Gold Mines Limited ("**Luiri Gold Mines**"), holds mineral tenements within southern-central Zambia covering approximately 1,200 square kilometres focused on the historic Dunrobin and Matala gold mines collectively called the Luiri Hill Project.

## Significant Events and Transactions

### *Corporate Activity*

In November 2009, Luiri Gold successfully dual listed on the ASX and completed a fund raising of A$8 million (approximately C$7.69 million). A total of 40 million CHESS Depositary Interests (CDI's) have been issued at A$0.20 per common CDI (approximately C$0.192). Each CDI ranks equally with each Luiri Gold ordinary share listed on the TSX.V. The CDI's started trading on the ASX on November 19, 2009, and trade under the symbol LGM.

### *Tenure Issue*

At the end of May 2010, Luiri Gold Mines was advised by the Director of Mines in Zambia that it was in default of its mining licence LML48.

The default notice was lodged by the Director of Mines on the basis that Luiri Gold Mines had failed to start mining operations as it was allegedly required to do under the terms of the mining licence.

Luiri Gold Mines disagrees with both the decision and the interpretation of the requirements of its mining licence.

Luiri Gold Mines position is supported by the Company's correspondence records with the Zambian Government, an independent legal audit of the licences completed in May and the recent advice of legal counsel in Zambia that the programme attached to the licence did not require Luiri Gold Mines to begin mining by a fixed date.

Instead, the programme attached to the licence requires mining to commence once a sufficient resource size has been delineated to underpin a positive feasibility study for the establishment of a mine.

Since the granting of the mining licence, Luiri Gold Mines has been working to delineate that resource and undertake feasibility work so that they can begin mining as quickly as possible.

As part of those representations, Luiri Gold Mines has proposed possible resolutions that meet both parties' objectives.

The Luiri Gold Mines provided the Zambian Department of Mines with documentation supporting its continued tenure. However this response was rejected. A subsequent appeal to the Minister of Mines was also rejected at the end of July.

Under the terms of the Mines and Minerals Development Act of 2008, the Company lodged an appeal against the decision to revoke its mining licence to the High Court in Zambia by Friday 27 August 2010. Luiri Gold Mines has also successfully received a stay against the cancellation of LML48 from the Zambian High Court until the full appeal process is completed.

Notwithstanding the legal process, it is the Company's preference to seek a solution to the tenure issue through its ongoing negotiations with the Government of Zambia and the Minister of Mines.

<u>Exploration Update</u>

Luiri Gold Mines was incorporated under the laws of Zambia in 2003 and is a gold and iron exploration company that holds the Zambian Prospecting and Mining licenses which cover approximately 1,200km$^2$ in south-central Zambia.

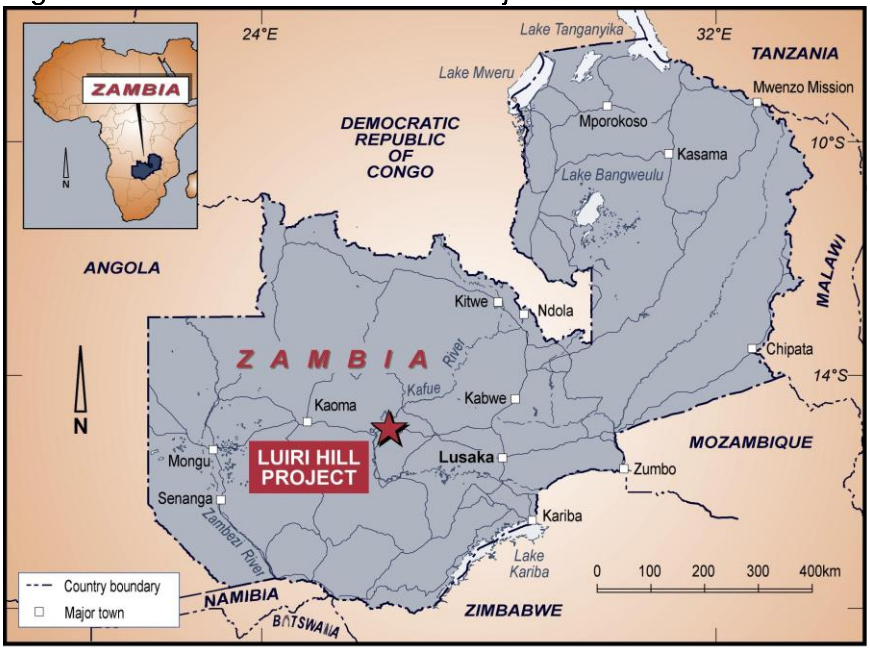
The Company's tenements comprise two granted Prospecting Licenses (PL173 and PL209) and a single granted Mining License (LML48 – refer to earlier discussion regarding tenure) which covers approximately 28km$^2$ and includes the historical Dunrobin and Matala mines. The gold and copper-gold interests in these three contiguous tenements together constitute the Luiri Hill Gold Project. The Nambala Iron Project is situated on PL209 approximately 20km to the west of the Luiri Hill Gold Project.

Note that all work on the Luiri Hill Gold Project has been stopped pending the outcome of the negotiations and appeal on the mining license LML48.

***Luiri Hill Project***

The Luiri tenements comprise two granted Prospecting Licenses (PL173 and PL209) and a single granted Mining License (LML48) which includes the historical Dunrobin and Matala mines. The gold and copper-gold interests in these three contiguous tenements together constitute the 'Luiri Hill Gold Project'. The Nambala Iron Project is situated on PL209 approximately 20km to the west of the Luiri Hill Gold Project.

Figure: Location of the Luiri Hill Project




**Luiri Hill Gold Project**

The Luiri Hill Gold Project area has shown significant gold potential both of the structurally controlled mineralization (Matala style) within the basement rocks of the Matala Dome and a combination of structural and chemically controlled mineralization (Dunrobin style) adjacent to the Matala Dome within the surrounding carbonates of the surrounding Katangan rocks.

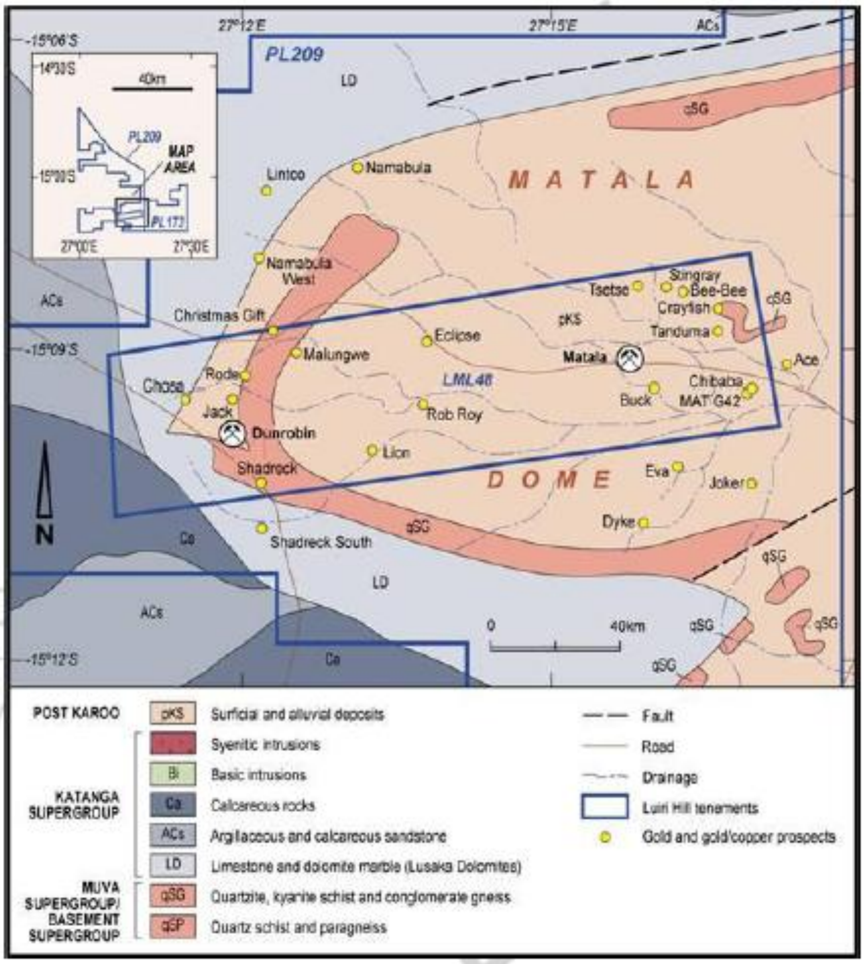
Currently at the project, two main gold deposits have been defined, namely, Matala and Dunrobin.

The Matala deposit is a relatively thin tabular steeply dipping high grade mineralized structure associated with a brecciated shear zone within the Matala Dome.

The Dunrobin deposit is a shallow thick tabular plunging mineralized zone dipping at approximately 30 degrees to the south-west on the contact between the Matala Dome and the surrounding Lusaka Formation carbonates.

The following figure shows the occurrences of the two main deposits at Matala and Dunrobin, and the other main exploration targets associated with the Matala Dome mineralized structure that are in close proximity to the two main deposits.

Figure: Luiri Hill Project – Geology and Mineralization at LML 48




### *Mineral Resources*

An updated resource estimate has been prepared for the Matala deposits by Coffey Mining which has been reported for the plus 250m below surface portion of the Matala mineralization.

Based on this new resource estimate, the total ounces in the indicated mineral resource category for the Luiri Hill Project have increased significantly as can be seen from the table below.

| **Category** | **Previous Estimates** | **Current Estimates** | **% Change** |
|---|---|---|---|
| Indicated - ounces | 144,000 | 422,000 | + 193 % |
| Indicated – Gold (g/t) | 2.1 | 2.4 | + 14% |
| Inferred - ounces | 656,000 | 386,000 | - 41% |
| Inferred – Gold (g/t) | 2.7 | 2.4 | - 11% |

The conversion of a significant proportion of the previously inferred category resource inventory to the indicated category has been achieved without the loss of any gold resources.

The Luiri Hill project currently has 422,000 ounces gold in the indicated category and 386,000 ounces gold in the inferred category. These mineral resources ounces are contained in 5.4 million tonnes at 2.4 Au g/t for the indicated category and 5.1 million tonnes at 2.4 Au g/t for the inferred category.

| **Matala and Dunrobin Mineral Resource Estimate as at June 2010** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Deposit** | **Cut-off** | **Indicated** | | | **Inferred** | | |
| | **Au (g/t)** | **Tonnes (000)** | **Au (g/t)** | **Ounces (000)** | **Tonnes (000)** | **Au (g/t)** | **Ounces (000)** |
| Dunrobin[1] | 0.5 | 2,235 | 2.1 | 144 | 1,510 | 1.2 | 59 |
| Matala | 1 | 3,204 | 2.7 | 278 | 3,208 | 2.1 | 217 |
| Matala (deep)[3] | 5 | | | | 359 | 9.5 | 110 |
| **Total** | | **5,439** | **2.4** | **422** | **5,077** | **2.4** | **386** |

Note:

1. Based on previous Coffey Mining estimate.
2. Based on new Coffey Mining Estimate (reported to 250m below surface - 850mRL), depleted for underground workings.
3. Based on previous Luiri Gold estimate (reported below 250m below surface).

The Matala resource model incorporates the Matala deposit within a tabular, south-dipping zone extending over 1,000 metre of strike. The average dip of the mineralization zone is estimated to be 65 degrees to the south although locally the dip ranges between 45 degrees to 85 degrees. The width of the mineralization ranges from a few meters to over 40 metres.

Within the mineralization zone there is a fairly consistent main zone and a number of smaller footwall and hanging wall zones of mineralization. Coffey Mining has included all these zones into a single wireframe model except for a small hangingwall zone in the far east.

Previously, two different methods of estimation were used for the calculation of the Matala mineral resource depending on the potential of the mineralization to sustain open pit or underground mining operations respectively. The main criteria for the choice of estimation used were orebody width and the depth below surface.

A single three dimensional estimation method was adopted by Coffey Mining for the whole of the Matala deposit, but was only reported to 250m below surface. This shallow part of the deposit makes up the majority of the Matala resource. The mineralization domain was defined or modeled by applying a 0.5 g/t gold cut-off. Multiple Indicator Kriging ("MIK") was used in the grade estimation.

MIK is considered a robust estimation methodology for gold deposits such as at the Matala deposit when adequate consideration is given to restricting the influence of high-grade data and the possible mixture of grade populations. The MIK grade estimate, with change of support reflecting a Selective Mining Unit ("SMU") adjustment, has been applied to produce estimates targeting an SMU of 10mEast x 5mNorth x 5mRL.

However, while the new mineral resource estimate for the shallow Matala deposit was in line with expectation as the new wireframe of the mineralization model included a significantly higher proportion of low grade material than the previous estimate which has resulted in a significant increase in the tonnage, and reduction in gold grade.

The new model is viewed as a fully diluted model and will not require mining dilution in the conversion to reserves, compared to the previous model where 10% dilution at zero grade was added when mining studies carried out.

Based on historical mining and mapping of on-reef development, Luiri still believes that there is the potential for a consistent and continuous higher grade zone that can be logged geologically and therefore mined as a separate unit.

To confirm this geological continuity, all drill holes logs need to be relogged to assess whether this unit can be identified across the whole deposit, or in large areas.

The following table shows the grade and tonnages at different cut-offs for the Matala shallow region, June 2010

| **Indicated Category** | | | |
|---|---|---|---|
| **Cut-off** | **Tonnes (000)** | **Gold (g/t)** | **Ounces (000)** |
| 0.3 | 4,289 | 2.2 | 301 |
| 0.5 | 4,015 | 2.3 | 298 |
| **1** | **3,204** | **2.7** | **278** |
| **Inferred Category** | | | |
| **Cut-off** | **Tonnes (000)** | **Gold (g/t)** | **Ounces (000)** |
| 0.3 | 4,807 | 1.6 | 252 |
| 0.5 | 4,453 | 1.7 | 248 |
| **1** | **3,208** | **2.1** | **217** |

The following figure shows a longitudinal section of the mineral resource categories for the shallow Matala deposit resource estimate.

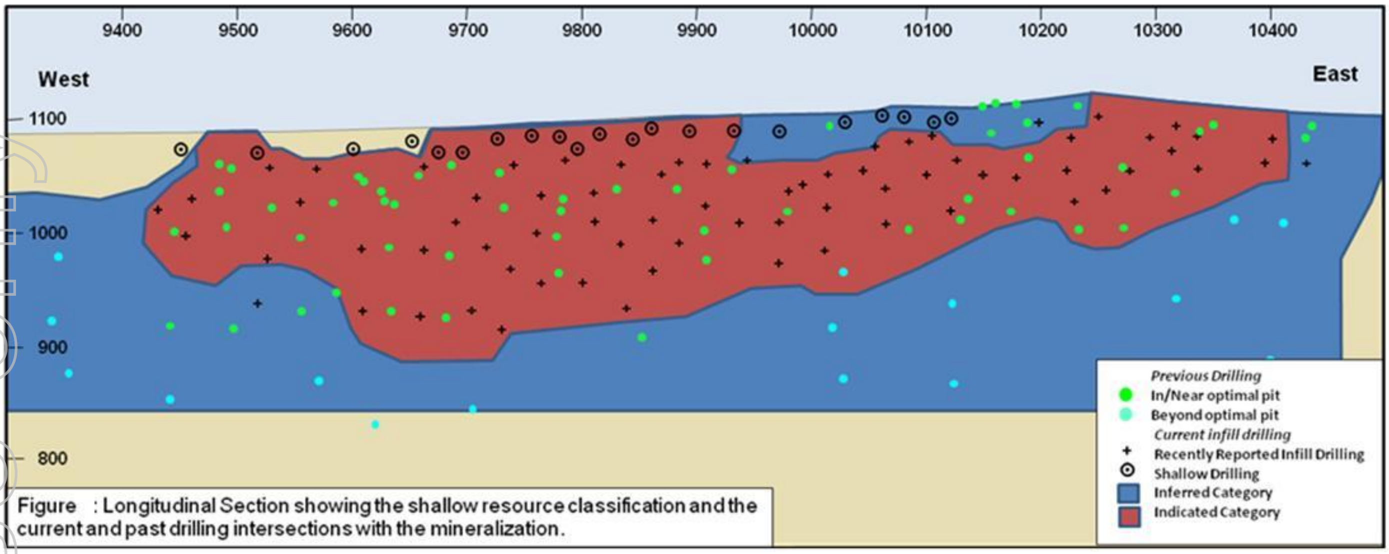



Figure : Longitudinal Section showing the shallow resource classification and the current and past drilling intersections with the mineralization.

***Exploration Potential***

*Matala Dome – Shadrek, Dunrobin, Chosa*

A total of 3,969m of RC drilling (23 drill holes) was completed focused on the nose of the main Dome structure from Shadrek - Dunrobin – Chosa. The programme was designed to test some of the mineralization continuity found at Shadrek during the previous drilling programme, and then the rest of the contact zone between the carbonates and the basement in the area.

The drilling again confirmed the presence of primary mineralization both at Shadrek and Chosa, but that there are no apparent major mineralized zones between Shadrek and Dunrobin.

Additional work will be planned both at Chosa and Shadrek once the tenure issue is resolved and additional geological interpretation is completed.

*Matala Dome – Namabula and Namabula West*

The Namabula prospects comprises Dunrobin-style mineralization, i.e., dolomite-hosted and are located about eight and ten kilometres north and north-northwest of Dunrobin.

At Namabula, a total of 890m of RC drilling (10 drill holes) was completed in March. The drilling programme was based on from outcrop mapping, trench sampling and historical drilling results.

Although, a number of drill holes intersected dolomite-hosted gossanous and/or sulphidic rocks, over drill widths of up to 10 metres, the mineralization tenor appeared to be weak. This was confirmed by weak gold assay results. The assays basically confirm the visual assessment at the time of drilling. No further work is planned at this stage. Furthermore, Namabula West is under review, where trenches have been sampled and assays are awaited.

At Namabula West, sixty-six samples were collected from the trenches with 16 assaying between 0.5 Au g/t and 7.51 Au g/t. In addition, to the gold samples there were assays up to 3.00% As and 1.39% Cu.

The sampling comprised two types as follows;

- Hand grabs; i.e., selected inferred mineralized rock samples
- Vertical continuous samples; locations were selected along the trenches and the walls were then sampled on a metre x metre basis vertically, allowing for continuous rock sampling between 2 and 5 metres to the base of the trench.

Initially a total of 12 drill holes for a planned total of 1,380m on 4 lines are planned.

This drilling is on hold pending the resolution of the tenure issue.

*Matala Dome – Eclipse*
Eclipse is approximately five kilometers west of the main Matala deposit and is inferred to be prospective for the same style of mineralization, i.e., Proterozoic basement gneiss/schist shear-hosted.

A previous drilling programme comprised 14 RC drill holes covering a strike of approximately 800 metres. The drill holes were drilled in a scissor pattern, i.e., opposing direction but in this instance not on the same drill lines. The best results from the previous Eclipse drilling included; ECRC004, 7m @ 3.7 Au g/t; ECRC008, 4m @3.1 Au g/t & 12m @1.8 Au g/t & ECRC014, 2m @ 1.5 Au g/t (previously reported on Sedar).

Additional trench sampling indicated the presence of two, possibly three parallel, lines of mineralization.

In addition to the previous trench and RC drilling there are also at least three substantial historical exploratory shafts in the area, presumably completed at, or around, the time of mining at Matala.

As a consequence of the work outlined above, a first pass RC drilling programme comprising a total of 2,300m of RC drilling (21 drill holes) was planned including up to four scissor drill holes all to be completed on lines 100 metres apart and covering approximately 600 metres of strike.

Unfortunately, the drill results were not positive and no further work has been planned pending a comprehensive assessment of the drilling. It would appear that whilst gold anomalism can be demonstrated to continue westwards along strike from the Matala deposit, the gold tenor in this instance is not sufficient to comprise economic grade.

This does not deter from the overall prospectively east and west from Matala, for example, Matala West & Rob Roy to the west; and Tanduma, Tanduma East & Crayfish to the east; as there is no reason that the gold tenor cannot repeat itself similar to that of Matala, somewhere else along the main mineralized Matala Shear.

*Matala Dome – Matala West*
During July, 15 RC drill holes for 1,866m were completed at Matala West. This drilling plan was based on the results of a previous drilling programme completed at Matala West in 2008, along with a additional field work. Best previous results included as follows; MTWRC001, 1m @ 16.8 Au g/t; MTWRC002, 2m @ 1.7 Au g/t, 2m @ 2.0 Au g/t & 1m @ 5.4 Au g/t; MTWRC018, 7m @ 1.0 AU g/t & MTWRC019, 7m @ 3.5 Au g/t (previously reported on Sedar).

The drilling concentrated on the west end of the Matala West prospect area as this is where the best drill results were obtained previously, i.e., around MTWRC018 & 019. As with the drilling at Eclipse some scissor drill holes were completed.

Unfortunately the completion of the drilling programme coincided with the cancellation of the mining licence and a 'stop' was put on all assaying as a result. Therefore to date, no assay results have been received.

*Matala Dome (Southern Lobe) - Chikwashia Target.*
In December 2009, a comprehensive exploration programme was carried out over two selected targets on the southern lobe of the Matala Dome, specifically at Chikwashia and Sankawande, two areas in very similar structural positions as Dunrobin and Matala respectively and therefore with the potential to produce similar styles of gold mineralization.

A RC drilling programme including 38 drill holes was completed at the Chikwashia area. The drilling was on a spacing of five lines at 200 metres apart and perpendicular to the overall strike of the anomalies.

The gold results were generally disappointing. However, despite the low gold tenor returned in the drilling, there is significant As (>250ppm) & Cu (>1000ppm) anomalism, which is often not accompanied by even low order gold (<0.1ppm Au) values.

The presence of the anomalous As and Cu does indicate that Chikwashia constituted a genuine drill target as indicated by the soil sampling and also indicates that further review of the results is required as it is considered unusual for particularly anomalous As and Cu values to exist such as here without accompanying anomalous gold in the Luiri Project area.

Further work exploration work is on holding pending the outcome of the tenure issue.

The exploration results from Sankawanda were also encouraging but more work is required in the field before a focused target drilling programme can be planned.

Note that the drilling, assaying and QA/QC procedures are carried our as previously reported in the Company's News Releases and the Technical Reports lodged on Sedar according to the requirements of the NI43-101.

***Metallurgical and Mining Studies***

An extensive programme of metallurgical test work was undertaken during 2010. However, the test work has not been completed due to the problems with the tenure. Similarly mining, infrastructure, and environmental studies were undertaken but not completed in sufficient detail to allow for reporting according to the requirements of the NI 43-101.

**Nambala Iron Project**

The Company also owns 100% of the large, prominently outcropping hematitic Nambala iron deposit which is located 20km to the west of the Luiri Gold Project. This project contains iron mineralisation within a belt including several iron-rich hills that together form a range (the Nambala Range) approximately 25km long, and rising to over 260 metres above the surrounding plains. Limited work during the 1970s and 1980s has tested iron mineralisation over a strike length of 4.3 km at the Nambala Hill, with five drill holes completed in the 1980s all returning significant iron mineralisation over substantial widths.

The iron mineralisation consists of massive hematite and breccia. Grades in the massive mineralisation as high as 70% Fe have been encountered in the drilling.

A review by Coffey Mining indicated that on part of the mineralized body there exists the 'mineral potential' of between 100 and 300 million tonnes of mineralisation at grades of 55-60% Fe. Interpretation of the regional geology indicates that the iron mineralisation contained in this deposit could be significantly larger than this figure.

Luiri is currently researching a range of options of how best to maximize the potential of this deposit.

Note that the potential quantity and grade is conceptual in nature. There is insufficient exploration to define a mineral resource and therefore it is uncertain if further exploration will result in the target being delineated as a mineral resource.

<u>Reporting Period</u>

At October 31, 2010, the Company had net working capital of $3,434,260 (October 31, 2009 $1,051,152).

***Exploration Expenditures***

Mineral exploration costs, which now form the bulk of the Company's expenditures, included the geochemical soil sampling programmes (including labour costs and sample analysis), the geophysics study, the recently initiated drilling programme, geological consulting and project management.

Exploration expenditures capitalized to date are as follows:

| | Year ended October 31, 2010 | Year ended October 31, 2009 |
|---|---|---|
| Acquisition costs | 78,296 | 78,296 |
| Sampling and assays | 7,646,034 | 5,342,829 |
| Labour | 846,008 | 565,991 |
| Geological and reporting | 1,589,736 | 1,116,831 |
| Project management fees | 1,682,836 | 798,195 |
| Other expenses | 780,404 | 582,567 |
| Total costs capitalized | $ 12,623,314 | $ 8,484,709 |

***Significant Expenses***

(A) For the year ended October 31, 2010

The net loss for the year ended October 31, 2010 was $797,674 compared with $414,774 in the year ended October 31, 2009. Due to the Company's tenure issue in Zambia, management spent more time on corporate matters than on exploration management. Subsequently, management fees were $303,051 compared to the previous year where management fees were $221,452. During the year ended October 31, 2009 there were no expenses incurred on the issue of stock-based compensation options where in this year $48,000 was expensed on stock-based compensation.

Other significant expense categories included: investor relation's costs of $285,682 up from $99,217 in the year ended October 31, 2009, mainly due to the tenure issue in Zambia. Professional fees which include legal fees were $202,825 up from $97,293, once again due to the tenure issue in Zambia and also the special general meeting called by one shareholder. Directors fees which commenced to be paid in October 2009 were $123,137 compared to $10,387 last year. Also as the company is now dual listed on the TSX and the ASX, cost associated with been listed and the special general meeting increased from $24,761 last year to $100,853 this year

(B) For the three months' ending October 31, 2010.

The net loss for the three months ended October 31, 2010 was $46,437 before adjusting for future income tax benefits of $256,000. (October 31, 2009 net loss of $169,813 before adjusting for future income tax benefit of $186,000). Major variances when compared to the same period last year were mainly due to the tenure issue in Zambia and foreign exchange gains due to the strengthen Australian Dollar. Investor relation fees this period were $148,084 compared to $29,049 in the previous period. Management fees this period were $100,800 compared to $48,771 in the previous period. Professional fees this period were $97,508 compared to $31,236 in the previous period. Foreign exchange gains in the period were $262,613 compared to a gain of $13,373 in the previous period.

Summary of Results

Selected financial information for the quarters for the years 2008, 2009 and 2010 is tabulated below.

(In thousands of Canadian dollars, except per share amounts)

| Fiscal Period | Revenue | Net Income (Loss) | Earnings / (Loss) per Share ($) | | Total Assets | Total L.T. Liab. | Dividends |
|---|---|---|---|---|---|---|---|
| | | | Basic | Diluted | | | |
| 2010 – Q4 | - | 209 | 0.00 | 0.00 | 16,412 | 335,000 | - |
| 2010 – Q3 | - | (251) | (0.00) | (0.00) | 16,059 | - | - |
| 2010 – Q2 | - | (386) | (0.00) | (0.00) | 16,262 | - | - |
| 2010 – Q1 | - | (370) | (0.00) | (0.00) | 16,639 | - | - |
| **Total** | **-** | **(798)** | **(0.01)** | **(0.01)** | **N/A** | **N/A** | **-** |
| | | | | | | | |
| 2009 – Q4 | - | 16 | 0.00 | 0.00 | 10,274 | | |
| 2009 – Q3 | - | (148) | (0.00) | (0.00) | 9,672 | - | - |
| 2009 – Q2 | - | (165) | (0.00) | (0.00) | 7,189 | - | - |
| 2009 – Q1 | - | (118) | (0.00) | (0.00) | 7,348 | - | - |
| **Total** | **-** | **(415)** | **(0.01)** | **(0.01)** | **N/A** | **N/A** | **-** |
| | | | | | | | |
| 2008 – Q4 | - | (104) | (0.00) | (0.00) | 7,569 | - | - |
| 2008 – Q3 | - | (124) | (0.00) | (0.00) | 7,711 | - | - |
| 2008 – Q2 | - | (441) | (0.01) | (0.01) | 8,191 | - | - |
| 2008 – Q1 | - | (220) | (0.01) | (0.01) | 8,225 | - | - |
| **Total** | **-** | **(889)** | **(0.02)** | **(0.02)** | **N/A** | **N/A** | **-** |

Liquidity

The following table summarizes the Company's cash flows and cash on hand:

| | **October 31, 2010 $** | **October 31, 2009 $** |
|---|---|---|
| Cash | **3,559,009** | **1,330,004** |
| Working capital | **3,434,260** | **1,051,152** |
| Cash (used in)/ generated by operating activities | **(932,300)** | **6,061** |
| Cash used in investing activities | **(3,868,387)** | **(1,911,324)** |
| Cash provided by financing activities | **7,029,692** | **2,492,633** |

In November 2009, the Company completed an Australian Securities Exchange ("ASX") listing and fundraising of Aus$8,000,000 ($7,640,004) through the issuance of 40,000,000 shares at Aus$0.20 (approximately $0.192) each. The Company incurred finance costs of $709,189 related to this fundraising. The Company also granted agent options with an estimated fair value of $155,000 in relation to this fundraising.

Investor Relations

In September 2006, Luiri Gold retained First Canadian Capital Corp. ("**FCCC**") as a consultant to provide strategic marketing and corporate communications. FCCC is based in Toronto and was founded twelve years ago to provide investor relations and market awareness services to public companies in Canada. Under the terms of the agreement, Luiri Gold will pay FCCC $6,000 per month. FCCC has been appointed to raise Luiri Gold's profile and generate greater market understanding of the Company's potential through productive and continuing dialogue with private investors, analysts, brokers and other financial professionals.

Critical Accounting Policies and Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company's significant accounting policies are those that affect its consolidated financial statements, and are summarized in Note 3 of the audited consolidated financial statements for the year ended October 31, 2010. Critical accounting policies and estimates in the period included capitalization of the costs relating to the acquisition, exploration and development of non-producing resource properties and the recognition of impairment of those assets, the allocation of proceeds on the purchase or sale of assets, the valuation of stock based compensation, warrants and tax accounts, contingent liabilities and the choice of Canadian GAAP.

***Mineral Properties***

The decision to capitalize exploration expenditures, and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits, can materially affect the reported earnings of the Company. Luiri Gold follows Canadian GAAP. In line with accepted industry practice for exploration companies, the Company has adopted the policy of deferring property specific acquisition, exploration and development costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the period such assessment is made. If Luiri Gold adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production. The cost of mineral properties includes any cash consideration paid, and the fair market value of shares issued on the acquisition of property interests, if any. The recorded amounts represent actual expenditures incurred and are not intended to reflect present or future values. The Company reviews capitalized costs on its property interests on a periodic, or at least annual, basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

***Asset retirement obligations***

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration, development or mining properties. This amount is initially recorded at its discounted present value, with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties. The Company does not currently have any material legal obligations relating to the reclamation of its mineral properties; although rehabilitation of historical workings could be considered as part of future development plans.

Risks & Uncertainties

Luiri Gold's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Luiri Gold's common shares should be considered speculative.

***Nature of Mineral Exploration and Development Projects***

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Luiri Gold's properties are in the exploration stage and at present do not contain a known body of commercial ore. Exploration to date has delineated an initial gold resource and the proposed exploration programmes include both a programme to expand the known resource to form the basis for a sustainable mining operation, as well as an exploratory search for new deposits. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programmes, which may be affected by a number of factors that are beyond the control of the Company.

The Company's operations are subject to all the hazards and risks normally associated with the exploration for gold and copper, any of which could result in damage to life, or property, or the environment. The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high standards and continuous improvement, Luiri Gold works to reduce these risks.

The Company's operations are also subject to the additional risks associated with operating in Africa. All of Luiri Gold's property interests are located in Zambia and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability in that country. Zambia's economy continues to strengthen and the Government continues to foster and promote political stability. Mineral exploration and mining activities may be affected to varying degrees by political stability and government regulations relating to the mining industry, including restrictions on production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation, employment practices and mine safety. Any changes in regulations or shifts in political attitudes are beyond Luiri Gold's control and may adversely affect the Company's business. The Company, at present, does not maintain political risk insurance for its foreign operations.

In the event the Company is fortunate enough to discover additional gold (or other mineral) resources, the economics of commercial production depend on many factors, including the cost of operations, the grade of the gold and any other associated minerals, proximity to infrastructure, metal prices, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

The profitability of the Company's operations will be dependent, inter alia, on the market prices of gold and copper, which are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, and international currency exchange rates.

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration, the availability of suitable contractors, and other factors. If mineralization is discovered, it may take several years in the initial phases of exploration until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programmes will result in the establishment or expansion of resources or reserves.

***Financing risk, until such time as the Company is cash flow positive***

In the absence of cash flow from operations, Luiri Gold relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

***Licenses and Permits, Laws and Regulations***

Luiri Gold's exploration activities require permits from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. Luiri Gold draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Government approvals and permits are required in connection with the exploration activities proposed for the Properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

***Conflicts of Interest***

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors and/or officers of other natural resource companies, and, to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict. From time to time, the Company, together with several other companies, may be involved in a joint venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting the Company to be involved in a greater number of larger projects with an associated reduction of financial exposure in any given project. The Company may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies. In accordance with the laws of the province of British Columbia, the directors are required to act honestly and in good faith with a view to furthering the best interest of the Company. In determining whether or not the Company will participate in a particular programme and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no procedures or mechanisms to deal with conflicts of interest.

***Environmental***

Mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain Government approvals and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays or at all.

***Dependence on Key Personnel***

The Company's performance is dependent upon the performance and continued services of its current key management. While it has entered into contracts and adopted a stock option plan with the aim of securing the services of the existing management, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of the Company's business. The Company competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors.

Change In Accounting Policy

**Fair value hierarchy and liquidity risk disclosure**

The Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of this new standard resulted in additional disclosures in the notes to the consolidated financial statements

**Future Change in Accounting Standards**

**International Financial Reporting Standards (IFRS)**

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to the Company's fiscal year beginning on November 1, 2011. The Company is currently assessing the impact of the implementation of IFRS and developing a changeover plan. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company has begun assessing the adoption of IFRS and is developing a changeover plan; however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**Business combinations**
CICA Handbook Section 1582 “Business Combinations”, replaces Section 1581 - “Business Combinations” and provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company expects to adopt this standard on November 1, 2011.

**Consolidations and non-controlling interests**
CICA Handbook Sections 1601 “Consolidations” and Section 1602 “Non-Controlling Interests” replace Section 1600 “Consolidated Financial Statements”. Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - “Consolidated and Separate Financial Statements”, for non-controlling interests. The Company expects to adopt this standard on November 1, 2011.

<u>Use of Financial Instruments</u>

Up to October 31, 2010 Luiri Gold did not enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company’s financial condition and results of operations are currently its cash, amounts receivable and prepayments, and accounts payable and accrued liabilities. Foreign currency exposure is minimized by retaining most cash in Canadian dollar denominated instruments.

<u>Off-Balance Sheet Arrangements and Contingent Liabilities</u>

Luiri Gold has no off-balance sheet arrangements or contingent liabilities, not already discussed above.

<u>Contractual Obligations and Commitments</u>

a) Luiri Gold had no capital expenditure commitments up to October 31,2010.

b) Under the terms of non-cancellable operating leases, the Company is committed to rental payments of $19,920 due within one year.

<u>Related Party Transactions</u>

Related party transactions occurred in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

At October 31, 2010, the Company had arrangements with a number of contractors to provide most of the administrative, accounting, management, and technical services required. Certain directors and significant shareholders provided management and consulting services to the Company.

Commencing November 1, 2009 the Company's President and CEO became a full time employee of the Company. In the year ended October 31, 2010 he was paid $234,119 for his services (year ended October 31, 2009 the Company paid Global Mining Services Pty Ltd $221,719 for the services of the President and CEO).

Westland Corporate Pty Ltd, a private corporation, was paid $71,025 of management fees in the year ended October 31, 2009 for the services of the Company's Chief Financial Officer (year ended October 31, 2009 - $46,154). During 2010, a shareholder of this corporation became a director of the Company.

The Company commenced paying directors fees to the non-executive directors of the Company on October 1, 2009. The monthly fee for the Chairman is A$3,333 and for other directors is A$2,500. For the year ending October 31, 2010 the Company paid directors fees of $123,137. (year ended October 31, 2009: $10,387).

In addition to directors fees, the Chairman of the Company was paid consultancy fees of $31,380 through his private company, Wildville Enterprises Pty Ltd, relating to the tenure issue on the company's license LML48.

A corporation that has a director in common with the Company subscribed for 9,000,000 common shares of the 2010 fundraising.

## Outlook

The Company's immediate focus is to resolve the issue regarding the tenure on its Mining Licence, LML48. Only once that has occurred can it recommence exploration. The focus will then be on further expanding its Indicated and Inferred resource at the 100%-owned Luiri Hill Gold Project. The Company considers that, subject to exploration success, there is excellent potential to further increase the resource base.

The Company also owns 100% of the Nambala Iron Project, which is located 20km to the west of the Luiri Gold Project. This project contains iron mineralisation within a belt including several iron-rich hills that together form the Nambala Range, which is some 25km long and rises to over 260 metres above the surrounding plains. This project contains hematite iron mineralisation, with grades of up to 70% Fe having been encountered in drilling. The Nambala Iron Project is at a relatively early stage of exploration, but there appears to be potential to define significant iron mineralisation at the project.

For additional information, please refer to the Company's website at www.luirigold.com and for regulatory filings, including news releases, please refer to www.SEDAR.com.

Supplement to the Financial Statements

As at January 28, 2011, the following items were issued and outstanding:

- 111,556,905 common shares; and
- 3,703,500 common share purchase options with an average exercise price of $0.42 per common share and expiry dates ranging between June 23, 2011 and April 1, 2015.

January 28, 2011

# LUIRI GOLD LIMITED
# CORPORATE INFORMATION

**Directors**

**Robert Brown** [1, 2, 3,4]
Chairman
Perth, Western Australia, Australia

**Michael Sperinck** [3]
President and Chief Executive Officer
Perth, Western Australia, Australia

**Peter Tanham**
Chief Financial Officer
Perth, Western Australia, Australia

**Gordon Richards** [1, 2, 3]
Non-executive Director
Delta, British Columbia, Canada

**Richard Billingsley** [1, 2, 3]
Non-executive Director
Vancouver, British Columbia, Canada

[1] Current members of the Audit Committee.
[2] Current members of the Compensation Committee.
[3] Current members of the Corporate Governance Committee.
[4] Appointed a director on November 3, 2010.

**Shareholders' Information**

Stock Exchange Listings

TSX Venture Exchange
Symbol: **LGL**

ASX Symbol:**LGM**

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**Registrar and Transfer Agent**

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Vancouver, British Columbia

**Auditors**

McGovern, Hurley, Cunningham, LLP
Toronto, Ontario

**Legal Counsel**

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Barristers and Solicitors
Vancouver, British Columbia