

Luir Hill Gold Project Resource Statement and Project Update

Luir Gold Limited

ASX Code: LGM

www.luirigold.com

Corporate Structure

Shares on issue	127.43m
Options	10.1m
52 week high	A\$0.27
52 week low	A\$0.07

Cash (as at 31 Jan) A\$1.45m

Company Directors

Melissa Sturgess
Chairman

Evan Kirby
Director and Chief Executive Officer

Mike Langoulant
Executive Director

Robert Brown
Non-Executive Director

HIGHLIGHTS

- Luir Hill Gold Project database reorganisation and verification completed by Maxwell GeoServices;
- New resource estimate by Coffey Mining Pty Ltd (Coffey) on the Dunrobin and Matala gold deposits confirms the existence of a significant gold resource of 758,000 ounces at a 1.0g/t cut-off;
- 54% of the resource is in the Indicated category;
- Coffey concludes that the resource primarily consists of bulk mining open pit targets, whilst potential also exists for a consistent and continuous higher grade zone at Matala which may be an underground mining target;
- Coffey considers the Company's current exploration and development strategy to be appropriate and to reflect the potential of the Luir Hill Gold Project;
- A two-pronged approach to project development; a fast track to early production, in parallel with exploration aimed at growing the resource beyond 1 million ounces;
- Excellent progress made in relation to Company objectives (announced 17 October 2011).

Managing Director Dr Evan Kirby said that he was very pleased with the outcome of the review conducted by Coffey Mining. "We will now look to go ahead with a two pronged approach to the development of the Luir Hill Gold Project. We will be looking to bring on a small, economically robust project on a fast track basis. Such a project could be sufficiently cash positive to finance an ongoing exploration and study program to unlock the full potential of the Luir Hill Gold Project."

"This approach will satisfy the preference from Zambian stakeholders for earlier project development. At the same time, it will also maximize value to existing shareholders by avoiding unnecessary dilution for capital raisings to support exploration and studies."

Dr Kirby added "Luir has an overall objective of boosting the resource to well over a million ounces and then constructing a world-class mining and processing operation to produce about 80,000 – 100,000 ounces of gold per year."

Resource Estimation Review

Coffey Mining Pty Ltd (Coffey) of Perth has estimated resources of 758,000 ounces of gold at a cut-off of 1.0 g/t at the Matala and Dunrobin deposits. This compares with the previous resource estimate, which was 808,000 ounces of gold (at a cut-off of 0.5 g/t at Dunrobin, 1.0 g/t at Matala, and 5.0 g/t for Matala Deeps). The change relates to the consolidation of the resource reporting cut-off to 1g/t across the two deposits, together with the adoption of MIK as an estimation method for the Matala Deeps portion of the Matala deposit. In both cases, Multiple Indicator Kriging (MIK) with a 10mE by 5mN by 5mRL Selective Mining Unit (SMU) was used.

There has been an increase in the resources in the indicated category from 52.1% to 54.4%. Results at a range of (lower) cut-off grades are shown in Table One below.

This resource estimate is the first under the new management of the Company. Discussions with Coffey had highlighted the need for a new resource estimate; to ensure that the previous estimates were valid and verifiable, and that the Matala Deeps discovery could be included in a resource statement. The new estimate provides a sound platform for the development of the Luri Hills project.

As recommended by Coffey, Maxwell GeoServices (Maxwell) was appointed to reorganize and verify the exploration database before it was used for the new resource estimate. At Dunrobin, an additional four diamond drill holes were included in the resource calculation whilst the Matala data remained substantially unchanged.

Table One Luir Hill Gold Project, Resource Estimate at a Range of Cut Off Grades				
Matala Deposit				
	Lower Cut-Off Grade (g/t Au)	Tonnes (000's)	Average Grade (g/t Au)	Ounces (000's)
Indicated	0.4	4,150	2.2	300
	0.5	4,015	2.3	298
	0.7	3,727	2.4	292
	1.0	3,204	2.7	278
	1.5	2,334	3.2	243
Inferred	0.4	7,649	1.5	360
	0.5	7,200	1.5	354
	0.7	6,108	1.7	333
	1.0	4,525	2.0	290
	1.5	2,600	2.6	213
Dunrobin Deposit				
	Lower Cut-Off Grade (g/t Au)	Tonnes (000's)	Average Grade (g/t Au)	Ounces (000's)
Indicated	0.4	2,454	1.9	150
	0.5	2,416	1.9	149
	0.7	2,274	2.0	146
	1.0	1,851	2.3	134
	1.5	1,281	2.7	111
Inferred	0.4	1,801	1.3	76
	0.5	1,761	1.3	75
	0.7	1,567	1.4	71
	1.0	1,011	1.7	56
	1.5	461	2.3	35

Compared with the July 7, 2010 resource estimate, the Dunrobin resource at a 0.5 g/t Au cut-off grade has increased by 21,000 ounces. This is due to the inclusion of data for the four holes that had been drilled since the last resource estimate.

At Matala, Coffey concluded that there was potential for a consistent and continuous zone to exist that could represent an underground mining target. However, contrary to the Company's previous reported resource position Coffey considered the data at depth too sparse to infer continuity of this zone and as such it is largely contained with the interpreted MIK mineralization constraint and thus has been excluded from the current inferred resource. For the above estimate, the Matala data was used in block modelling to a vertical depth of 350 meters (from surface at RL 1100 to RL750). The resource was then estimated for the range of cut off grades.

Coffey consider a 1.0 g/t Au cut-off grade to be suitably conservative for the current stage of project definition. At a 1.0 g/t cut-off, the resource estimate can be summarized as shown in Table Two below.

Table Two Luri Hill Gold Project Summarized Resource Estimate 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)
Indicated	1.0	1,851	2.3	134
Inferred	1.0	1,011	1.7	56
Matala and Dunrobin Deposits Combined				
	Lower Cut-Off Grade (g/t Au)	Tonnes (000's)	Average Grade (g/t Au)	Ounces (000's)
Indicated	1.0	5,055	2.5	412
Inferred	1.0	5,536	1.9	346

This gives a total combined (indicated plus inferred) resource of 10.591 million tonnes at 2.2 g/t Au, for 758,000 ounces of gold.

The June 2010 estimate summary is shown in Table Three below.

Table Three Luri Hill Gold Project Summary of June 2010 Resource Estimate				
June 2010 Estimate	Tonnes	Average Grade	Ounces	Proportion of Total Resource
Indicated	5,439	2.4	422	52.1
Inferred	5,077	2.4	386	47.9

Luri management note that there are a number of areas where drilling has encountered interesting values but where the data is too sparse to form the basis of an indicated resource estimate. These places include deep drilling at Matala where high-grade intersections were obtained and where there was one instance of a promising hole being terminated before penetrating the footwall shear. They also include on-strike shallow intersections at Matala, Matala West and Eclipse. Drill out of these areas has the potential to add very significantly to the overall resource. The locations of the various prospect areas are shown below in Figure One.

In addition to these obvious drilling targets, trenching between Dunrobin, Chosa and Shadreck indicates the possibility of significant extensions of Dunrobin style shallow oxide mineralization. These trenching results are being compiled and will be released shortly.

Progress Against Stated Objectives

Excellent progress has been made against the objectives stated in the Company's announcement of 17 October 2011.

As noted, reorganization & revalidation of the exploration database and the new resource estimate have been completed. Two new Zambian geologists, including a senior person to fill the role of Exploration Manager, have been recruited. Geological software is being used to collate historical mapping, drilling, trenching and geochemical data to enable new exploration targets to be generated. All new exploration data is also being captured. Progress is also being made on the planning of exploration work for the coming dry season.

Two proposals have been obtained for the aerial magnetic and isotope survey work. Three appropriately qualified drilling contractors have been identified and preliminary discussions regarding equipment availability have commenced.

Progress has been made with the establishment of the community development trust fund. Legal formalities with the establishment of the trust fund are nearing completion and a management committee has been nominated.

Preparations for the extension of the existing environmental studies are being made and discussions with experienced consultants have commenced.

In order to meet the conditions of the Consent Order associated with the reinstatement of the mining license, Luirigold has undertaken to be in a position to commence construction of a large-scale mining project by November 2013. This will entail:

- all permits in place;
- detailed development plans for mining and process plants;
- project financing facilities in place.

Discussions with the government of Zambia, the local community and other stakeholders indicate a strong preference for a fast track to project development.

Project Development and Exploration

The Company has an overall objective of boosting the resource to well over a million ounces and then constructing a world-class mining and processing operation to produce about 80,000 – 100,000 ounces of gold per year. Further consideration of all factors suggests that a staged approach to development may best meet the interests of both shareholders and stakeholders.

For the first stage, Luirigold will pursue a two pronged approach:

- Investigating the possibility of a fast track development of a small, economically robust project based largely on existing knowledge of the geology and mineral resources.

In parallel with:

- Exploration aimed at expanding known gold occurrences (where promising results have been achieved but data is too sparse to form the basis of a resource) with the objective of growing the resource to over a million ounces of gold in all categories.

The Company believes it is likely that a small, economically robust project could be brought on line on a fast track basis. Such a project could be sufficiently cash positive to finance an ongoing exploration and study program to unlock the full potential of the Luri Hill Gold Project. When sufficient project definition has been achieved, an expansion project could then be initiated to achieve the overall objective of a minimum 80,000 oz per year project.

This approach will satisfy the preference from Zambian stakeholders for earlier project development. At the same time, it will maximize value to existing shareholders by avoiding unnecessary dilution for capital raisings to support exploration and studies.

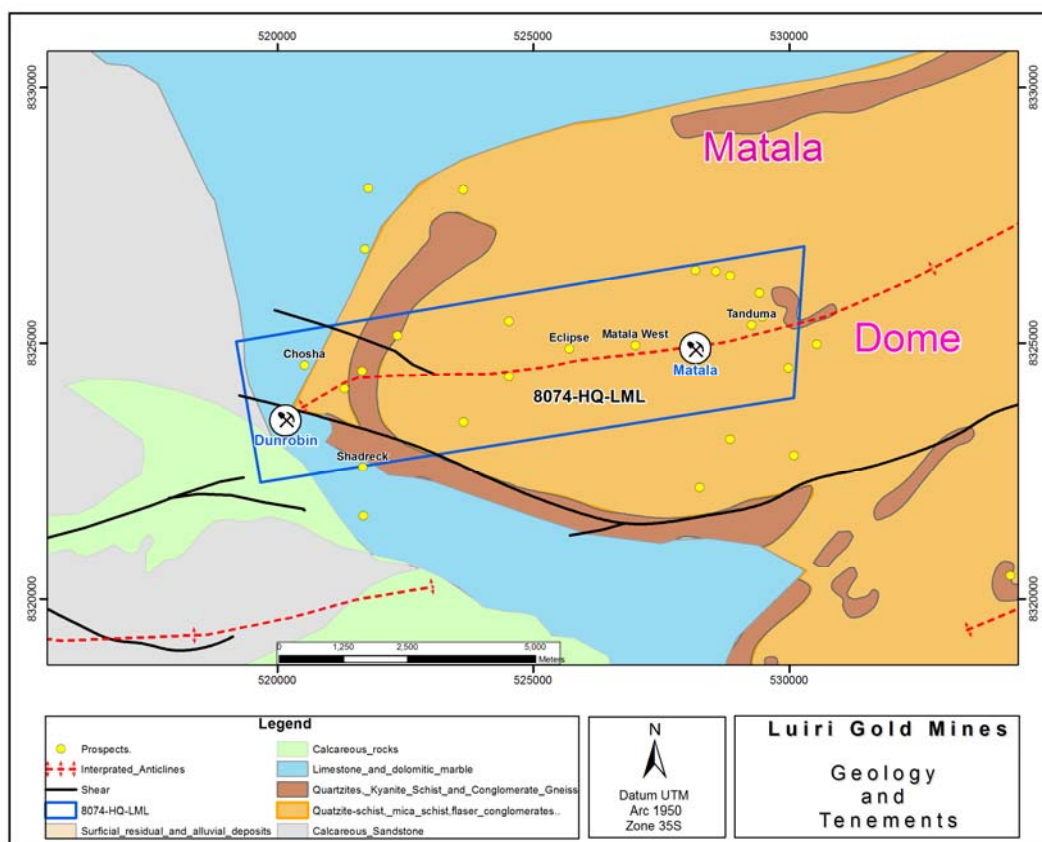
The Company has initiated scoping level studies for development of an 8,000 oz per year (10,000 tons per month of ore) project. Study work has been awarded as follows:

- The metallurgical plant engineering & cost study was awarded to Consulmet Metals Pty Ltd (Consulmet) of Johannesburg in December 2011. Consulmet has appropriate experience in the design and fast-track construction of modular plants for gold recovery.
- The mining and pit modelling engineering & cost study has recently been awarded to Coffey Mining, Johannesburg office. Coffey has an integrated team of mining and geological personnel and is well suited to this study work. The basis of the study will be the existing exploration database plus additional data from field visits.
- Financial modelling work associated with the scoping study has been awarded to Feza Pty Ltd (Feza) of Johannesburg. Feza is experienced in the development of realistic financial models for fast track project development.

Whilst the work is nominally scoping level, experienced consultants are being used and it is expected that the results will closely reflect reality. Full results of the study work are expected by the end of the first quarter of 2012. The Company will then consider financing and development alternatives for the project. As the Company has a mining license over the Matala and Dunrobin area, this effectively means that all permitting required to establish a mine is already in place.

In parallel with this fast track development assessment Luri will continue with its formal exploration programme, consisting of drilling, trenching, pitting, aerial magnetic and isotope survey work, to increase the resource beyond 1 million ounces.

Figure One



Competent Person

The information in this report that relates to Mineral Resources is based on information compiled by Mr Brian Wolfe, B.Sc Hons (Geol), MAIG an employee of Coffey Mining Limited. Mr Wolfe has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Wolfe consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

On behalf of the Board of Directors of the Company,
"Evan Kirby"
Director and CEO

For further information please contact:

Luirigold

P: +61 8 6313 5155
F: +61 8 9324 2977
E: info@luirigold.com
W: www.luirigold.com

Media and Investor Inquiries:

Greg Galton / Karen Oswald
Purple Communications
Tel: +61 8 6314 6300
GGalton@purplecom.com.au

Canadian Share Registry – Computershare Investor Services

P: +1-800-564-6253
F: +1-604-661-9401
E: service@computershare.com

Australian Share Registry – Computershare Investor Services

P: +61 3 9415 5000
F: +61 3 9473 2500
E: web.queries@computershare.com.au