

**LUIRI GOLD LIMITED**  
**For the six months ended April 30, 2011**

**Management's Discussion and Analysis**

*(All amounts stated in Canadian dollars, unless otherwise indicated)*

*This quarterly report, including the consolidated financial statements and this MD&A contains certain "Forward-Looking Statements", which are prospective and reflect management's expectations regarding Luiiri Gold Limited ("Luiiri Gold")'s future growth, results of operations, performance and business prospects and opportunities.*

*See our annual information form for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information made herein are qualified by this cautionary statement.*

## Introduction

This discussion and analysis of the operating results and financial condition of Luiri Gold Limited (“**Luiri Gold**”, or the “Company”) for the six months ended April 30, 2011 (the “Quarter”) should be read in conjunction with the unaudited 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 3 months ended April 30, 2011, and the factors reasonably expected to impact future operations and results.

The unaudited 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 the quarter ended April 30, 2011 the composition of the Board of Directors changed. At the date of this report the board consists of Melissa Sturgess, Executive Chairman, Michael Langoulant, finance director, Evan Kirby, technical director and Rob Brown, non-executive director.

The focus of the Board is continuing negotiations with the Zambian government with the aim to resolve the various tenement title issues surrounding the Company’s Zambian projects.

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.

This matter was not resolved through an initial legal appeal process.

The new Board has suspended all legal actions and is endeavouring to resolve this matter through negotiation with the Zambian government.

Work on both the Luiri Hill gold and Nambala iron projects has been minimised pending the outcome of the tenement tenure discussions. No impairment of the value of these projects has been raised pending the outcome of these negotiations.

During the Quarter, the Board resolved not to seek shareholder approval to implement a Shareholders Rights Plan to change the relevant rules that would apply should a take-over bid be made. The take-over rules applicable to the Company therefore will remain unchanged.

The annual general meeting of shareholders has been called for June 15, 2011 and the relevant documents dispatched to all shareholders.

## 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 Luiiri 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 where it trades under the symbol "LGM". The Company maintains operational offices in Lusaka, Zambia and Perth, Western Australia and a corporate office at 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, British Columbia, Canada VC6 2T5.

### Nature of Business

Luiiri Gold is a developing gold resource company aiming to create shareholder value through the acquisition, exploration and development of gold opportunities in Africa. Currently, Luiiri Gold's wholly-owned Zambian subsidiary, Luiiri Gold Mines Limited ("**Luiiri 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 Luiiri Hill Project.

### Significant Events and Transactions

#### ***Corporate Activity***

During the Quarter, all previous directors resigned and a new Board has been appointed. The new executive directors, Chairman/CEO Miss Melissa Sturgess and CFO Mr Michael Langoulant together with the new technical director Dr Evan Kirby, all have extensive African exploration and mining experience. These directors are all directors of Nyota Minerals Ltd which is moving towards a feasibility study on a gold project in western Ethiopia. The other non-executive director, Mr. Robert Brown, has been a long term active investor in African exploration companies and has extensive corporate experience in the fields of venture capital, land development and biotechnology.

In February 2011 the Company completed a private placement of 5,875,000 common shares of the Company at a price of A\$0.15 per share to raise A\$881,250 in working capital to Carlton Resources Plc ("**Carlton**"). Carlton is now the Company's largest shareholder with a 9.5% shareholding.

In a transaction related to the Carlton placement, the Company's previous largest shareholder, Lachlan Star Limited, has completed the sale of all of its 23% holding in Luiiri, at a price of A\$0.15 per share, to various purchasers procured by Ocean Equities Limited, a London based investment bank.

#### ***Tenure Issues***

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

This matter was not resolved through an initial legal appeal process.

The new Board has suspended all legal actions and it is the Company's intent to seek a solution to the tenure issue through ongoing negotiations with the Government of Zambia and the Minister of Mines.

The Company will continue to seek confirmation of tenure to its other tenement areas as a matter of priority.

### Exploration Update

Luir 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<sup>2</sup> in south-central Zambia.

The Company's tenements comprise two granted Prospecting Licenses (PL173 and PL209) and a single granted Mining License which covers approximately 28km<sup>2</sup> and includes the historical Dunrobin and Matala mines. The gold and copper-gold interests in these three contiguous tenements together constitute the Luir Hill Gold Project. The Nambala Iron Project is situated on PL209 approximately 20km to the west of the Luir Hill Gold Project.

No significant exploration work was undertaken during the Quarter due to the tenement tenure issues noted above.

### Reporting Period

At April 30, 2011, the Company had net working capital of \$2,790,129 (October 31, 2010 \$3,434,260).

### ***Exploration Expenditures***

In the April 2011 quarter mineral exploration costs, were minimal and mainly related to desktop reviews of exploration data, maintaining the Company's staff and exploration infrastructure, and for consulting fees in relation to ongoing negotiations with the Zambian government.

Exploration expenditures capitalized to date are as follows:

	Period ended April 30, 2011	Year ended October 31, 2010
Acquisition costs	78,296	78,296
Sampling and assays	7,683,594	7,646,034
Labour	931,897	846,008
Geological and reporting	1,752,104	1,589,736
Project management fees	1,775,620	1,682,836
Other expenses	802,825	780,404
Total costs capitalized	\$ 13,024,336	\$ 12,623,314

### ***Significant Expenses***

For the three months' ending April 30, 2011

The net loss for the three months ended April 30, 2011 was \$668,574 (April 30, 2010 net loss of \$386,052). Major variances when compared to the same period last year were mainly due to the tenure issues in Zambia and professional fees relating to the

consideration of potential corporate transactions. Consultancy fees this period were \$397,718 compared to \$Nil in the previous period. Management fees this period were \$154,087 compared to \$70,310 in the previous period. Professional fees this period were \$97,629 compared to \$45,226 in the previous period. A \$68,181 foreign exchange gain was recorded in the period compared to a loss of \$94,097 in the previous period. Also there was no stock based compensation expense in this period, while in the three months to April 30, 2010, \$48,000 was expensed.

### Summary of Results

Selected financial information for the quarters for the years 2009, 2010 and 2011 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. Liabilities	Dividends
			Basic	Diluted			
2011 – Q2	-	(668)	(0.01)	(0.01)	16,112	338	-
2011 – Q1	-	(458)	(0.00)	(0.00)	15,903	335	-
<b>Total</b>	-	<b>(1,126)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>N/A</b>	<b>N/A</b>	-
2010 – Q4	-	209	0.00	0.00	16,412	335	-
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	-	-
<b>Total</b>	-	<b>(798)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>N/A</b>	<b>N/A</b>	-
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	-	-
<b>Total</b>	-	<b>(415)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>N/A</b>	<b>N/A</b>	-

### Liquidity

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

	April 30, 2011 \$	October 31, 2010 \$
Cash	2,918,579	3,559,009
Working capital	2,790,129	3,434,260
Cash (used in) operating activities	(671,004)	(932,300)
Cash used in investing activities	(224,883)	(3,868,387)
Cash provided by financing activities	881,250	7,029,692

## 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.

Critical accounting policies and estimates in the period included the continued capitalization of mining property acquisition, exploration and development costs and the potential recognition of impairment of those assets.

### ***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. Luri 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 Luri 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 is not aware of 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

Luir 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 Luir 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. Luir Gold's properties are in the exploration stage and at present do not contain a known body of commercial ore. 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 minerals, any of which could result in damage to life, or property, or the environment. Significant risk factors for the Company include metal prices, government regulations, foreign operations, environmental compliance, asset backed commercial paper, the ability to obtain additional financing, risk relating to recent acquisitions, dependence on management, title to the Company's mineral properties, and litigation. For details of risk factors, please refer to the 2010

year-end audited consolidated financial statements, Management Discussion and

Analysis and Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company's operations are also subject to the additional risks associated with operating in Africa. All of Luir 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. Any changes in regulations or shifts in political attitudes are beyond Luir 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.

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

In the absence of cash flow from operations, Luir 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***

Luir 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. Luir 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.

Notwithstanding the tenement tenure issues noted above, 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 by the Company. 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. 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. 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. 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.

### **Changes in Accounting Policies**

There have been no changes in accounting policies during the Quarter.

### **Future Changes 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.

### Use of Financial Instruments

Up to April 30, 2011 Luii 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. The Company has exposure to movements in the AUD:CAD foreign currency rates.

### Off-Balance Sheet Arrangements and Contingent Liabilities

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

### Contractual Obligations and Commitments

- a) Luii Gold had no capital expenditure commitments up to April 30, 2011.
- b) Under the terms of non-cancellable operating leases, the Company is committed to rental payments of \$22,000 due within one year.

### Related Party Transactions

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 April 30, 2011, the Company had arrangements with a number of contractors to provide most of the administrative, accounting, management, and technical services required. Certain directors provided management and consulting services to the Company.

During the April 30, 2011 quarter the Company's past President and CEO resigned as a full time employee but provided some limited consultancy services. In the three months ended April 30, 2011 he was paid \$142,498 for his services (year ended October 31, 2010 - \$234,119) including all termination payments.

Westland Group Pty Ltd, a private company, was paid \$36,564 in the three months ended April 30, 2011 (year ended October 31, 2010: \$71,025) for the services of the Company's ex-Chief Financial Officer) including all termination payments.

The Company pays directors fees to directors. The monthly fee for the Chairman is A\$3,333 and for other directors it is A\$2,500. For the three months ended April 30, 2011 the Company paid directors' fees of nil. (year ended October 31, 2010: \$123,137).

### Outlook

The Company's immediate focus is to resolve its Zambian tenement issues. Only once that has occurred can it recommence substantive exploration activities. As part of this process the Company will determine the current tenement tenure of all its Zambian tenement holdings.

For additional information, please refer to the Company's website at [www.luirigold.com](http://www.luirigold.com) and for regulatory filings, including news releases, please refer to [www.SEDAR.com](http://www.SEDAR.com).

### Supplement to the Financial Statements

As at June 3, 2011, the following items were issued and outstanding:

- 117,431,905 common shares; and
- 1,350,000 common share purchase options with an average exercise price of \$0.29 per common share and expiry dates ranging between May 13, 2012 and April 1, 2015.

June 3, 2011

## LUIRI GOLD LIMITED CORPORATE INFORMATION

### Directors

**Melissa Sturgess**

Executive Chairman & CEO  
London, England

**Michael Langoulant**<sup>1</sup>

Chief Financial Officer/Company Secretary  
Perth, Western Australia

**Robert Brown**<sup>1</sup>

Non-executive Director  
Perth, Western Australia

**Evan Kirby**<sup>1</sup>

Non-executive Technical Director  
Perth, Western Australia

<sup>1</sup> Current members of the Audit Committee.

### Shareholders' Information

Stock Exchange Listings  
TSX Venture Exchange  
TSXV Symbol: **LGL**

Australian Securities Exchange  
ASX Symbol: **LGM**

### Registrar and Transfer Agent

Canada

Computershare Investor Services Inc  
Vancouver, British Columbia

Australia

Computershare Investor Services Pty Ltd  
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### Auditors

McGovern, Hurley, Cunningham, LLP  
Toronto, Ontario

### Legal Counsel

Canada

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Barristers and Solicitors  
Vancouver, British Columbia

Australia

Allen & Overy  
Perth, Western Australia