

**Luir Gold**

Gold Resource Development & Exploration Company

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## **Corporate Governance Statement**

Luir Gold Limited hereby issues its Corporate Governance Statement on how it has followed (or otherwise departed from) each of the ASX Corporate Governance Principles & Recommendations during the financial year ended 31 October 2010.

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NONE OF THE TSX VENTURE EXCHANGE, ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE), OR THE ASX HAS REVIEWED THIS RELEASE AND NONE OF THEM ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

# LUIRI GOLD LIMITED

## Corporate governance statement

### Introduction

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

Further information about the Company's corporate governance practices, policies and Charters will be set out on the Company's website at [www.liurigold.com](http://www.liurigold.com). In accordance with the ASX Principles and Recommendations, information published on the Company's website will include charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

### Disclosure – Principles & recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the financial year ended 31 October 2010 ("**Reporting Period**").

### Principle 1 – Lay solid foundations for management and oversight

#### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

#### Disclosure:

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

The Company has established the functions delegated to senior executives. Senior executives are responsible for supporting the Chief Executive Officer (CEO) and to assist the CEO in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the CEO or, if the matter concerns the CEO, then directly to the Chair or the lead independent director, as appropriate.

#### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

#### Disclosure:

The Chair, in consultation with the other Board members, is responsible for evaluating the senior executives. The performance evaluation of senior executives is undertaken by the Chair in the form of interviews.

**Recommendation 1.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

**Disclosure:**

During the Reporting Period a performance evaluation of senior executives did occur in accordance with the above disclosed process at Recommendation 1.2.

**Principle 2 – Structure the board to add value****Recommendation 2.1 & 2.2:**

A majority of the Board should be independent directors and the Chairman should be independent.

**Disclosure:**

The independent directors of the Board during the Reporting Period were Messrs Brown and Richards.

**Notification of departure:**

For a portion of the Reporting Period, the Board did not comprise a majority of independent directors.

**Explanation for departure:**

The Company has not complied with this Recommendation. At the date of this report the Board now has two non-independent directors and two independent directors. Given the size and scope of the Company's operations, the Board considers that it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from both a long-term strategic and operational perspective.

**Recommendations 2.3:**

The Chief Executive Officer should not be the Chairman.

**Disclosure:**

In the reporting period the Chief Executive officer was Mr Sperinck who was not the Chair.

**Recommendation 2.4:**

The Board should establish a Nomination Committee.

**Notification of departure:**

The Company has not established a separate Nomination Committee.

**Explanation for departure:**

The full Board considers the matters and issues that would fall to the nomination committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board intends to reconsider the requirement for and benefits of a separate nomination committee as the Company's operations grow and evolve. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

**Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

**Disclosure:**

The Chairman is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

Evaluations are undertaken by way of round-table discussions and when appropriate by one to one interviews.

**Recommendation 2.6:**

Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

**Disclosure:****Skills, experience, expertise and term of office of each Director**

A profile of each Board member as at the date of this report is as follows:

**M J Sturgess BSc, MBA.** *Executive Chairman and Chief Executive Officer.* Aged 44

**Experience and expertise**

Appointed in February 2011, Ms Sturgess' early career was with British Airways and lawyers Malesons Stephen Jacques. She has worked in the corporate development and promotion of a range of public companies, including Aquarius Platinum Limited where she was primarily responsible for attracting institutional shareholders.

**Other current directorships**

Executive Chairman of Nyota Minerals Ltd.

**Former directorships in last 3 years**

Carlton Resources plc, Washington Resources Ltd and Churchill Mining Plc

**Special responsibilities**

Chairman & CEO

**Interests in shares and options**

Nil

**M J Langoulant B Com, CA.** *Finance director.* Aged 54

**Experience and expertise**

Appointed in February 2011, Mr Langoulant is a Chartered Accountant with over 20 years experience in public company corporate administration and fundraising. After 10 years with large international accounting firms he has acted as finance director, CFO, company secretary and non-executive director with a number of publicly listed companies.

**Other current directorships**

Chairman of White Cliff Nickel Limited, Finance Director of Nyota Minerals Ltd

**Former directorships in last 3 years**

None.

**Special responsibilities**

Finance director, member of audit committee.

**Interests in shares and options**

100,000 CDI's

**E Kirby BSc (Hons) Metallurgy, PhD Metallurgy, MAusIMM, MSthAfrIMM.** *Non-executive director.* Aged 59

**Experience and expertise**

Appointed in February 2011, Dr Kirby has worked for major companies such as Impala Platinum, Rand Mines, Rustenburg Platinum Mines, Minproc Engineers and Bechtel before starting his own consulting business in 2002. He has broad experience with the development of a wide range of mining and minerals processing projects particularly in Africa and Australia.

**Other current directorships**

Non-executive director of Nyota Minerals Ltd & Bezant Resources Plc

**Former directorships in last 3 years**

Sylvania Resources Limited, China Goldmines Plc, Great Australian Resources Limited and Wedgetail Exploration NL

**Special responsibilities**

Audit committee member

**Interests in shares and options**

Nil

**R Brown** *Non-executive director.* Aged 58

***Experience and expertise***

Appointed in October 2010, Mr Brown has been an active investor in African exploration companies for more than 12 years and brings to the Board his extensive corporate experience in the fields of venture capital, land development and bio-technology. He is Deputy Chairman and a major shareholder of Cedar Woods Properties Ltd.

***Other current directorships***

Deputy Chairman Cedar Woods Properties Ltd

***Former directorships in last 3 years***

Nil

***Special responsibilities***

Audit committee member

***Interests in shares and options***

5,365,000 CDIs

**Identification of independent directors**

The independent directors of the Company during the Reporting Period were Messrs Brown and Richards. These directors were/are independent as they were/are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

**Statement concerning availability of independent professional advice**

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

**Nomination matters**

The full Board acts as the Nomination Committee.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

**Performance evaluation**

During the Reporting Period the performance evaluations for the Board and individual directors did occur in accordance with the disclosed process in Recommendation 2.5.

**Selection and re-appointment of directors**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

Each director stands for re-election at the Company's annual general meeting. Re-appointment of directors is not automatic.

**Principle 3 – Promote ethical and responsible decision-making**

**Recommendation 3.1:**

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Disclosure:**

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

**Recommendation 3.2:**

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

**Disclosure:**

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

**Recommendation 3.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

**Disclosure:**

Please refer to [www.luirigold.com](http://www.luirigold.com) where the Company's Code of Conduct will be posted.

**Principle 4 – Safeguard integrity in financial reporting****Recommendation 4.1 & 4.2:**

The Board should establish an Audit Committee and state whether the members are independent or not.

**Notification of departure:**

The Company has established a separate Audit Committee however not all members are non-executives.

The Audit Committee is now comprised of 2 independent non-executive directors, namely Messrs Brown and Kirby and one executive director, Michael Langoulant.

**Explanation for Departure:**

The Company considers that the members of the Audit Committee are the most appropriate, given their experience and qualifications, for the Company's current needs. The Board has adopted an Audit Committee Charter, which the Audit Committee applies when convening. The Audit Committee Charter makes provision for the Audit Committee to meet with the external auditor, as and when required.

**Recommendation 4.3:**

The Audit Committee should have a formal charter.

**Disclosure:**

The Company has adopted an Audit Committee Charter.

**Recommendation 4.4:**

Companies should provide the information indicated in the *Guide to reporting on Principal 4*.

**Disclosure:**

The Audit Committee met several times on an informal basis. During the Reporting Period any formal matters recommended by the Audit Committee was done so at full board meetings, attended by all of its members.

## **Principle 5 – Make timely and balanced disclosure**

### **Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

### **Disclosure:**

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

### **Recommendation 5.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

### **Disclosure:**

Please refer to [www.luirigold.com](http://www.luirigold.com). where these policies will be posted.

## **Principle 6 – Respect the rights of shareholders**

### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

### **Notification of departure:**

The Company has no formal shareholder communication policy.

### **Explanation for departure:**

While the Company has not established a formal shareholder communication strategy it actively communicates with its shareholders to promote shareholder involvement in the Company. It achieves this by posting on its website, copies of all information which is lodged with ASX. Shareholders with internet access will also be encouraged to provide their email addresses to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company will be available on request.

## **Principle 7 – Recognise and manage risk**

### **Recommendation 7.1:**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

### **Notification of departure:**

The Company has no formal policy for the oversight and management of material business risk.

### **Explanation for departure:**

During the reporting period there was no formal risk policy.

The Board has resolved to review, formalise and document the management of its material business risks. The process of formalising this process is continuing. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management.

### **Recommendation 7.2:**

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

**Explanation for departure:**

During the reporting period there was no formal risk policy.

The Board has resolved to review, formalise and document the management of its material business risks. The process of formalising this process is continuing. The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively.

Although no formal system was in place the Board was of the view that management acting through the CEO was able to form the view that management of its material business risks during the Reporting Period had been undertaken to the best of management's ability.

**Recommendation 7.3:**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Disclosure:**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on an informal system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

**Recommendation 7.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

**Explanation for departure:**

During the reporting period there was no formal risk policy.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

**Principle 8 – Remunerate fairly and responsibly****Recommendation 8.1:**

The Board should establish a Remuneration Committee.

**Notification of departure:**

The Company has not established a separate Remuneration Committee.

**Explanation for departure:**

The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee.

**Recommendation 8.2:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

**Disclosure:**

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company's stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue options to non-executive directors, subject to obtaining the relevant approvals. The issue of options to non-executive directors is considered an appropriate method of providing sufficient incentive and reward whilst maintaining cash reserves. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consists of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share and option plans. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

**Recommendation 8.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

**Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Information Circular sent to each shareholder with the AGM notice of meeting.

There are no termination or retirement benefits for non-executive directors.