

**LUIRI GOLD LIMITED**  
For the year ended October 31, 2011

**Management's Discussion and Analysis**

*(All amounts stated in Australian 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 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 Luiiri Gold Limited (“**Luiiri Gold**”, or the “Company”) for the year ended October 31, 2011 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, 2011, and the factors reasonably expected to impact future operations and results.

The audited consolidated financial statements and related notes of Luiiri Gold have been prepared in accordance with Generally Accepted Accounting Principles in Canada (“**Canadian GAAP**”).

Since the last annual report the Company has changed its functional and reporting currency to Australian dollars. All amounts in this report, the audited consolidated financial statements and related notes are in Australian dollars, except where otherwise indicated.

The change in functional currency recognises that the Company is now predominantly managed and operated from Australia with the majority of cash assets held in Australian dollars.

## Executive Summary

The focus of the Board for the year was to resolve the tenement title issues surrounding the Company’s Zambian projects.

Negotiations with the Zambian Government culminated in the Zambian Ministry of Mines and Mineral Development reinstating the Company’s Large Scale Mining License, LML 48 in October 2011.

Since the reinstatement of the large-scale mining license, the Company has been gearing up to recommence full-scale exploration activities and development studies in Zambia. The mining license 8074-HQ-LML (previously called LML 48) contains the Matala and Dunrobin gold deposits at the Company’s Luiiri Hill gold project.

Negotiations continue with the Zambian government in relation to the Company’s other previously held tenement areas.

## 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 TSXV under the trading symbol “LGL”. In November 2009, the Company dual listed on the ASX where it trades under the symbol “LGM”.

However, as of January 20, 2012 the Company has voluntarily delisted from TSXV as less than 5% of the total number of common shares of the Company are owned

by Canadian residents and the trading volume of the Company's shares on the TSXV has substantially diminished compared to the trading activity on the ASX.

The Company maintains operational offices in Lusaka, Zambia and Perth, Western Australia.

### Nature of Business

Luir Gold holds exploration stage mineral tenements and aims to create shareholder value through the acquisition, exploration and development of mineral opportunities. Currently, Luir Gold's wholly-owned Zambian subsidiary, Luir Gold Mines Limited ("Luir Gold Mines"), holds one mining licence in southern-central Zambia focused on the historic Dunrobin and Matala gold mines collectively called the Luir Hill gold project.

### Significant Events and Transactions

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

During the year, a new Board was appointed comprising executive directors, CEO and technical director Dr Evan Kirby and CFO Mr Michael Langoulant, and non-executive directors, Chairman Ms Melissa Sturgess and Mr Robert Brown.

Also during the year the Company raised fresh working capital by completing two private placements:

- In February 2011 the Company issued 5,875,000 shares at \$0.15 to raise \$881,250; and
- In October 2011 the Company issued 10,000,000 shares at \$0.115 to raise \$1,150,000,

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

In May 2010, Luir 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.

Upon the appointment of the new Board all legal actions were suspended and negotiations with the Government of Zambia, the Minister of Mines, all appropriate levels of the public service, and the traditional leaders (chiefs) of the local communities was undertaken with the aim of achieving a mutually agreed outcome for all stakeholders.

In October 2011 the Zambian Ministry of Mines and Mineral Development reinstated the Company's Large Scale Mining License LML 48 (now designated as 8074-HQ-LML). This mining licence contains the Matala and Dunrobin gold deposits in the Company's Luir Hill gold project.

Under the terms of the settlement reached with the Government of Zambia and other agreements with relevant stakeholders:

1. The Cancellation Notice issued on 15 June 2010 in respect of LML 48 has been extinguished by the Government of Zambia, and the Company discontinued its appeal against the original decision of the Honourable Minister of Mines. Accordingly, the Government of Zambia has confirmed that LML 48 (8074-HQ-LML) is once again valid and effective as if the Cancellation Notice had never been issued.
2. As a key part of the settlement, the Company agreed to continue project development activities and to be in a position to commence construction of a mining project prior to December 31, 2013. The timeframe allows for two complete dry seasons in which to progress and complete field exploration. The directors of Luiri believe this provides the Company with sufficient time to complete the necessary exploration activities prior to commencing possible mine development.
3. The Company also made meaningful commitments to the local community with the initial funding of a community development trust and the facilitation and funding of a community development committee.

Negotiations with the Zambian government also considered future access to the ground previously covered by the Company's two prospecting licenses. These two prospecting licences expired during the course of the year however negotiations are continuing with the Zambian Government in regard to whether the Company can have access to some of the area previous held under these prospecting licenses.

As a result of these outcomes, the Company has sharpened its strategic focus onto the development of a gold project. These outcomes resulted in the Nambala Iron Ore prospect no longer being held by the Company.

The Company had reviewed the Nambala Iron Ore prospect and considered it as a possible source of iron ore for a small-scale Zambian steelmaking operation. Regional transport infrastructure constraints added to the limited known geological potential of the project contributed to the Company placing little immediate value on the Nambala Iron Ore prospect. Consequently, the new management focused on ensuring the Company regained access to its gold prospective areas as the source of future shareholder value.

### Exploration Update

Notwithstanding the tenement title uncertainty for most of the year, as a sign of commitment to the Company's Zambian employees and project areas the Company undertook a trenching program in its mining license area during the October quarter. Assay results from this program have not yet been fully analysed.

Upon the re-instatement the Company initiated work in preparation for the resumption of full-scale field exploration activities. Discussions were held with Coffey

Associates, Perth Office, (“Coffey”) who had been responsible for the major part of previous resource estimates. Following recommendations from Coffey, Maxwell GeoServices (“Maxwell”) were engaged to reorganize, validate and maintain the Company’s geological database. The information comprising the geological database has been collected and provided to Maxwell.

A consulting agreement for the provision of geologists and other technical staff from Caracle Creek International Consulting (CCIC) has been agreed and will support the Company’s exploration activities. In addition two local geologists have been employed to oversee exploration work on the Luri Hill Gold Project.

### Reporting Period

At October 31, 2011, the Company had net working capital of \$2,027,058 (October 31, 2010 \$3,421,210).

### ***Exploration Expenditures***

During the year the Company changed its accounting policy in relation to capitalising exploration expenditure. Under the new policy only costs associated with acquiring and maintaining title to the properties are capitalised.

All other exploration costs are now expensed as they are incurred. All previous exploration expenditure previously capitalised but not related to acquiring and maintaining title have been expensed in this year.

Exploration expenditures capitalised at year end are:

	<b>Year ended October 31 2011 \$</b>	<b>Year ended October 31 2010 \$</b>
Opening balance	<b>75,352</b>	75,352
Incurred in the period	<b>639,853</b>	-
Total	<b><u>715,209</u></b>	<u>75,352</u>

### ***Significant Expenses***

For the year ended October 31, 2011:

The net loss for the year ended October 31, 2011 was \$2,877,931 (October 31, 2010: \$4,899,009). The major variances between the two years were the amount of Zambian project related expenditure written off and the amount of consulting fees incurred in relation to the Zambian tenement issues. Also there was a stock based compensation expense in this year of \$374,635, while in the year ended October 31, 2010, there was a \$51,106 of stock based compensation expense.

For the three months ended October 31, 2011:

The net loss for the three months ended October 31, 2011 was \$174,856 (October 31, 2010: \$454,636). The major variances between the two years were the amount of Zambian project related expenditure written off and the amount of consulting fees incurred in relation to the Zambian tenement issues. In addition, there was a stock based compensation expense in this period of \$259,435, while in the three months to October 31, 2010, there were no stock based compensation expenses.

### Summary of Results

Selected financial information for the quarters for the years 2010 and 2011 is tabulated below.

(In thousands of Australian 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 – Q4	-	(175)	(0.00)	(0.00)	3,561	-	-
2011 – Q3	-	(1,152)	(0.01)	(0.01)	14,363	319	-
2011 – Q2	-	(915)	(0.01)	(0.01)	15,514	323	-
2011 – Q1	-	(636)	(0.01)	(0.01)	16,000	337	-
<b>Total</b>	-	<b>(2,878)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>N/A</b>	<b>N/A</b>	-
2010 – Q4	-	(455)	(0.00)	(0.00)	16,382	334	-
2010 – Q3	-	(1,635)	(0.01)	(0.01)	17,273	-	-
2010 – Q2	-	(1,687)	(0.02)	(0.02)	17,448	-	-
2010 – Q1	-	(1,123)	(0.01)	(0.01)	17,607	-	-
<b>Total</b>	-	<b>(4,899)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>N/A</b>	<b>N/A</b>	-

## Liquidity

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

	<b>October 31, 2011</b>	October 31, 2010
	<b>\$</b>	\$
Cash	<b>2,727,167</b>	3,545,485
Working capital	<b>2,027,058</b>	3,421,210
Cash (used in) operating activities	<b>(2,208,310)</b>	(5,104,665)
Cash used in investing activities	<b>(369,722)</b>	(6,657)
Cash provided by financing activities	<b>2,031,250</b>	7,360,861

## 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 and holding cost and the potential recognition of impairment of those assets. As noted below the policy for capitalisation of exploration costs has changed during the year as other exploration and development costs are now expensed as incurred. Other significant areas where management judgment is applied are asset valuations, the valuation of stock-based compensation, warrants, tax accounts, asset retirement obligations and contingent liabilities.

### ***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. The Company has adopted a new policy of deferring only property specific title acquisition and holding costs. All other exploration and development costs are expensed as incurred. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are expensed in the period such assessment is made. The adoption of this policy has resulted in reallocation of all mineral property costs other than costs associated with acquiring and maintaining title being expensed during the year and a restatement of all such costs retroactively to prior years.

The 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 acquisitions, dependence on management, title to the Company's mineral properties, and litigation.

The Company's operations are also subject to the additional risks associated with operating in Africa. 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 Luri 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, Luri 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***

Luri 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. Luri 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

### **Changes in accounting policy of capitalizing mineral properties**

Effective October 31, 2011, the Company changed its accounting policy of capitalizing mineral properties costs in order to provide more reliable and relevant financial information. Under the new policy, which is in accordance with CICA Handbook section 3061, mineral properties costs other than costs associated with acquiring and maintaining title to the properties are expensed until it has been established that a mineral deposit is commercially viable and a mine development decision has been made by the Company.

Thereafter, the Company capitalises expenditures subsequently incurred to develop the mine, prior to the start of mining operations. The consolidated financial statements for the year ended October 31, 2010 have been restated to reflect adjustments made as a result of this change in accounting policy. The accumulated effect of the change has been reflected in the opening deficit of the consolidated financial statements for the year ended October 31, 2011.

### **Change in Functional and Reporting Currency**

The Company changed its functional and reporting currency from Canadian dollars to Australian dollars, effective May 1, 2011, in order to provide more meaningful information to its financial statement users. To effect this conversion the prior period comparative figures have been translated from Canadian dollars to Australian dollars using the current rate method. Using this method assets and liabilities are translated using the year end rate of exchange and revenues and expenses are translated using the average rate of exchange for the year. The related foreign exchange gains and losses arising on this translation are included in shareholders' equity as currency translation adjustments.

The change in reporting currency is based upon the fact that the vast majority of the Company's operating, investing and financing activities are now conducted in Australian dollars. In addition the vast majority of the Company's shareholders are Australian resident, the Company's main corporate office is now located in Australia, the majority of its cash assets are now held in Australian dollars and all of its non-exploration assets are now held in Australia.

The following is a reconciliation of the Company's consolidated balance sheet as at October 31, 2010 and consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended reflecting the impact of these restatements:

	For the year ended October 31, 2010		
	As Previously Reported \$	Adjustment \$	As Restated \$
<b>Balance Sheet</b>			
Current assets	3,735,714	(14,196)	3,721,518
Mineral properties	12,623,314	(12,547,962)	75,352
Equipment	52,496	(199)	52,297
Total assets	16,411,524	(12,562,357)	3,849,167
Current liabilities	301,454	(1,146)	300,308
Future income tax liability	335,000	(335,000)	-
Total liabilities	636,454	(336,146)	300,308
Capital stock	16,934,233	1,766,265	18,700,498
Contributed surplus	4,496,940	575,103	5,072,043
Currency translation adjustments	39,419	(1,369,008)	(1,329,589)
Deficit	(5,695,522)	(13,198,571)	(18,894,093)
Total shareholders' equity	15,775,070	(12,226,211)	3,548,859
Total liabilities and shareholders' equity	16,411,524	(12,562,357)	3,849,167
<b>Statement of Operations</b>			
Exploration expenses	-	3,777,171	3,777,171
Incomes tax recovery	256,000	(256,000)	-
Net loss for the year	797,674	4,101,335	4,899,009
Loss per share – basic and diluted	0.01	0.03	0.04
<b>Statement of Cash Flows</b>			
Cash flows from operating activities	(932,300)	(4,172,365)	(5,104,665)
Cash flows from financing activities	7,029,692	331,169	7,360,861
Cash flows from investing activities	(3,868,387)	3,861,730	(6,657)

#### Future Changes in Accounting Standards

#### **Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective November 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the

carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Financial Statements."

Section 1601 provides revised guidance on the preparation of financial statements and Section 1602 addresses accounting for non-controlling interests in financial statements subsequent to a business combination. These standards are effective November 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of these standards is not expected to have a material effect on the Company's financial statements.

### **Convergence with International Financial Reporting Standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011, as the date International Financial Reporting Standards ("IFRS") will replace current Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises. As a result, the Company will report under IFRS starting with the interim period ending January 31, 2012, with restatement for comparative purposes of amounts reported under Canadian GAAP.

#### **IFRS PROJECT UPDATE**

The Company's IFRS conversion plan consists of three phases: Scoping and Diagnostic; Detailed Evaluation; and Implementation and Review. The Scoping and Diagnostic phase included the completion of a high-level impact assessment to identify key areas that may be affected by the conversion and the development of a detailed implementation plan. The Detailed Evaluation phase included a detailed analysis of the IFRS – Canadian GAAP differences and accounting policy choices under IFRS, and the initial assessment of the non-financial reporting related impacts. The Scoping phase has been completed.

The Diagnostic and Detailed Evaluation and Implementation and Review phases are in progress and will be completed in the first quarter of 2012.

Based on the work completed to date, the transition to IFRS did not result in significant impacts to the Company's business activities or its covenants, capital requirements or compensation arrangements. The transition did not result in significant changes to key controls during or after the transition to IFRS. Changes to financial reporting processes and data systems were required as a result of changes in accounting policies, and internal control and disclosure control documentation is being updated accordingly. The initial training of finance personnel is ongoing.

The International Accounting Standards Board responsible for the development and publication of IFRS has a significant number of projects underway, many of which could impact the differences between Canadian GAAP and IFRS applicable to the Company. Changes in IFRS could result in additional adjustments and/or changes to the adjustments currently being recognized in the IFRS opening balance sheet. Accordingly, the Company continues to monitor and evaluate changes in IFRS, and to update the conversion plan as required.

The Company has identified several areas where potential differences between Canadian GAAP and IFRS could result in changes to the amounts reported by the Company in its financial statements. While the quantification of these potential changes has not yet been finalized, the areas where the changes are most anticipated include:

#### *Property, Plant and Equipment*

IFRIC 1, Changes in Decommissioning, Restoration and Similar Liabilities, contains guidance on accounting for changes in decommissioning, restoration and similar liabilities due to timing in the revision of estimated outflows and revisions to the risk-free discount rate. Where changes occur, these changes are required to be capitalized as part of the cost of the underlying assets and depreciated prospectively over the remaining life of the asset to which they relate.

IFRS requires identifying and measuring the cost of significant individual components of assets which have different useful lives than the core asset. Significant components are then separately depreciated based on their individual useful lives.

Canadian GAAP permitted the capitalization of pre-commercial production revenues and expenses, whereas IFRS does not, and such amounts would be recorded on the statement of operations.

#### *Share-based payments*

While there is convergence between IFRS and Canadian GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under Canadian GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike Canadian GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock based compensation expense.

Canadian GAAP also allows the vesting of employee stock options to be recognized to operations on a straightline basis whereas IFRS requires the use of a graded vesting model.

#### *Income Taxes*

IFRS requires a deferred tax asset or liability to be recognized for exchange gains and losses related to nonmonetary assets and liabilities that are re-measured into the functional currency using the historical exchange rates. Under Canadian GAAP, a deferred tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.

Furthermore, Canadian GAAP requires that the current and long-term portions of future income tax assets, and future income tax liabilities, be shown separately on the financial statements, whereas IFRS does not.

#### *Exploration Expenditures*

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may

choose to defer on the balance sheet nearly all exploration and evaluation expenditures or recognize all such expenditures in operations as incurred. IFRS currently allows an entity to retain its existing accounting policies related to the exploration and evaluation of mineral properties, subject to some restrictions.

#### *Impairment of Assets*

IAS 36, Impairment of Assets ("IAS 36") uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of their value in use and fair value less costs to sell.

Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are initially used to compare against the asset's carrying value to determine if impairment exists. This may result in more frequent adjustments in the carrying value of assets under IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has been reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

#### *Foreign Currency Translation*

IFRS requires the assessment of functional currency by entity. The indicators of functional currency are similar to Canadian GAAP. However, IFRS provides a hierarchy within those indicators, meaning certain factors that are considered under the Canadian GAAP assessment may not be relevant under IFRS. This could result in a change to the functional currency which, under certain circumstances, can lead to translation differences.

#### *IFRS 1, First-Time Adoption of IFRS*

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. Prior to reporting the first IFRS compliant financial statements for the quarter ending March 31, 2011, the Company may decide to apply certain exemptions contained in IFRS 1.

##### *i) Business combinations*

IFRS 1 provides an option to not restate business combinations that occurred prior to the transition date or to only restate business combinations that occurred after a designated date prior to the transition date.

##### *ii) Fair value as deemed cost*

IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value on the transition date or at an event-driven fair value (i.e. a fair value determined through a business combination or initial public offering). This elective exemption can be applied on an individual asset basis.

##### *iii) Cumulative translation account ("CTA")*

IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from prior to the date of transition to IFRS.

iv) Decommissioning liabilities

Under IFRS 1, an entity can elect to not apply the provisions of IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities, as they relate to changes in such liabilities before the date of transition to IFRS. When applying this exemption, an entity determines its decommissioning liabilities at the transition date, discounts the liabilities back to the dates when they first arose using management's best estimate of the historical risk adjusted discount rates, and depreciates these amounts forward to the transition date to determine the amount to be included in the depreciated cost of the assets.

v) Share-based payment

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 – Share-based Payment ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 but vested before the Company's IFRS transition date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments.

vi) Borrowing costs

IFRS 1 permits an entity to apply the transitional provisions of IAS 23 - Borrowing Costs ("IAS 23") as an alternative to full retrospective application. Under these provisions, the Company may elect to only apply IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

### Use of Financial Instruments

Up to October 31, 2011 Luiiri 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.

### Off-Balance Sheet Arrangements and Contingent Liabilities

Luiiri Gold has no off-balance sheet arrangements or contingent liabilities, not already discussed above other than in conjunction with the settlement agreement with the Zambian government, the Company has made formal commitments to the local communities in relation to community-development programs during the exploration phase of the project.

These commitments of the Company include:

- Initial funding of a community development trust fund (the "Community Fund"), which is to be established, with the Company responsible for the following:
  - payment of US\$150,000 to the Community Fund; and

- issuance to the Community Fund of shares of the Company having a value equivalent to 5% of the market value of the project, based on an independent valuation of the project at the date of issue. The issuance of such shares shall be subject to regulatory approval and shareholder approval, if required.
- Facilitation and funding of a local community development committee. This committee will monitor and administer the funding of social development projects and activities within a certain area of the project.

As of October 31, 2011, no payments of cash or shares have been made to the Community Fund. As at October 31, 2011, the Company had accrued for the US\$150,000 payment that is to be made to the Community Fund. As the timing of the issuance of shares of the Company to the Community Fund is not determinable, there is no reasonable method to estimate the number of shares or valuation of the project and shares that are to be issued. As a result, no accrual related to the contingent share issuance has been made as at October 31, 2011

#### Contractual Obligations and Commitments

- a) Luiji Gold had no capital expenditure commitments up to October 31, 2011.
- b) Under the terms of non-cancellable operating leases, the Company is committed to rental payments of \$22,000 due within one year.
- c) The Company is party to certain management contracts that expire in October 2013. Commitments under these contracts approximate \$95,000 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 October 31, 2011, the Company had arrangements with a number of contractors to provide administrative, accounting, management, and technical services. Certain directors provide management and consulting services to the Company.

The Company pays directors fees to directors. The monthly fee for the Chairman is \$3,333 and for other directors it is \$2,500. For the year ended October 31, 2011 the Company paid directors' fees of fees of \$61,693. (2010: \$123,137).

#### Outlook

The Company's immediate focus is to recommence full scale exploration activities at its Luiji Hill gold project and to resolve its remaining Zambian tenement issues.

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

## Supplement to the Financial Statements

As at January 27, 2012, the following items were issued and outstanding:

- 127,431,905 common shares; and
- 10,100,000 common share purchase options with an average exercise price of \$0.186 per common share and expiry dates ranging between May 13, 2012 and June 30, 2015.

January 27, 2012

## LUIRI GOLD LIMITED CORPORATE INFORMATION

### Directors

**Melissa Sturgess<sup>1</sup>**  
Non-executive Chairman  
London, England

**Evan Kirby**  
Chief Executive officer  
Perth, Western Australia

**Michael Langoulant<sup>1</sup>**  
Chief Financial Officer/Company  
Secretary  
Perth, Western Australia

**Robert Brown<sup>1</sup>**  
Non-executive Director  
Perth, Western Australia

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

### Shareholders' Information

Stock Exchange Listing  
Australian Securities Exchange  
ASX Symbol: **LGM**

### Registrar and Transfer Agent

Canada  
Computershare Investor Services Inc  
Vancouver, British Columbia

Australia  
Computershare Investor Services Pty Ltd  
Perth, Western Australia, Australia

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### Auditors

McGovern, Hurley, Cunningham, LLP  
Toronto, Ontario

### Legal Counsel

Canada  
DuMoulin Black LLP.  
Barristers and Solicitors  
Vancouver, British Columbia

Australia  
Allen & Overy  
Perth, Western Australia