

# **LUIRI GOLD LIMITED**

(Incorporated in Canada with registration No BC0686610)  
(ABN 139 588 926)

Annual Report  
October 31,  
**2010**

Website: [www.luirigold.com](http://www.luirigold.com)

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# LUIRI GOLD LIMITED CORPORATE DIRECTORY

## Directors

**Melissa Sturgess**  
Executive Chairman & CEO

**Michael Langoulant**<sup>1</sup>  
Chief Financial Officer/Company  
Secretary

**Robert Brown**<sup>1</sup>  
Non-executive Director

**Evan Kirby**<sup>1</sup>  
Non-executive Director

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

## Shareholders' Information

### Stock Exchange Listings

TSX Venture Exchange  
Symbol: **LGL**  
ASX Symbol: **LGM**

### Registrar and Transfer Agent

Computershare Investor Services Inc  
Vancouver, British Columbia, Canada

Computershare Investor Services Pty Ltd  
Perth, Western Australia, Australia

## Executive Offices

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### Auditors

McGovern, Hurley, Cunningham, LLP  
Toronto, Ontario

### Legal Counsel

Salley Bowes Harwardt LLP  
Barristers and Solicitors  
Vancouver, British Columbia, Canada

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

**Management's Discussion and Analysis**

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

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

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

## Introduction

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

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

## Executive Summary

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Qualified Person***

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

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

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

## Background

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

## Nature of Business

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

## Significant Events and Transactions

### **Corporate Activity**

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

### **Tenure Issue**

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

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

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

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

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

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

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

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

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

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

#### Exploration Update

Luri 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.

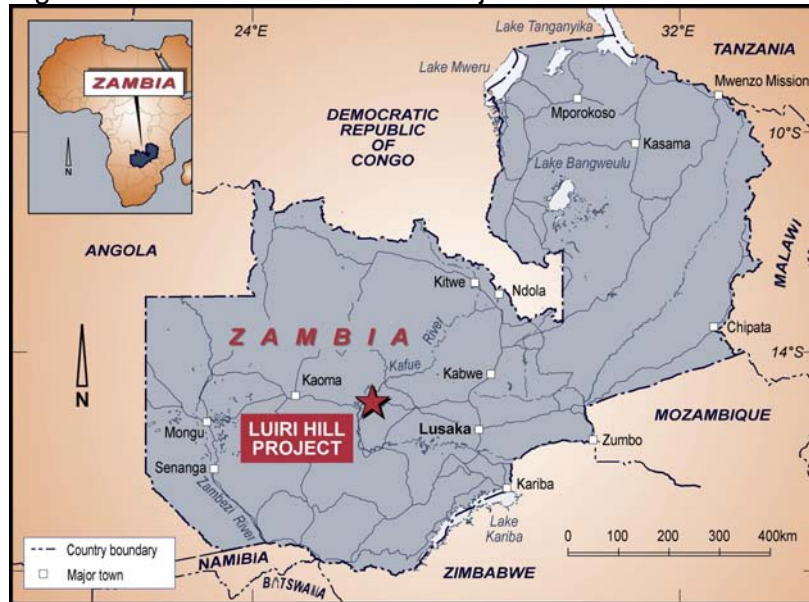
The Company's tenements comprise two granted Prospecting Licenses (PL173 and PL209) and a single granted Mining License (LML48 – refer to earlier discussion regarding tenure) which covers approximately 28km<sup>2</sup> and includes the historical Dunrobin and Matala mines. The gold and copper-gold interests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

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

## Luiru Hill Project

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

Figure: Location of the Luiru Hill Project



## Luiru Hill Gold Project

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

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

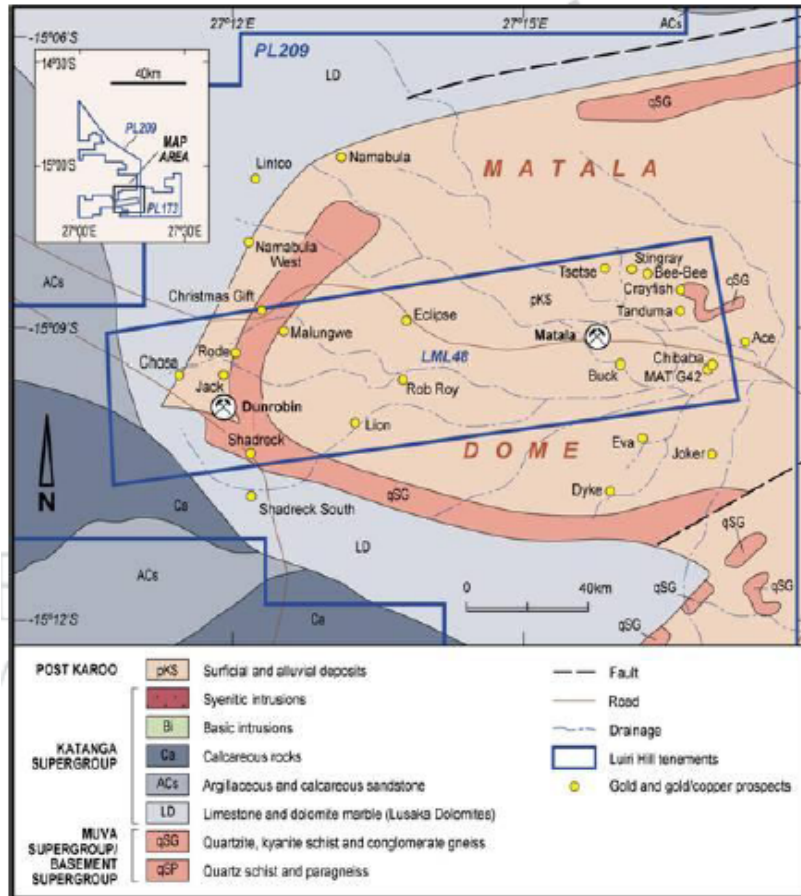
The Matala deposit is a relatively thin tabular steeply dipping high grade mineralized structure associated with a brecciated shear zone within the Matala Dome.

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

The following figure shows the occurrences of the two main deposits at Matala and Dunrobin, and the other main exploration targets associated with

the Matala Dome mineralized structure that are in close proximity to the two main deposits.

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



### Mineral Resources

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

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

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

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

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

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

Note:

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

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

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

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

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

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

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

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

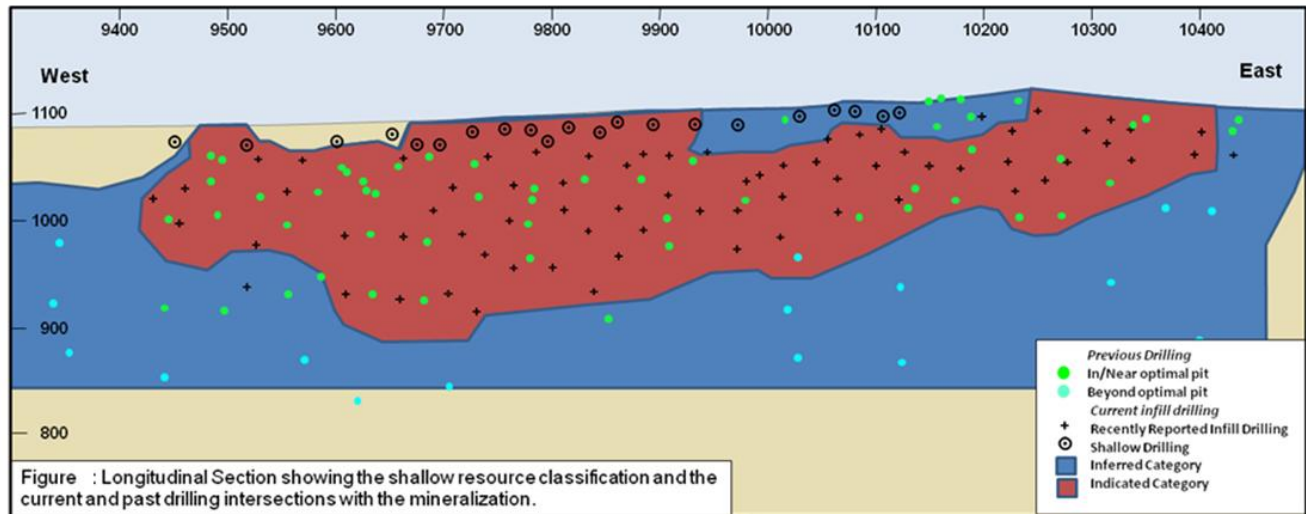
Based on historical mining and mapping of on-reef development, Luri still believes that there is the potential for a consistent and continuous higher grade zone that can be logged geologically and therefore mined as a separate unit.

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

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

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

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



### **Exploration Potential**

#### *Matala Dome – Shadrek, Dunrobin, Chosa*

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

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

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

#### *Matala Dome – Namabula and Namabula West*

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

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

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

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

The sampling comprised two types as follows;

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

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

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

#### *Matala Dome – Eclipse*

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

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

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

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

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

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

This does not deter from the overall prospectively east and west from Matala, for example, Matala West & Rob Roy to the west; and Tanduma, Tanduma East & Crayfish to the east; as there is no reason that the gold tenor cannot

repeat itself similar to that of Matala, somewhere else along the main mineralized Matala Shear.

*Matala Dome – Matala West*

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

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

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

*Matala Dome (Southern Lobe) - Chikwashia Target.*

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

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

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

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

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

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

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

### ***Metallurgical and Mining Studies***

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

### **Nambala Iron Project**

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

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

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

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

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

### **Reporting Period**

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

## **Exploration Expenditures**

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

Exploration expenditures capitalized to date are as follows:

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

## **Significant Expenses**

(A) For the year ended October 31, 2010

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

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

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

The net loss for the three months ended October 31, 2010 was \$46,437 before adjusting for future income tax benefits of \$256,000. (October 31, 2009 net loss of \$169,813 before adjusting for future income tax benefit of \$186,000). Major variances when compared to the same period last year were mainly due to the tenure issue in Zambia and foreign exchange gains due to the strengthen Australian Dollar. Investor relation fees this period were

\$148,084 compared to \$29,049 in the previous period. Management fees this period were \$100,800 compared to \$48,771 in the previous period. Professional fees this period were \$97,508 compared to \$31,236 in the previous period. Foreign exchange gains in the period were \$262,613 compared to a gain of \$13,373 in the previous period.

### Summary of Results

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

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

Fiscal Period	Revenue	Net Income (Loss)	Earnings / (Loss) per Share (\$)		Total Assets	Total L.T. Liab.	Dividends
			Basic	Diluted			
2010 – Q4	-	209	0.00	0.00	16,412	335,000	-
2010 – Q3	-	(251)	(0.00)	(0.00)	16,059	-	-
2010 – Q2	-	(386)	(0.00)	(0.00)	16,262	-	-
2010 – Q1	-	(370)	(0.00)	(0.00)	16,639	-	-
<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>	-
2008 – Q4	-	(104)	(0.00)	(0.00)	7,569	-	-
2008 – Q3	-	(124)	(0.00)	(0.00)	7,711	-	-
2008 – Q2	-	(441)	(0.01)	(0.01)	8,191	-	-
2008 – Q1	-	(220)	(0.01)	(0.01)	8,225	-	-
<b>Total</b>	-	<b>(889)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>N/A</b>	<b>N/A</b>	-

### Liquidity

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

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

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

### Investor Relations

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

### Critical Accounting Policies and Estimates

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

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

### ***Mineral Properties***

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

### **Asset retirement obligations**

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

### **Risks & Uncertainties**

Luiiri 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 Luiiri 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. Luiiri Gold's properties are in the exploration stage and at present do not contain a known body of commercial ore. Exploration to date has delineated an initial gold resource and the proposed exploration programmes include both a programme to expand the known resource to form the basis for a sustainable mining operation, as well as an exploratory search for new deposits. The long

term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programmes, which may be affected by a number of factors that are beyond the control of the Company.

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

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

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

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

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical

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

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

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

Luiji 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. Luiji Gold draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

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

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

civil and criminal liability as a result of failure to comply with applicable laws and regulations.

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

### ***Conflicts of Interest***

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

### ***Environmental***

Mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain Government approvals and there is no assurance that

such approvals, including environmental approvals, will be granted without inordinate delays or at all.

### ***Dependence on Key Personnel***

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

## **Change In Accounting Policy**

### **Fair value hierarchy and liquidity risk disclosure**

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

### **Future Change in Accounting Standards**

#### **International Financial Reporting Standards (IFRS)**

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to the Company's fiscal year beginning on November 1, 2011. The Company is currently assessing the impact of the implementation of IFRS and developing a changeover plan. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company has begun assessing the adoption of IFRS and is developing a

changeover plan; however, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Business combinations**

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

### **Consolidations and non-controlling interests**

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

## **Use of Financial Instruments**

Up to October 31, 2010 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. Foreign currency exposure is minimized by retaining most cash in Canadian dollar denominated instruments.

### Off-Balance Sheet Arrangements and Contingent Liabilities

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

### Contractual Obligations and Commitments

- a) Luiiri Gold had no capital expenditure commitments up to October 31, 2010.
- b) Under the terms of non-cancellable operating leases, the Company is committed to rental payments of \$19,920 due within one year.

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

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

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

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

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

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

### Outlook

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

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

mineralisation, with grades of up to 70% Fe having been encountered in drilling. The Nambala Iron Project is at a relatively early stage of exploration, but there appears to be potential to define significant iron mineralisation at the project.

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

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**Luri Gold Limited**  
(A Development Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
OCTOBER 31, 2010 AND 2009**

(Stated in Canadian Dollars)



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

## AUDITORS' REPORT

To the Shareholders of  
**Luri Gold Limited**  
**(A Development Stage Company)**

We have audited the consolidated balance sheets of Luri Gold Limited (A Development Stage Company) as at October 31, 2010 and 2009 and the consolidated statements of shareholders' equity, operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**

**Chartered Accountants**  
**Licensed Public Accountants**

TORONTO, Canada  
January 11, 2011

2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, Canada, M2J 5B4  
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**Luri Gold Limited**  
(A Development Stage Company)  
**Consolidated Balance Sheets**  
*(expressed in Canadian dollars)*

As at October 31,	2010	2009
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	3,559,009	1,330,004
Deferred finance costs (Note 9(b))	-	261,026
Amounts receivable	161,471	100,438
Advances and prepaid expenses	15,234	39,522
	<u>3,735,714</u>	<u>1,730,990</u>
<b>Mineral Properties</b> (Note 7)	12,623,314	8,484,709
<b>Equipment</b> (Note 8)	52,496	58,068
	<u>16,411,524</u>	<u>10,273,767</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	301,454	679,838
<b>Future income tax liabilities</b> (Note 16)	335,000	-
	<u>636,454</u>	<u>679,838</u>
<b>Commitments and Contingencies</b> (Note 7 and 13)		
<b>Going Concern</b> (Note 2)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common Shares</b> (Note 9)	16,934,233	10,158,418
<b>Share Purchase Warrants</b> (Note 10)	-	384,400
<b>Contributed Surplus</b> (Note 12)	4,496,940	3,909,540
<b>Currency Translation Adjustments</b>	39,419	39,419
<b>Deficit</b>	(5,695,522)	(4,897,848)
	<u>15,775,070</u>	<u>9,593,929</u>
	<u>16,411,524</u>	<u>10,273,767</u>

**APPROVED ON BEHALF OF THE BOARD**

*signed "Michael Sperinck"*  
Michael Sperinck, Director

*signed "Peter Tanham"*  
Peter Tanham, Director

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**Luri Gold Limited**  
**(A Development Stage Company)**  
**Consolidated Statement of Shareholders' Equity**  
*(expressed in Canadian dollars)*

	Common Shares #	Common Shares \$	Contributed Surplus \$	Share Purchase Warrants \$	Deficit accumulated during the development stage \$	Currency Translation Adjustments \$	Shareholders' equity \$
Balance – October 31, 2008	49,664,405	7,566,908	3,087,187	1,206,753	(4,483,074)	39,419	7,417,193
Valuation of warrants expired (Note 10)	-	-	822,353	(822,353)	-	-	-
Shares issued on private placement, net of issuance costs of \$35,590 (Note 9(a))	21,892,500	2,591,510	-	-	-	-	2,591,510
Net loss for the year	-	-	-	-	(414,774)	-	(414,774)
<b>Balance – October 31, 2009</b>	<b>71,556,905</b>	<b>10,158,418</b>	<b>3,909,540</b>	<b>384,400</b>	<b>(4,897,848)</b>	<b>39,419</b>	<b>9,593,929</b>
Shares issued on Australian Fundraising net of issuance costs of \$709,189 (Note 9(b))	40,000,000	6,930,815	-	-	-	-	6,930,815
Value of agents options granted on Australian Fundraising	-	(155,000)	155,000	-	-	-	-
Stock option compensation expense	-	-	48,000	-	-	-	48,000
Valuation of warrants expired (Note 10)	-	-	384,400	(384,400)	-	-	-
Net loss for the year	-	-	-	-	(797,674)	-	(797,674)
<b>Balance – October 31, 2010</b>	<b>111,556,905</b>	<b>16,934,233</b>	<b>4,496,940</b>	<b>-</b>	<b>(5,695,522)</b>	<b>39,419</b>	<b>15,775,070</b>

*(The accompanying notes are an integral part of these consolidated financial statements.)*

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# Luri Gold Limited

(A Development Stage Company)

## Consolidated Statements of Operations, Comprehensive Loss and Deficit

(expressed in Canadian dollars)

For the years ended October 31	2010 \$	2009 \$
<b>Expenses</b>		
Management fees	303,051	221,452
Investor relations	285,682	99,217
Professional fees	202,825	97,293
Directors fees (Note 14)	123,137	10,387
Transfer agent and filing fees	100,853	24,761
Travel and accommodation	95,493	44,519
Office and administration	85,207	81,626
Stock-based compensation (Note 11)	48,000	-
Consulting and advisory fees	42,814	-
Insurance	20,911	16,049
Amortization	11,824	13,469
	<u>1,319,797</u>	<u>608,773</u>
<b>Loss for the year before the undernoted</b>	<u>(1,319,797)</u>	<u>(608,773)</u>
Interest income	217,961	6,884
Foreign exchange gain	48,162	1,115
	<u>(1,053,674)</u>	<u>(600,774)</u>
<b>Net loss for the year before income taxes</b>	<u>(1,053,674)</u>	<u>(600,774)</u>
Future income taxes (Note 16(a))	256,000	186,000
	<u>(797,674)</u>	<u>(414,774)</u>
<b>Net loss and comprehensive loss for the year</b>	<u>(797,674)</u>	<u>(414,774)</u>
<b>Deficit - beginning of year</b>	<u>(4,897,848)</u>	<u>(4,483,074)</u>
<b>Deficit - end of year</b>	<u>(5,695,522)</u>	<u>(4,897,848)</u>
<b>Loss per share - basic and diluted</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares - Basic and diluted</b>	<b>109,693,891</b>	<b>56,050,841</b>

(The accompanying notes are an integral part of these consolidated financial statements.)

**Luri Gold Limited**  
(A Development Stage Company)  
**Consolidated Statements of Cash Flows**  
*(expressed in Canadian dollars)*

For the years ended October 31	2010 \$	2009 \$
<b>Cash and cash equivalents provided by (used in)</b>		
<b>Operating Activities</b>		
Net loss for the year	(797,674)	(414,774)
Adjustments for non-cash items:		
Amortization	11,824	13,469
Stock-based compensation (Note 11)	48,000	-
Future income taxes	(256,000)	(186,000)
Changes in non-cash working capital items:		
Amounts receivable	(61,033)	(78,495)
Advances and prepaid expenses	24,288	(11,751)
Accounts payable and accrued liabilities	98,295	683,612
<b>Net cash used in Operating Activities</b>	<b>(932,300)</b>	<b>6,061</b>
<b>Financing Activities</b>		
Issuance of common shares and warrants, for cash	7,640,004	2,627,100
Deferred financing costs	(162,149)	(98,877)
Share issue costs	(448,163)	(35,590)
<b>Net cash provided from Financing Activities</b>	<b>7,029,692</b>	<b>2,492,633</b>
<b>Investing Activities</b>		
Expenditures on mineral properties	(3,862,135)	(1,907,270)
Acquisition of property and equipment	(6,252)	(4,054)
<b>Net cash used in Investing Activities</b>	<b>(3,868,387)</b>	<b>(1,911,324)</b>
<b>Change in cash and equivalents</b>	<b>2,229,005</b>	<b>587,370</b>
<b>Cash and equivalents - beginning of year</b>	<b>1,330,004</b>	<b>742,634</b>
<b>Cash and equivalents - end of year</b>	<b>3,559,009</b>	<b>1,330,004</b>
<b>Cash and equivalents consists of:</b>		
Cash	380,355	628,986
Equivalents	3,178,654	701,018
	<b>3,559,009</b>	<b>1,330,004</b>
<b>Supplemental information</b>		
Interest and taxes paid	-	-
Change in accrued exploration expenditures	(314,531)	317,240
Change in accrued deferred financing costs	(162,149)	162,149
Agent options	155,000	-
Future income tax effect on mineral properties	591,000	186,000

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**Luir Gold Limited**  
**(A Development Stage Company)**  
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**1. Nature of Operations and Basis of Presentation**

Luir Gold Limited (the "Company") was incorporated on February 3, 2004 in the Province of British Columbia under the British Columbia Business Corporations Act and is currently engaged in the acquisition, exploration and development of mineral properties. To date, the Company has not earned revenues and is considered to be in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11.

The Company is in the process of exploring its mineral property interests in Zambia, Continent of Africa, and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company's continuing operations, the underlying value and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests. The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

**2. Going Concern**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, these consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

As at October 31, 2010, the Company had no source of operating cash flow and has an accumulated deficit of \$5,695,522 (October 31, 2009 - \$4,897,848). Operations for the year ended October 31, 2010 have been funded primarily from the issuance of common shares. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and the achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by farm-outs of its mineral property interests. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

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Continued...

# Luri Gold Limited

(A Development Stage Company)

## Notes to Consolidated Financial Statements

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### 3. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year, except as disclosed. Outlined below are those policies considered particularly significant:

#### (a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated.

#### (b) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. The Company regularly reviews the estimates and assumptions that affect the consolidated financial statements and actual results could differ from those estimates. Significant areas where management judgment is applied are asset valuations, the allocation of proceeds on the purchase or sale of assets, the recoverability of exploration and development expenditures on mineral properties, the valuation of stock-based compensation, warrants, tax accounts, asset retirement obligations and contingent liabilities. The valuation of mineral properties is subject to various risks and uncertainties related to ownership rights. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in the consolidated financial statements. Actual results could differ from those estimated.

#### (c) Mineral Properties

Direct property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are sold, abandoned or allowed to lapse, at which time they will be written off.

Costs include the cash consideration paid and the fair market value of the shares as they are issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations.

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a 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.

Continued...

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**3. Significant Accounting Policies (Continued)**

(d) **Foreign Currency Translation**

The Canadian dollar is the functional currency of the Company. The Company considers its Zambian operations to be integrated operations. As such, monetary assets and liabilities of the Company's foreign operations denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depreciation and amortization, which are translated at historical rates. Exchange gains and losses on translation are included in the consolidated statements of operations.

(e) **Cash and Equivalents**

Cash and equivalents include cash on account and highly liquid investments with a term to maturity of three months or less at the date of purchase.

(f) **Equipment**

Equipment is carried at cost less accumulated amortization. Amortization is provided on a diminishing value basis over the estimated useful live at the following annual rates:

Equipment	15.0%
Motor Vehicles	25.0%
Office Furniture and Equipment	10.0% or 30.0%

(g) **Asset Retirement Obligations**

The Company's mineral exploration and development activities are subject to various Zambian laws and regulations regarding the protection of the environment. As a result of these, the Company is expected to incur expenses from time to time to discharge its obligations under these laws and regulations.

Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory and operating licence requirements and measured at fair value. Fair value is determined based on the net present value of future cash expenditures expected upon reclamation and closure and subsequent annual recognition of an accretion amount on the discounted liability. Reclamation and closure costs are capitalized as property development costs and amortized over the life of the mine on a unit-of-production basis. Management is not aware of any legal obligations relating to the reclamation of its mineral properties.

(h) **Income Taxes**

The Company accounts for and measures future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Continued...

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## Notes to Consolidated Financial Statements

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### 3. Significant Accounting Policies (Continued)

#### i) Stock-Based Compensation

Stock-based payments are accounted for using a fair value-based method of accounting. The fair value of each stock option is accounted for in operations, over the vesting period thereof, and the related credit is included in contributed surplus. If and when the stock options are ultimately exercised and are issued, the applicable units of contributed surplus will be transferred to common shares. The fair value is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable.

Common shares issued for non-monetary consideration are recorded at their fair market value based on the trading price of the Company's shares on the TSX Venture Exchange.

#### (j) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share. Stock options and share purchase warrants outstanding were not included in the computation of diluted earnings (loss) per share as their inclusion would be anti-dilutive.

#### (k) Financial Instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net loss for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet or until impairment is assessed as other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net loss for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

Continued...

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**3. Significant Accounting Policies (Continued)**

(l) **Comprehensive Income (Loss)**

Comprehensive income (loss), composed of net income and other comprehensive income (loss), is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income (loss) for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income (loss) are disclosed in the statement of operations and comprehensive income (loss). Cumulative changes in other comprehensive income (loss) are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity. The Company's AOCI balance has been presented as currency translation adjustments on the consolidated balance sheets.

(m) **Comparative Figures**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

(n) **New Accounting Policies**

**Fair value hierarchy and liquidity risk disclosure**

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

**4. Future Change in Accounting Standards**

**International Financial Reporting Standards (IFRS)**

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

Continued...

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**4. Future Change in Accounting Standards (Continued)**

**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 these standard on November 1, 2011.

**5. Capital Management**

The Company defines the capital that it manages as its shareholders' equity. As at October 31, 2010 total shareholders' equity (managed capital) was \$15,775,070 (2009 - \$9,593,929). As an exploration and development stage company, the Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage and as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay the administrative costs, the Company will spend its existing working capital and will attempt to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the periods ended 2010 and 2009. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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**6. Financial Risk Factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

**Credit risk**

The Company's credit risk is primarily attributable to cash and equivalents in current assets. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of term deposits, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amount receivable consist of goods and services tax due from the Federal Government of Canada, VAT due from the Government of Zambia and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments is remote.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2010, the Company has a cash and equivalents balance of \$3,559,009 (October 31, 2009 - \$1,330,004) to settle current liabilities of \$301,454 (October 31, 2009 - \$679,838). All of the Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

**Market risk**

**(a) Interest rate risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

**(b) Foreign Currency risk**

The Company's functional currency is the Canadian dollar as major transactions are in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Zambia on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada or its Australian dollar bank accounts held in Australia. The Company also incurs certain operating expenses in Australian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not currently hedge its foreign exchange risk.

	Cash and equivalents \$	Amounts receivable \$	Accounts payable \$
Canada	254,543	6,663	100,631
Australia	3,296,317	11,306	15,429
Zambia	8,149	143,502	185,394
	<b>3,559,009</b>	<b>161,471</b>	<b>301,454</b>

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**6. Financial Risk Factors (continued)**

**Market risk (continued)**

**(a) Price risk**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

**Fair Values**

Canadian GAAP requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash and equivalents, amounts receivable and accounts payable and accrued liabilities approximate fair value because of the limited term of these instruments. At October 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash equivalents have been classified as follows within the fair value hierarchy: Level 1 - \$154,043; Level 2 - \$3,024,611.

**Sensitivity analysis**

The Company has designated its cash and equivalents as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next three months:

- Cash equivalents include deposits at call, which are at variable rates. Sensitivity to a 1% change in rates would have a corresponding impact on net loss of approximately \$30,000, based on current cash equivalents balances.
- A 10% increase in foreign exchange rates relative to the Canadian dollar would have impacted net loss for the year by approximately \$330,000.
- Price risk is remote since the Company is not a producing entity.

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Continued...

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**7. Mineral Properties**

The cumulative costs of the Company's interest in its Zambian mineral properties are as follows:

	Year ended October 31 2010 \$	Year ended October 31 2009 \$
Acquisition costs		
Opening balance	78,296	78,296
Incurred in the period	-	-
Closing balance	<u>78,296</u>	<u>78,296</u>
Drilling, Sampling and assays		
Opening balance	5,342,829	4,916,408
Incurred in the period	2,303,205	426,421
Closing balance	<u>7,646,034</u>	<u>5,342,829</u>
Labour		
Opening balance	565,991	400,800
Incurred in the period	280,017	165,191
Closing balance	<u>846,008</u>	<u>565,991</u>
Geological and reporting		
Opening balance	1,116,831	203,104
Incurred in the period	472,905	913,727
Closing balance	<u>1,589,736</u>	<u>1,116,831</u>
Project management fees		
Opening balance	798,195	667,960
Incurred in the period	884,641	130,235
Closing balance	<u>1,682,836</u>	<u>798,195</u>
Other		
Opening balance	582,567	442,111
Incurred in the period	197,837	140,456
Closing balance	<u>780,404</u>	<u>582,567</u>
Total	<u><u>12,623,314</u></u>	<u><u>8,484,709</u></u>

**Luir Hill Project, Zambia**

Mineral properties consist of the Company's interest in two Prospecting Licenses (PL173 and PL209) and a Mining License (LML48) in Zambia, Continent of Africa. These three contiguous tenements together constitute the Company's "Luir Hill Project", which the Company is exploring for gold, copper-gold and iron deposits.

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**7. Mineral Properties (continued)**

**Luri Hill Project, Zambia (continued)**

In May 2010, the Zambian Department of Mines and Minerals Development ("Mines Department") advised the Company that it was in default of its mining license LML48. The Company believes there is no legal basis for the cancellation in accordance with the Mines and Minerals Development Act 2008 (the "Act"). The Company provided the Mines Department with documentation supporting its continued tenure, however, this response was rejected. A subsequent appeal to the Minister of the Mines Department was also rejected. The Company subsequently appealed the cancellation in the High Court of Zambia. The High Court of Zambia issued a stay against the cancellation of LML48 until the full appeal process can be completed.

No impairment has been recorded as at October 31, 2010 as a result of this analysis. The great majority of funds capitalized as mineral properties relate to LML48. The final outcome of the appeal process remains uncertain and may result in the impairment or loss of all or part of the Company's investment, which could be material.

**8. Equipment**

	October 31, 2010			October 31, 2009		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
Equipment	12,573	5,303	7,270	12,573	4,018	8,555
Motor Vehicles	69,713	42,976	26,737	69,713	35,214	34,499
Office Furniture and Equipment	27,085	8,596	18,489	20,833	5,819	15,014
	<b>109,371</b>	<b>56,875</b>	<b>52,496</b>	103,119	45,051	58,068

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**9. Share Capital**

Authorized:  
Unlimited number of common shares without par value.  
Issued:

<b>Issued</b>	<b>Number of Shares #</b>	<b>Amount \$</b>
<b>Balance, October 31, 2008</b>	<b>49,664,405</b>	<b>7,566,908</b>
Funds received for shares, net of offering costs (a)	21,892,500	2,591,510
<b>Balance, October 31, 2009</b>	<b>71,556,905</b>	<b>10,158,418</b>
Funds received for shares, net of offering costs (b)	40,000,000	6,775,815
<b>Balance, October 31, 2010</b>	<b>111,556,905</b>	<b>16,934,233</b>

(a) Private Placement

In July and August 2009, the Company completed a private placement for 21,892,500 shares at \$0.12 per share. After taking into account the cost of the offering of \$35,590, the Company received \$2,591,510.

(b) Australian listing and fundraising

In November 2009, the Company completed an Australian Securities Exchange ("ASX") listing and fundraising of A\$8,000,000 (\$7,640,004) through the issuance of 40,000,000 shares at A\$0.20 (approximately \$0.192) each. The Company incurred finance costs of \$709,189 related to this fundraising, of which \$261,026 was accrued as deferred finance costs at October 31, 2009. The Company also granted agent options with a fair value of \$155,000 in relation to the fundraising. (Note 11)

**10. Share Purchase Warrants**

The following summarizes the share purchase warrant activity during 2009 and 2010:

	Number of Warrants #	Weighed Average Exercise Price \$ per share	Estimated Grant Date Fair Value \$
Balance, October 31, 2008	8,882,353	0.59	1,206,753
Expired	(5,882,353)	0.51	(822,353)
Balance, October 31, 2009	3,000,000	0.75	384,400
Expired	(3,000,000)	0.75	(384,400)
<b>Balance, October 31, 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>

There are no share purchase warrants outstanding at October 31, 2010.

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**11. Stock-Based Compensation**

The Company may grant incentive stock options to its officers, directors, employees and consultants, for the purchase of up to 10% of the outstanding number of common shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of five years and terminate 90 days after the termination of employment or other contracting arrangement of the option holder. Vesting of options may be at the time of granting of the option or over a period as set out in each option agreement. Once approved and vested, stock options are exercisable at any time until expiry or termination as above. The Company records the stock-based compensation expense over the vesting term of the options granted.

On November 13, 2009, 1,000,000 options were issued as part of the Australian fundraising. The options are exercisable for a period of thirty months at a price of A\$0.20 per common share. The stock options vested immediately and \$155,000 was recorded as offering costs against the proceeds of the financing. The fair value of options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.39% per annum, expected volatility of 100%, expected dividend rate of \$nil and an expected life of 2.5 years. The exercise price of all share purchase options granted was greater than or equal to the market price at the grant date.

On April 1, 2010, 300,000 options were issued to an employee as part of his compensation. The options are exercisable for a period of sixty months at a price of 100,000 options at A\$0.45, A\$0.65 and A\$0.85 per common share. The stock options vested immediately and \$48,000 was recorded as a compensation expense and added to contributed surplus in shareholders' equity on the balance sheet. The fair value of options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 3.04% per annum, expected volatility of 100%, expected dividend rate of \$nil and an expected life of 5 years. The exercise price of all share purchase options granted was greater than or equal to the market price at the grant date.

Option pricing models require the input of highly subjective assumptions. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the Company's options at the date of grant.

The following summarizes the stock option activity during 2009 and 2010:

	October 31, 2010		October 31, 2009	
	Number of Options #	Weighted average exercise price \$ per share	Number of options #	Weighted average exercise price \$ per share
Balance, beginning of the period	3,803,500	0.45	3,908,500	0.45
Granted	1,300,000	0.29	-	-
Expired	(1,400,000)	(0.41)	(105,000)	0.10
Balance, end of the period	3,703,500	0.42	3,803,500	0.46

The weighted average grant date fair value of options granted during 2010 was \$0.16 (2009 - nil).

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**11. Stock-Based Compensation (Continued)**

Summary of stock options outstanding as at October 31, 2010:

<b>Expiry Date</b>	<b>Options Outstanding #</b>	<b>Options Exercisable #</b>	<b>Exercise Price \$</b>	<b>Estimated Grant Date Fair Value \$</b>
June 23, 2011	2,207,000	2,207,000	0.50	653,394
March 13, 2012	146,500	146,500	0.40	43,950
March 7, 2013	50,000	50,000	0.40	14,500
May 13, 2012	1,000,000	1,000,000	A0.20 (0.20)	155,000
April 1, 2015	100,000	100,000	A0.45 (0.45)	17,000
April 1, 2015	100,000	100,000	A0.60 (0.60)	16,000
April 1, 2015	100,000	100,000	A0.85 (0.85)	15,000
	<b>3,703,500</b>	<b>3,703,500</b>		<b>914,844</b>

**12. Contributed Surplus**

The following summarizes the contributed surplus activity during 2009 and 2010:

	<b>October 31, 2010</b>	October 31 2009
	<b>\$</b>	<b>\$</b>
Balance, beginning of the period	<b>3,909,540</b>	3,087,187
Value of stock options granted	<b>203,000</b>	-
Value of expired warrants	<b>384,400</b>	822,353
<b>Balance, end of the year</b>	<b>4,341,940</b>	3,909,540

**13. Commitments and Contingencies**

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

The Company is party to certain management contracts that expire in October 2011. Commitments under these contracts approximate \$320,000 due within one year.

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Continued...

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**Luir Gold Limited**  
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**14. 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, 2010, the Company had arrangements with a number of contractors to provide most of the administrative, accounting, management, and technical services required. Certain directors and significant shareholders provided management and consulting services to the Company.

Commencing November 1, 2009 the Company's President and CEO became a full time employee of the Company. In the year ended October 31, 2010 he was paid \$147,462 for his services (year ended October 31, 2009 the Company paid Global Mining Services Pty Ltd \$138,096 for the services of the President and CEO).

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

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

In addition to directors fees, the Chairman of the Company was paid consultancy fees of \$31,380 through his private company, Wildville Enterprises Pty Ltd, relating to the tenure issue on the Company's license LML48 (see Note 7).

A corporation that has a director in common with the Company subscribed for 9,000,000 common shares of the fundraising described in Note 9(b).

**15. Segmented Information**

The Company considers its business to consist of three geographical segments, Zambia, the corporate head offices in Canada and Australia.

Geographic segmentation of the Company's assets is as follows:

	<b>October 31 2010 \$</b>	<b>October 31 2009 \$</b>
Canada	<b>281,674</b>	1,451,309
Australia	<b>3,296,316</b>	-
Zambia	<b>12,833,534</b>	8,822,458
	<b>16,411,524</b>	10,273,767

All of the Company's mineral properties and equipment are located in Zambia.

Continued...

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**Luri Gold Limited**  
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**16. Income Taxes**

**(a) Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 31% (2009 – 33%) were as follows:

	<u>2010</u> \$	<u>2009</u> \$
Loss before income taxes	<u>1,053,674</u>	<u>600,774</u>
Expected income tax benefit based on statutory rate	<b>327,000</b>	199,000
Adjustments to benefit resulting from:		
Share issue costs	<b>177,000</b>	9,000
Stock-based compensation	<b>(12,000)</b>	-
Differences in income tax rates	<b>(63,000)</b>	(49,000)
Change in income tax rates	-	(103,000)
Non-deductible items	-	-
Other	<b>218,000</b>	(35,000)
Change in valuation allowance	<b>(391,000)</b>	165,000
Provision for income taxes	<u><b>256,000</b></u>	<u>186,000</u>

**(b) Future Income Tax Balances**

The tax effects of temporary differences that give rise to future income tax assets and liabilities in Canada approximate the following:

	<u>2010</u> \$	<u>2009</u> \$
Future income tax assets (liabilities)		
Non-capital losses	<b>4,451,000</b>	3,676,000
Mineral properties	<b>(3,787,000)</b>	(2,970,000)
Fixed assets	<b>(13,000)</b>	(15,000)
Share issue costs	<b>190,000</b>	94,000
Valuation allowance	<b>(1,176,000)</b>	(785,000)
Future income tax liabilities	<u><b>(335,000)</b></u>	<u>-</u>

Continued...

**Luri Gold Limited**  
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**16. Income Taxes (Continued)**

**(c) Income Tax Loss Carry-Forwards**

The following table summarizes the non-capital losses of the Company in Canada and Zambia, along with their expiry dates, which may be used, under certain circumstances, to reduce taxable income of future years:

<u>Expiry Date</u>	<u>Canada</u> \$	<u>Zambia</u> \$
2011	-	771,000
2012	-	309,000
2013	-	2,834,000
2014	19,000	2,099,000
2015	107,000	1,208,000
2026	493,000	3,024,000
2027	570,000	-
2028	862,000	-
2029	704,000	-
2030	1,188,000	-
	<u>3,943,000</u>	<u>10,245,000</u>

The loss carry-forwards in Zambia of \$10,245,000 have been converted based on a Kwacha balance of approximately K\$46,100,000,000.

**LUIRI GOLD LIMITED.**  
**STATEMENT OF CORPORATE GOVERNANCE PRACTISES**

The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value. The disclosure requirements of National Instrument 58-101 and a commentary on the Company's approach with respect to each requirement are set forth below.

Disclosure Requirements	Comments
<p>Disclose the identity of directors who are independent.</p> <p>Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>The definition of independence used by the Company is that used by the Canadian Securities Administrators, which is set out in section 1.4 of MI 52-110. A director is independent if he or she has no direct or indirect material relationship to the Company. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Certain types of relationships are by their very nature considered to be material relationships and are specified in section 1.4 of MI 52-110.</p> <p>Evan Kirby and Robert Brown are considered to be independent directors.</p> <p>Melissa Sturgess is not considered to be independent by virtue of her position as President and Chief Executive Officer of the Company.</p> <p>Michael Langoulant is not considered to be independent by virtue of his position as Chief Financial Officer of the Company.</p>
<p>Disclose whether or not a majority of directors are independent.</p>	<p>A majority of the directors are not independent.</p> <p><i>Explanation for departure</i></p> <p>The Board considers that the Company is not currently of a size or complexity to require a majority of independent directors. If the Company's activities increase in size, scope and/or nature the appointment of additional independent directors will be considered by the Board.</p>
<p>If a director is presently a director of another issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>Melissa Sturgess is a director of Nyota Minerals Limited. Robert Brown is a director of Cedar Woods Properties Limited. Evan Kirby is a director of Nyota Minerals Limited. Michael Langoulant is a director of Nyota Minerals Limited and White Cliff Nickel Limited.</p>
<p>Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year end. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>The Board holds regular monthly meetings. At each meeting of the Board, all members are encouraged to raise and discuss any matters for discussion. Ten Board meetings were held during fiscal 2010.</p>
<p>Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his role and responsibilities.</p>	<p>Melissa Sturgess is the Chairman of the company. She is not an independent director. The Company does not perceive any additional benefits would accrue to the Company by the appointment of an independent chairperson.</p>

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Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	<p>All of the current directors commenced since the end of the most recently completed financial year. Below is the attendance record of each director in the most recently completed financial year, all of whom are no longer directors.</p> <p>Michael Sperinck – 10 (of 10) Board meetings  Peter Tanham – 9 (of 10) Board meetings  Gordon Richards – 8 (of 10) Board meetings  Richard Billingsley – 10 (of 10) Board meetings  Michael McMullen – 9 (of 10) Board meetings  Declan Franzmann – 9 (of 10) Board meetings</p>
Disclose the text of the Board's written mandate.	Please refer to Appendix A for the "Directors' Position Description".
Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	<p>The Board has not developed written position descriptions for the chair and the chair of each board committee.</p> <p>Positions descriptions will be developed in due course. To date the size of the Board and each Board committee has meant that all members take responsibility for the activities of the Board and Board committees respectively, with the chair responsible for chairing meetings of the Board or particular Board committee.</p>
Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	<p>The Board and the CEO have not developed a written position description for the CEO.</p> <p>A position description for the CEO will be developed in due course, but due to the size of the Board and the early stage of development of the Company, the CEO has worked very closely with the Board on all matters material to the Company.</p>
<p>Briefly describe what measure the Board takes to orient new directors regarding:</p> <p>(i) the role of the Board, its committees and its directors, and</p> <p>(ii) the nature and operation of the issuer's business.</p>	<p>New directors met in person or telephonically with the CEO for a technical orientation session, while the CFO provides written and oral background information on the group's financial, committee and secretarial functions.</p> <p>It is expected, given the size of the group and its recent publications that a similar orientation process would provide any new directors with a good grounding.</p>
Briefly discuss what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	The Board of Directors does not provide formal continuing education for directors. Directors maintain the skill and knowledge necessary to meet their obligations as directors through a combination of their existing education, experience as businesspersons and managers, service as directors of other issuers and advice from the Company's legal counsel, auditors and other advisors.

<p>Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:</p> <p>(i) disclose how a person or company may obtain a copy of the code,</p> <p>(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code, and</p> <p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>The Board has adopted a written code of conduct for its directors, officers, employees and those consultants who represent the Company.</p> <p>(i) a copy of the Company's code of conduct referred to above can be obtained by written request to Luir Gold Limited, at Suite 502, 155 Rexdale Blvd, Toronto, Ontario M9W 5Z8, or by reference to the Company's website.</p> <p>(ii) The Board monitors compliance with its code by requiring that each director and officer annually affirm, in writing, that he/she has read and understood the code of conduct and has agreed to abide by it in all aspects. An (email) hotline, monitored by an independent director, is available for the reporting of any financial or other complaints.</p> <p>(iii) None. No complaints have been reported.</p>
<p>Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>Each director and executive officer is required to fully disclose his interest in respect of any transaction or agreement to be entered into by the Company. Once such interest has been disclosed, the Board as a whole determines the appropriate level of involvement the director or executive officer should have in respect of the transaction or agreement.</p>
<p>Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>Management, with the support of the Board, has put structures in place to ensure effective communication between the Company and its shareholders and the public. The Company provides disclosure as required by law, and legal counsel reviews press releases and reports to shareholders as required.</p> <p>The Board manages the business of the Company on behalf of the shareholders and is responsible for, among other things, strategic planning and management of the Company's principal risks. Any responsibility that is not delegated to senior management or a committee of the Board remains with the full Board. In addition to those matters, which must by law be approved by the Board, the approval of the Board is required for major transactions or expenditures.</p>
<p>Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>All directors are responsible for recommending suitable candidates for nomination to the Board, when required, and when doing so consider:</p> <p>(a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;</p> <p>(b) the competencies and skills that the Board considers necessary for each existing director to possess; and</p> <p>(c) the competencies and skills each new nominee will bring to the boardroom.</p>
<p>Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage and objective nomination process.</p>	<p>The Company does not have a formal process or committee for proposing new nominees to the Board of Directors.</p> <p><i>Explanation for departure</i></p> <p>Given the current size of the Board, the Board considers that the corporate governance objectives can be efficiently achieved by the full board.</p>
<p>If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The Board does not, at present, have a Nominating Committee, but will consider implementing one in the future should circumstances warrant.</p>

<p>Describe the process by which the Board determines compensation for the issuer's directors and officers.</p>	<p>The Company does not presently have a compensation committee.</p> <p>The full board will determine and agree the framework or broad policy for the remuneration of the Company's executive directors, CEO and other members of the executive management of the Company. The remuneration of non-executive directors is determined by the executive members of the Board of Directors. No director or manager is involved in any decisions as to their own remuneration.</p>
<p>Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.</p>	<p>The Company does not presently have a compensation committee.</p> <p><i>Explanation for departure</i></p> <p>Given the current size of the Board, the Board considers that the corporate governance objectives can be efficiently achieved by the full board.</p> <p>When considering compensation the full Board will consider payments made by other similarly sized companies to ensure an objective process.</p>
<p>If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>Not applicable.</p>
<p>If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>Not applicable.</p>
<p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board of Directors has not established a Corporate Governance Committee.</p> <p><i>Explanation for departure</i></p> <p>Given the current size of the Board, the Board considers that the corporate governance objectives can be efficiently achieved by the full board.</p>
<p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.</p> <p>If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>The board does not, at present, have a formal process in place for assessing the effectiveness of the board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant.</p>

<p>The audit committee consist of only non-executive directors, a majority independent directors and the chairperson be independent who is not the chairperson of the board</p>	<p>The audit committee consists of 2 independent non-executive members and 1 executive director. The chairperson is not considered independent.</p> <p><i>Explanation for departure</i></p> <p>Given the current size of the Board, the Board considers that the corporate governance objectives can be efficiently achieved by the full board.</p> <p>The Board considers that the Company is not currently of size or complexity to require an independent chairperson of the Audit Committee. If the Company's activities increase in size, scope and/or nature the appointment of an independent chairperson will be considered by the Board.</p>
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## Appendix A

### Director's position description

Every Director of the Corporation in exercising his powers and discharging his duties shall:

- (a) act honestly and in good faith with a view to the best interests of the Corporation.
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### **With respect to Fiduciary Duty or the Duty of Loyalty**

1. the fiduciary duty requires a Director to be honest in dealing with other Directors and with the Corporation. In fact, a Director must disclose all information he or she has to the Board. The collegial structure of the Board and the practical delegation of responsibilities to committees will suffer if Directors deprive their fellow Directors of important information they need to carry out their responsibilities and practice due diligence.
2. the fiduciary duty implies a duty of confidentiality. All information about the Board or the Corporation's activities should be presumed to be confidential unless released to the public.
3. Directors may not profit at the expense of the Corporation. They may not divert opportunities or benefits from the Corporation to themselves or put themselves in a position of conflict by competing with the Corporation for business opportunities.
4. Directors must disclose their material interest in a party or contracts and should disclose these interests to the full Board and not just a committee.

#### **With respect to the Duty of Care:**

1. these responsibilities imply that the Directors attend meetings regularly, read the documents and briefing notes prepared for them prior to the meetings and follow-up on important matters.
2. the business judgement rule protects boards and directors from those that might second-guess their decisions. However, Directors must ensure that the process by which they made a decision ensures that there was adequate information available, agendas and background documents in place, rigorous review and questioning is documented and that in-depth review where warranted is referred to the appropriate committee.

#### **Specific Duties of Directors**

1. Overseeing and approving a strategy for the business.

The Directors, individually and collectively, have the responsibility to participate in developing and approving the mission of the business, its objectives and goals, and the strategy by which it proposes to reach those goals. Directors must ensure there is congruence between shareholder expectations, Company plans and management performance.

2. Management of the Board and selection and oversight of senior management.

Directors, individually and collectively, are responsible for managing the Board affairs, including planning its composition, selecting its chair, nominating candidates for election to the Board, appointing committees and determining Director compensation. Directors, individually and collectively, have the responsibility for

management succession including the appointment, monitoring and replacement of the Chief Executive Officer as well as Chief Executive Officer compensation. Directors have the responsibility for approving the appointment and compensation of senior management acting upon the advice of the Chief Executive Officer.

3. Monitoring and Acting

Directors, individually and collectively, have the responsibility for monitoring the company's performance against goals and revising strategy as appropriate.

4. Approving Policies and Procedures for implementing strategy

Directors, individually and collectively, have the responsibility for approving all significant policies and procedures and ensuring compliance with all laws and regulations, while adhering to the highest ethical and moral standards.

5. Reporting to shareholders on the performance of the business.

Directors, individually and collectively, have the responsibility for the integrity and timely reporting to shareholders in addition to the approval of all dividends.

6. Approval and completion of routine legal requirements

Directors, individually and collectively, are responsible for ensuring all legal requirements, documents and records have been properly prepared, approved and maintained.

**LUIRI GOLD LIMITED  
ADDITIONAL ASX INFORMATION**

**CHAPTER 6, 6A, 6B AND 6C OF THE AUSTRALIAN CORPORATIONS ACT**

The Company is not subject to Chapters 6, 6A, 6B and 6C of the *Australian Corporations Act 2001*.

**STATEMENT OF ISSUED CAPITAL AT FEBRUARY 24, 2011**

<b>Size of Holding</b>	<b>Number of shareholders</b>	<b>Number of Common Shares</b>
1 - 1,000	1	100
1,001 - 5,000	33	111,724
5,001 - 10,000	44	387,548
10,001 - 100,000	210	10,408,203
100,001 - and over	117	106,524,330
<b>Total</b>	<b>405</b>	<b>117,431,905</b>

The number of shareholders holding less than a marketable parcel is one.

**NUMBER OF QUOTED LUIRI GOLD LIMITED SECURITIES**

There are 117,431,905 common shares of Luir Gold Limited ('Luir' or the 'Company') quoted on the ASX (as CHESS Depository Interests) and Toronto Stock Exchange ('TSX').

**NUMBER OF LUIRI SECURITIES NOT QUOTED**

There are 3,703,500 unlisted incentive options allotted for issuance under the Luir Stock Option Plan.

**VOTING RIGHTS**

All Luir common shares carry one vote per share.

Each CHESS Depository Interest ('CDI') represents one Luir common share. CDI holders are the beneficial owner of common shares and although they are not entitled to attend and vote at the Luir shareholder meetings, CDI holders may direct CHESS Depository Nominees Pty Ltd, as the legal holder of their Luir common shares, to cast proxy votes at the relevant meeting.

**QUOTATION**

Luir Common Shares are quoted as 'LGL' on the TSX and CDIs are quoted as 'LGM' on the ASX.

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## SUBSTANTIAL SHAREHOLDERS

Name	No. of Common Shares	%
Carlton Resources PLC	11,155,690	9.50%
Zero Nominees Pty Ltd	8,533,789	7.27%
JP Morgan Nominees Australia Limited <Cash Income A/C>	7,362,935	6.27%

## TOP 20 SHAREHOLDERS

As at February 24, 2011 the twenty largest shareholders as known by the Company, held 67.77% of the total common shares in the Company as follows:

Name	No. of Common Shares	%
CDS & Co	16,961,791	14.44%
Carlton Resources PLC	11,155,690	9.50%
Zero Nominees Pty Ltd	8,533,789	7.27%
JP Morgan Nominees Australia Limited <Cash Income A/C>	7,362,935	6.27%
Jutland Nominees Pty Ltd <Robert Brown Family A/C>	5,365,000	4.57%
National Nominees Limited	4,946,582	4.21%
HSBC Custody Nominees (Australia) Limited	3,840,409	3.27%
Roseville Trading Limited	2,941,177	2.50%
Tower Investments Sicar Sarl	2,941,176	2.50%
Citicorp Nominees Pty Limited	2,291,000	1.95%
Fitel Nominees Limited	1,800,000	1.53%
Avreato Consultants Limited	1,500,000	1.28%
Meridian Nominees Pty Ltd	1,382,400	1.28%
Michael John Sperinck & Gigi Sperinck <Sperinck Family Trust>	1,381,861	1.18%
ABN AMBO Clearing Sydney Nominees Pty Ltd <Custodian A/c>	1,253,333	1.18%
Paticoa Nominees Pty Ltd	1,107,888	1.07%
Mr David Kenneth Anderson + Mrs Charmayne Anderson <Canterbury Superfund A/C>	1,000,000	0.94%
Diamantina Resources Pty Ltd <Yeates Family Trust>	880,187	0.85%
CM & LJ Kirk <Kirk Consulting Mirror Trust>	880,187	0.75%
Daglish Holding (WA) Pty Ltd <The Gossage Family Trust>	880,187	0.75%

\* CDS & Co hold shares on behalf of Canadian shareholders.

## ON-MARKET BUY-BACK

There is no current on-market buy-back of the Company's shares in place.

## TENEMENT SCHEDULE

All Tenements are held in Zambia over the Luri Hill Project.

Tenement	% Held
LPL 173	100%
LPL 209	100%
LML 48	100%

LPL – Large Scale Prospecting Licence      LML – Large Scale Mining Licence