DIORO EXPLORATION NL

ABN 31 009 271 532

ASX RELEASE

27 November 2009

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir/Madam

Dioro Exploration NL

Please find attached the Dioro Exploration NL 2009 Annual Report.

Yours faithfully

David McArthur
Company Secretary

Registered Office: Level 2, 45 Stirling Highway, Nedlands, Western Australia 6009
Telephone: (08) 9423 3220 Facsimile: (08) 9389 8327 Website: www.dioro.com.au
Postal Address: PO Box 985, Nedlands, Western Australia 6909

DIORO EXPLORATION NL

ABN 31 009 271 532

ANNUAL REPORT

2009

DIORO EXPLORATION NL
ABN 31 009 271 532

CONTENTS

DIORO EXPLORATION NL
ABN 31 009 271 532

COMPANY DIRECTORY

Directors
Ted Grobicki
Rhod Grivas
Mark O'Dea
Ross Kestel
Robert Reynolds
Rohan Williams
Jan Castro

Secretary
David McArthur

Registered and Principal Office
Level 2, 45 Stirling Highway
Nedlands, Western Australia

Telephone: +61 8 9423 3220
Facsimile: +61 8 9389 8327

Auditors
KPMG
235 St George's Terrace
Perth, Western Australia

Legal form of Entity
Listed Public Company
ASX Limited
TSX Group

Bankers
ANZ Banking Group Ltd
31 Broadway
Nedlands, Western Australia

BNP Parabis
Level 18, Exchange Plaza
2 The Esplanade
Perth, Western Australia

Share Registry
Computershare Investor Services
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Solicitors
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth, Western Australia

Lawson Lundell
Suite 1600, Cathedral Place
925 West Georgia Street
Vancouver
British Columbia
Canada

DIORO EXPLORATION NL
ABN 31 009 271 532

CHAIRMAN'S REPORT

Dear Fellow Shareholder,

The past year has been period of mixed fortunes for the company and its shareholders.

- On the **operational front** the year has encapsulated both great successes in the development of the Frog's Leg Mine, and disappointing setbacks with pit wall failures at both of the main operating mines at South Kal.

- The demand for our product has seen huge swings with **the gold price** having oscillated between a low of below US$ 730 per ounce in November 2008 and a high of over US $1160 per ounce at the time of writing.

- The **financial results** and cash flows of the company were accordingly severely affected by the mining problems and weak gold prices in the first half of the year but recovered into strong profitability and cash flows as the year progressed. The company was eventually able to report a consolidated gross profit of A$7.4 million for the year which represents a spectacular A$19.9 million improvement over the consolidated gross profit for the previous financial year.

- Shares of many mining companies were severely affected by the Global Financial Crisis. However, Dioro's share price fall was exacerbated by the mining problems and their financial consequences, leading to a significant drop in the price of Dioro shares earlier in the year. This led to bids for the company's undervalued shares being launched by two competing gold producers and the consequent **change of ownership** of more than 75% of the shares in the company.

At the operations, the highlights of the year have been the outstanding safety record and the excellent progress at the new underground Frog's Leg Mine (49% owned by Dioro). The combination of steadily increasing tonnages as more stope fronts are opened up, steadily improving grades as higher grade portions of the orebody are accessed, and good control of unit costs, resulted in significant increases in gold production and improvements in cash flow as the year progressed. Current levels of mine development and capital investment are ensuring a continuation of these healthy trends.

In contrast, the operational and financial performance of the company were severely affected by major pit wall collapses at the two main producing open pit mines at South Kal (100% owned by Dioro). These occurred for completely different technical reasons at Mt Marion in October 2008 and at HBJ in January 2009 respectively just after major investments in cut backs had been completed and the mines were beginning to gain access to large quantities of high grade ore. These events caused tens of thousands of ounces of developed ore reserve to become immediately inaccessible and seriously affected operational cash flows for more than 6 months. It is pleasing to report that open pit mining operations, currently centred at Mt Martin, are running smoothly and profitably. Mining will recommence at Mt Marion before calendar year end, whilst feasibility studies are being conducted for the mining of several of the company's other ore resources in the improved gold economic climate that is expected for 2010 and beyond.

The HBJ mill has performed well and has been an important strategic resource for the processing of Dioro's own ores, whilst occasionally also making an additional contribution to profits by the roll milling of material for third parties when the opportunity presented itself.

Unfortunately in the first quarter of calendar 2009, the combination of the financial consequences of the South Kal pit wall slips (which occurred whilst Frog's Leg production as still building up) combined with general negative investment market conditions for junior mining shares at the time of the Global Financial Crisis, caused a substantial decline in the company's share price. This decline in market value led two different companies to launch takeover bids for the company's undervalued shares during the year. Dealing with these bids has been extremely costly, and has consumed a significant amount of time and effort by the company's Board and executives since April 2009.

At the time of writing, the status of these offers is that Avoca closed its bid after it had acquired 44.85% of the shares in the company, whilst Ramelius has to date acquired 31.7% of the company and this bid is still open for acceptance by shareholders. Consequently over 75% of the equity is now owned by two shareholders whilst the remaining approximately 3700 shareholders together own less than 24% of the company.

It is my opinion and that of the Independent Directors that the expected future profits and growth potential of the company result in it having an intrinsic value that is higher than the price currently being offered for the shares in the company. In addition I am very encouraged by current developments in the gold market and in the behaviour of the gold price.

The combination of the trends in the gold price, the continued progress at Frog's Leg, the return to profitability at South Kal and the inherent potential of the company's resource base and exploration acreage all bode well for the continued growth in value of your company. Although it is likely that the actions of potential acquirers of the company could be the primary determinant of short term movements in the price at which the shares in the company may trade, the directors and management will continue to harness the underlying strengths and use all their endeavours to continue to enhance the true value of the company for the benefit of all of its shareholders.

In conclusion I would like to thank the Directors and advisors for their help and counsel, and the employees for their hard work and additions to the value of the company, during this difficult year in Dioro's history.

Ted Grobicki
Chairman
25 November 2009

DIORO EXPLORATION NL
ABN 31 009 271 532

OPERATIONS REPORT

HIGHLIGHTS

- Frog's Leg operation delivered positive cash flow each quarter at average cash cost of $472 for the financial year
- Frog's Leg operation Measured and Indicated Mineral Resource upgraded to in excess of 1 million ounces of gold
- Ore Reserve at Frog's Leg operation increased by 45%
- Production of 76,713 ounces through Jubilee Mill for financial year

INTRODUCTION

Dioro Exploration NL ("Dioro") is a Perth based gold producer with a dual Australian Securities Exchange ("ASX") and Toronto Stock Exchange ("TSX") listing. The Company has ownership of two separate gold projects, 521,857 ounces of Ore Reserves, 1,795,960 ounces of Measured and Indicated Mineral Resources and a 1.2 million tonne per annum processing facility.

Dioro has a 100% ownership of the South Kalgoorlie mining operation ("South Kal operation"), located 32km south of Kalgoorlie, which includes 135,000 ounces of open pitable Ore Reserves, 1,353,000 ounces of Measured and Indicated Mineral Resources, the 1.2 million tonne per annum Jubilee processing facility and in excess of 1,100 square kilometres of exploration acreage.

Dioro owns a 49% interest in the Frog's Leg gold project located 20km west of Kalgoorlie, which includes 789,504 ounces of underground gold Ore Reserves (Dioro's share 386,857oz) contained within a Measured and Indicated Mineral Resource envelope of 904,000 ounces (Dioro share 442,960oz). Development of the Frog's Leg underground mine commenced in July 2007 and the first gold was poured in May 2008.

The combination of the South Kal operation and the 49% interest in Frog's Leg has created significant synergies for the Company. All the Company's resources are located within economic haulage distance to the Jubilee mill. A number of other gold projects (within economic haulage distance of the mill) currently held by third parties, who will in the future require milling facilities, provides a number of strategic opportunities for Dioro.

Figure 1 – Project locations

MINING

Mining Activities Overview:

During the financial year ended 31 August 2009 Dioro continued production of gold from the Frog's Leg operation and from the South Kalgoorlie operation. At Frog's Leg the significant capital development program that commenced in 2007 was completed and the operation was cash flow positive for each quarter of the year ending 31 August 2009. The South Kal operation was hampered by wall failures in the HBJ and Mt Marion pits, significantly impacting on the mining operations and removing access to some of the previously classified Ore Reserves.

The South Kal Ore Reserve is now 135,000 ounces when taking into consideration depletion due to mining and a reclassification of ounces out of the Ore reserve category that are located below the HBJ pit failure.

FROG'S LEG OPERATION (Mungari East Joint Venture)

Dioro owns a 49% interest in the Mungari East Project ("MEJV"), a 32km² tenement package and includes the Frog's Leg deposit. The project operator and owner of the remaining 51% of the project is La Mancha Resources Australia Pty Ltd, a wholly owned subsidiary of La Mancha Resources Inc ("La Mancha"), a Toronto listed company.

During April 2009 the joint venture updated the Frog's Leg underground feasibility study and Ore Reserve based on the May 2008 Measured an Indicated Mineral Resource of 990,000 ounces of gold (100%). The study converted 86% of the Mineral Resource into Ore Reserve of 789,504 (100%).

A recalculation of the resource including the development drilling during 2008 was announced in May 2009. This showed that after depletion for mining the resource increased by 60,000 ounces to 1,001,000 ounces in the Measured and Indicated Mineral Resource category, plus a further Inferred Mineral Resource of 192,000 ounces of gold.

Present mine plan shows continuous production until 2016. The ore body remains open and further development drilling is planned during the next twelve months to increase the knowledge of the orebody extents.

The Frog's Leg Mine is accessed by twin declines servicing the southern Rocket area and the northern Mist/Fog area. During the year some 7,621metres of underground development was carried out with the Mist decline face at 8041m RL and the Rocket decline face at 8021 m RL, which is approximately 300m below surface. Level ore development carried out for the period was 3,585 metres over nine operating levels, with the lowest level development being carried out on the 8050 level at year end.

Stoping in the upper levels of the mine have been open stoping with small rib pillars and some backfilled waste rock. A decision has been made to move to paste fill to allow greater ore recovery and better geotechnical control of mining. It is anticipated that the paste fill plant will be commissioned early in 2010.

During the year a total of 553,429 tonnes of ore (100% project) at a mine claimed grade of 4.45 g/t was produced. The volume of stope ore is increasing and has now reached 55% of ore production, with the remainder from level development.

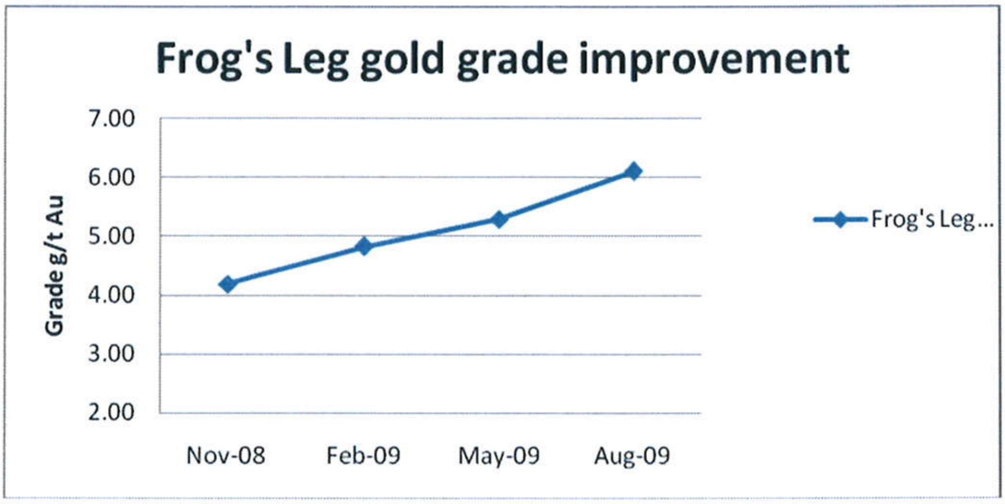
Dioro treated its 49% share of the Frogs Leg ore at its Jubilee Gold Processing Facility. A total of 269,212 tonnes grading 5.24 g/t was treated for the twelve months. This back calculated grade is showing an 18% increase against the mine claimed grade of 4.45 g/t. Dioro's Frogs Leg gold recovery for the period was 92.6% to produce 41,946 ounces of gold.

Frog's Leg 49%	Year ended Aug 2009	Quarter ended 31 Aug 2009	Quarter ended 31 May 2009	Quarter ended 28 Feb 2009	Quarter ended 30 Nov 2008
Ore Mined	**270,181**	83,332	75,828	63,974	47,047
Grade *	**4.45**	4.70	4.17	4.60	4.23
Ounces	**38,372**	12,592	10,180	9,587	6400
Milled ore	**269,212**	80,873	77,623	64,564	46,152
Milled grade	**5.24**	6.11	5.30	4.83	4.19
Mill recovery	**92.6%**	93.6%	91.5%	91.5%	91.7%
Gold produced	**41,946**	14,877	12,148	9,219	5,702
Cash cost/oz	**$472**	$421	$486	$495	$617

Note - Mine claimed grade, mill results show upgrade of 18%

Table 1: Frog's Leg Summary (Dioro 49%)

FROG'S LEG OPERATION (Mungari East Joint Venture) (continued)



Graph 1 – Grade Improvement

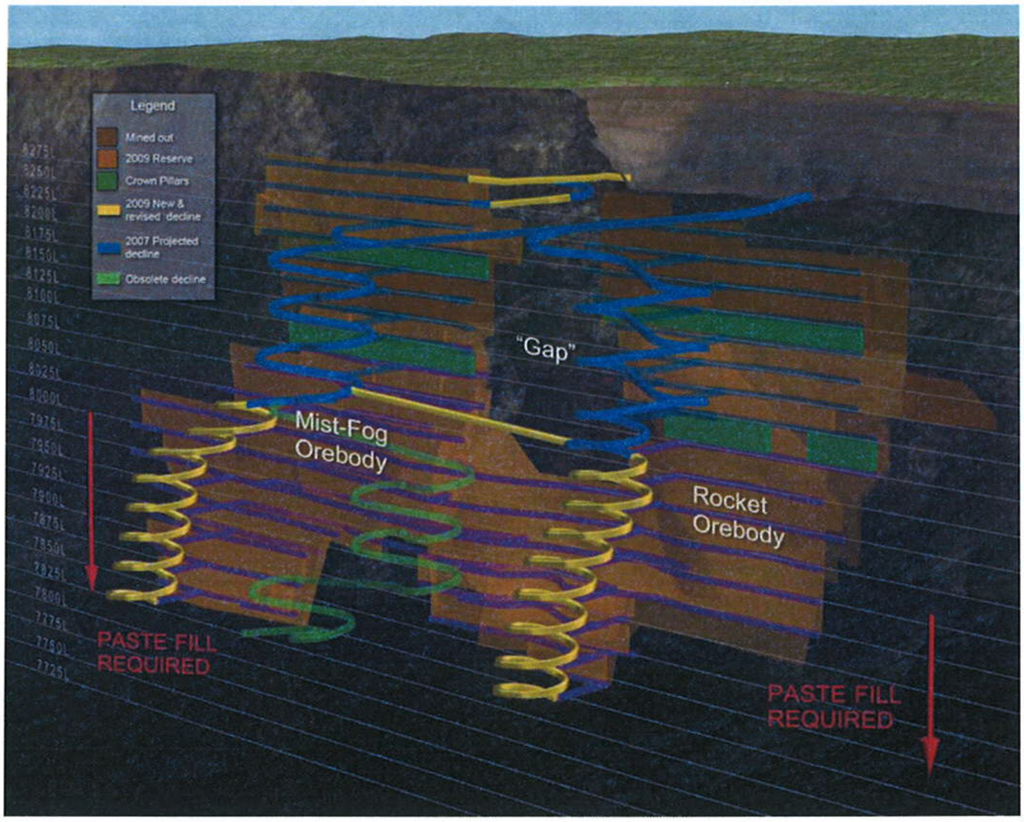


Figure 2 – Frog's Leg feasibility study underground design

SOUTH KALGOORLIE

The South Kal operation is centred on the Jubilee Gold Processing Facility located some 32 km south of Kalgoorlie in the Eastern Goldfields of Western Australia.

The Jubilee Gold Processing Facility utilizes conventional carbon-in-pulp (CIP) technology to treat ore at the rate of 1.2 Mtpa. Ore processed is sourced from the Frogs Leg Mine, open pits and low grade stockpiles. A small quantity of ore was toll treated for Frog's Leg joint venture partner, La Mancha Resources Australia Pty Ltd. During the year significant capital improvements were made to the Jubilee Gold Processing Facility. These improvements included a new tertiary crusher and a long life tailings facility.

Open pit mining has been restricted to cutbacks and deepening of pre-existing mines. Open pit mining during the year was interrupted by wall failures in the HBJ and Mt Marion open pits. Since then mining has commenced at Mt Martin and planning for the re-opening of the Mt Marion pit is well underway.

There are ongoing studies on the feasibility of further mining from resources beneath pits operated by earlier miners. Typical future mining from these resources would involve major cutbacks or smaller operations simply deepening the pits by using smaller scale equipment than that used previously. Economics and size of this style of operation is very gold price dependent.

Total All Ore Sources SKO	Year ending 31 Aug 2009	Quarter ended 31 Aug 2009	Quarter ended 31 May 2009	Quarter ended 28 Feb 2008	Quarter ended 30 Nov 08
Ore Mined (tonnes)	566,444	95,381	nil	127,582	343,481
Grade (g/t)	1.48	1.48	nil	1.44	1.50
Milled (Jubilee)	810,471	155,532	188,689	219,818	246,432
Grade (g/t)	1.50	1.51	1.02	1.52	1.84
Mill recovery	89%	86%	89%	90%	90%
Gold produced	34,766	6,477	5,481	9,647	13,162
Cash Cost/Ounce produced (exc capital)	$1,063	$1,151*	$986	$1,072	$1,047

Table 2: SKO Mining Summary

*includes $ 1,793,378 Mt Martin development expenditure. The majority of ore recovery is post year end.

Mt Martin Open Pit

The Mt Martin open pit is held under a sublease from Australian Mines Limited, which expires in January 2010. The Mt Martin open pit is planned to produce 303,000 tonnes of ore grading 1.7 g/t at a stripping ratio of 2.6 : 1. This ore was left in the pit floor by previous operators. Dioro is accessing this ore by steepening the access ramp, thus allowing sufficient operating room to deepen the pit by 30 metres. Mining does not involve cutting back the existing pit walls, and all waste moved is placed within the confines of the existing pit. Haulage utilizes six wheel drive articulated 40 tonne trucks. Mining commenced in June 2009 and is scheduled to be completed by the end of calendar 2009. By the end of August 2009 the main ore zone was exposed in the pit floor after movement of 351,802 bcm of waste and ore. Ore production at year end had reached 95,381 tonnes grading 1.5 g/t gold.

HBJ Open Pit

The south end of the HBJ pit had completed a major cutback program and exposed the main ore zone when a failure of the western wall in January 2009 caused the cessation of operations. A total of 1,444,553 bcm of ore and waste material had been mined to produce a total of 451,451 tonnes of ore grading 1.46 g/t. HBJ was a conventional cut back using 100 tonne rigid body trucks

Mine planning is underway to examine the economics of continuing mining in the north end of the HBJ pit. Preliminary work shows that a total of 1.5Mt of ore grading 1.3 g/t at a stripping ration 0f 3:1 can be mined from this area. Mine economics will be firmed by the planning that is underway.

A feasibility study will be carried out at HBJ to assess the possible creation of a larger geo-technically more stable open pit mine which could encompass a larger portion of the HBJ ore body. Gold prices are significantly higher than those prevailing when the current pit was designed. It is anticipated that a larger pit could result in the extraction of a much greater proportion of approximately 650,000 ounces of gold which exist below the current pit shelf.

SOUTH KALGOORLIE (continued)

Mt Marion Open Pit

The Mt Marion pit is a remnant mining operation to extract a high grade crown pillar between the old open pit and underground workings. Mining utilizing six wheel drive articulated trucks exposed the pillar ore, which was grade controlled and blasted. Haulage of the pillar ore had commenced when an old slip area on the southern wall remobilized, cutting access to the pit floor.

Mining activities had disturbed the old slip area allowing the ingress of water from a paleaochannel adjacent to the pit wall. This caused approximately 175,000 bcm of material to slipping over the ramp and onto the pit floor. Prior to this some 122,639 bcm of material had been removed from the pit to produce 6,990 tonnes of ore grading 5.0 g/t.

Planning is being carried out to stabilize the slip area with artificial support and the installation of dewatering decant towers. Stabilization works are planned to take three months followed by a three month program of removal of the slip material and load out of the blasted ore. This program is scheduled to be completed by late March 2010.

JUBILEE PROCESSING FACILITY

The Jubilee processing facility provides the company with a valuable, low cost, strategic asset in the Kalgoorlie district. The mill has been used constantly since commissioning in 1987, and was operated during the financial year at full capacity. During the year Dioro has continued a capital refurbishment program spending in excess of $3,689,751. This work has included commissioning a new tailing line to the old Samphire open pit, a new tertiary crusher, a rigorous maintenance program to minimise dust, and the replacement of rusted steel work that had been poorly maintained by previous owners .

The Jubilee mill continues to perform well with 93% availability.

During the year the Jubilee Mill processed a combination of ore from HBJ South, Mt Marion, Mt Martin, Frog's Leg and various low grade stock pile sources from the South Kal operations.

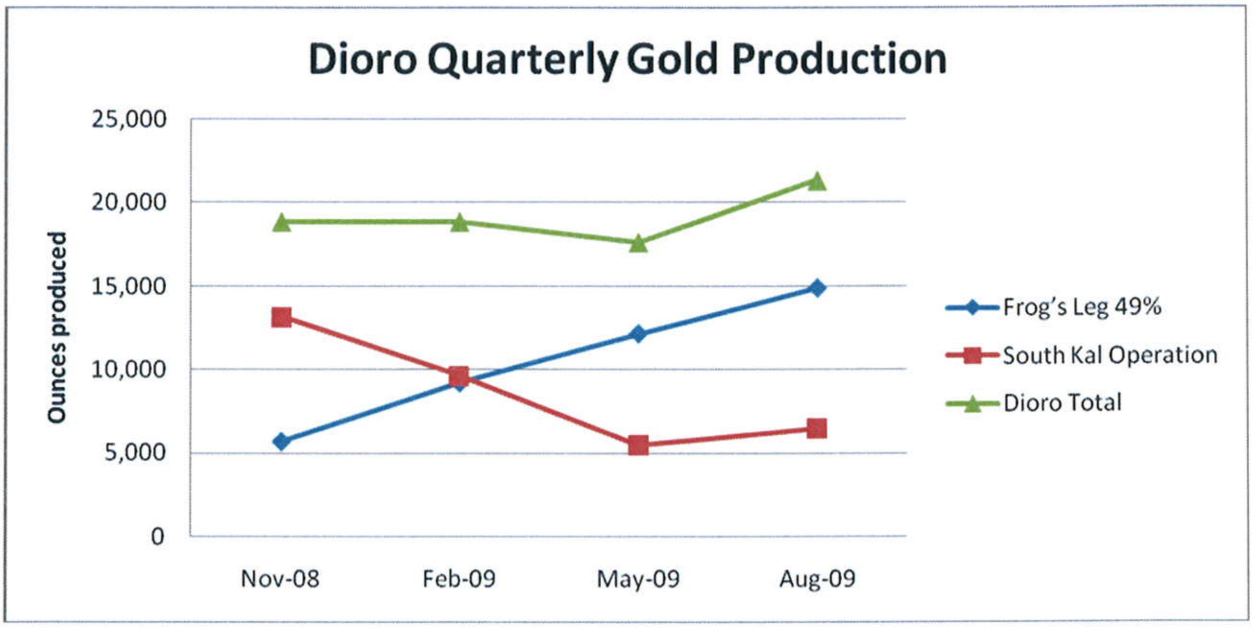
During May 2009, Dioro completed a trial processing of 100% Frog's Leg ore through the Jubilee mill. A total of 53,862 tonnes grading 4.92 g/t gold was successfully processed with a 92.9% recovery.

During June 2009, a further 31,228 tonnes of La Mancha Frog's Leg ore was toll treated through the mill.

Operation		Year ending 31 Aug 09 Total	Quarter ended 31 Aug 2009	Quarter ended 31 May 2009	Quarter ended 28 Feb 2009	Quarter ended 30 Nov 2008
Frog's Leg (49%)	tonnes	269,212	80,873	77,623	64,564	46,152
	grade	5.24	6.11	5.30	4.83	4.19
	recovery	92.6%	93.6%	92.6%	92.0	91.7
	ounces	41,946	14,877	12,148	9,219	5,702
South Kal	tonnes	810,471	155,532	188,689	219,818	246,432
	grade	1.50	1.51	1.02	1.52	1.84
	recovery	89.0%	86.0%	89.0%	90.0%	90.2%
	ounces	34,766	6,477	5,481	9.647	13,162
Dioro Total	tonnes	1,079,676	236,404	266,310	284,380	292,582
	grade	2.43	3.08	2.26	2.27	2.12
	recovery	91.0%	91.1%	91.3%	90.7%	90.7%
	ounces	76,713	21,353	17,630	18,866	18,864

Table 3: Total Dioro ore milled

SOUTH KALGOORLIE (continued)



Graph 2 – Quarterly Production

MINERAL RESOURCES AND ORE RESERVES

Frog's Leg operation

Frog's Leg operation Ore Reserve:

The Frog's Leg Proved and Probable Ore Reserve calculated as at 1 April 2009 now stands at 789,504 ounces of gold (386,857 ounces attributed to Dioro). The Ore Reserve upgrade represents a 45% increase on the equivalent depleted Ore Reserve dated December 2007, increased the annual production from 2010 onwards by 29% to an average of 113,388 (55,560 attributable to Dioro) and extended the mine life by 1.2 years to 7.1 years.

	Tonnes	Au Grade (g/t)	Ounces	
			100%	Attributable to Dioro
Proved Ore Reserve	594,816	5.49	104,899	51,400
Probable Ore Reserve	4,297,399	4.96	684,605	335,457
Total Ore Reserve	**4,892,215**	**5.02**	**789,504**	**386,857**

Table 4: Frog's Leg Ore Reserve Statement as at April 1, 2009

MINERAL RESOURCES AND ORE RESERVES

Frog's Leg operation (continued)

<u>Frog's Leg operation Mineral Resources:</u>

The Frog's Leg Mineral Measured and Indicated Resource now comprises 904,000 ounces of gold (442,960 ounces attributable to Dioro) after taking into consideration the May 2009 Mineral Resource update and depletion due to mining at Frog's Leg.

	Tonnes	**Au Grade (g/t)**	**Ounces**	
			100%	Attributable to Dioro
Measured	637,000	7.5	153,000	74,970
Indicated	3,403,000	6.9	751,000	367,990
Total M+I	**4,040,000**	**7.0**	**904,000**	**442,960**
Inferred	1,021,000	5.8	189,000	92,610

Table 5: Frog's Leg Mineral Resource estimation as at 31 August 2009

<u>South Kal operation Ore Reserve:</u>

As at 31 August 2009, the South Kal operation has a total JORC Proved and Probable Ore Reserve of 2.85 million tonnes at 1.5g/t for 135,000 ounces of gold (including low grade stockpiles), taking into consideration Ore Reserve restoration and depletion since August 2008. This has taken into account a reduction in ounces as a result of the slip in the western wall of HBJ South.

	Proved Ore Reserve			**Probable Ore Reserve**			**Total Ore Reserves**			
Deposit	Tonnes (000's)	Au g/t	Au ounces	Tonnes (000's)	Au g/t	Au Ounces	Tonnes (000's)	Au g/t	Au kg	Au Ounces
Open cut										
HBJ – North Cutback	21	2.6	2,000	1,550	1.3	64,000	1,571	1.3	2,054	66,000
Mt Martin			-	281	1.5	14,000	281	1.5	429	14,000
Bakers Flat Stage 2			-	78	2.2	6,000	78	2.2	171	6,000
Triumph			-	173	2.3	13,000	173	2.3	392	13,000
Mt Marion CP	82	5.0	13,000			-	82	5.0	410	13,000
28 Pit			-	116	2.2	8,000	116	2.2	256	8,000
Sub Total	**103**	**4.5**	**15,000**	**2,198**	**1.5**	**104,000**	**2,300**	**1.6**	**3,712**	**119,000**
High Grade Stockpiles	**53**	**2.1**	**4,000**		**0.0**	**-**	**53**	**2.1**	**111**	**4,000**
Sub Total Insitu & HG Stock	**155**	**3.7**	**19,000**	**2,198**	**1.5**	**104,000**	**2,353**	**1.6**	**3,823**	**123,000**
Low Grade Stockpiles	**378**	**0.8**	**10,000**	**121**	**0.6**	**3,000**	**499**	**0.8**	**389**	**13,000**
Total Stockpiles	**431**	**1.0**	**14,000**	**121**	**0.6**	**2,000**	**552**	**0.9**	**500**	**16,000**
TOTAL	**534**	**1.7**	**29,000**	**2,318**	**1.4**	**107,000**	**2,852**	**1.5**	**4,212**	**135,000**

Table 6: South Kal operations Ore Reserve Statement 31 Aug 2009

South Kal operation Mineral Resources: (continued)

As at August 31, 2009, the South Kalgoorlie project had a total JORC Measured and Indicated Mineral Resource of 1.353 million ounces. This takes into account the expiry of the Mt Martin sub-lease.

	Measured			Indicated			Total Measured + Indicated		
Deposit	Tonnes (000's)	Au g/t	Au ounces	Tonnes (000's)	Au g/t	Au Ounces	Tonnes (000's)	Au g/t	Au Ounces
South Kal operations									
HBJ Project	281	2.4	22,000	14,218	1.4	631,000	14,500	1.4	653,000
Mt Martin			-	281	1.5	14,000	281	1.6	14,000
Shirl UG			-	662	4.7	99,000	662	4.6	99,000
Trojan	665	2.0	43,000	788	2.1	54,000	1,453	2.1	97,000
Pernatty Decline			-	1,630	2.5	130,000	1,630	2.5	130,000
White Hope			-			-			
28 Pit			-	350	2.6	29,000	350	2.6	29,000
Shirl OP			-	75	2.8	7,000	75	2.9	7,000
Lanarshire Porphyry			-			-			
Bakers Flat			-	213	2.3	16,000	213	2.3	16,000
Mt Marion Crown Pillar	216	3.4	23,000	29	1.7	2,000	245	3.2	25,000
Louis			-	565	2.0	37,000	565	2.0	37,000
Dawns Hope	302	2.0	20,000	170	2.6	14,000	472	2.2	34,000
Golden Ridge			-	339	2.3	25,000	339	2.3	25,000
Triumph			-	262	2.4	20,000	262	2.4	20,000
Inclined Shaft/Lancashire Lass			-	159	2.7	14,000	159	2.7	14,000
TNT (Pernatty Nth)			-	180	1.7	10,000	180	1.7	10,000
Noble 6			-			-			
Low Grade Stockpiles - SKO	690	0.7	15,000	140	0.6	3,000	830	0.7	18,000
Sub Total SKO	**2,155**	**1.8**	**123,000**	**20,061**	**1.7**	**1,105,000**	**22,216**	**1.7**	**1,228,000**
Penfolds									
Mungari			-			-			
Abattoirs South			-	52	4.4	7,000	52	4.2	7,000
Penfold			-	60	3.0	6,000	60	3.1	6,000
Scrubby Tank			-	135	1.9	8,000	135	1.8	8,000
Greater Jezebel Area			-	559	2.1	38,000	559	2.1	38,000
Freddo			-	350	1.9	22,000	350	2.0	22,000
Rose Hill			-	444	2.7	39,000	444	2.7	39,000
Low Grade Stockpiles - Penfolds			-	78	0.7	2,000	78	0.8	2,000
Sub Total Penfolds				**1,678**	**2.3**	**122,000**	**1,678**	**2.3**	**122,000**
Total Insitu + LG Stocks	**2,155**	**1.8**	**123,000**	**21,739**	**1.8**	**1,227,000**	**23,894**	**1.8**	**1,350,000**
			-			-			
High Grade Stockpiles	17	4.5	3,000		0.0	-	17	5.4	3,000
TOTAL ALL RESOURCES	**2,172**	**1.8**	**126,000**	**21,739**	**1.8**	**1,227,000**	**23,911**	**1.8**	**1,353,000**

The measured and indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

Table 7: South Kal operations Mineral Resource Statement 31 Aug 2009

EXPLORATION

Frog's Leg Project

The Kundana region, which contains the Frog's Leg deposit, is arguably one of Australia's most prospective emerging gold belts with in excess of 5 million ounces added to the gold endowment over the last 15 years. It has been a major gold producer for many years and is still considered under explored, with significant potential for growth. The joint venture tenements cover 32 square kilometres of highly prospective and largely unexplored ground that comprises the south-eastern portion of the Kundana goldfield.

Resource Growth

The joint venture is planning a 35,000 metre underground drilling program to test the depth extent of the Frog's Leg underground from four underground drill sites located 250 -300m below to the surface, to increase the density of drilling below the Measured and Indicated Mineral Resource envelope to a total depth of approximately 600 vertical metres. This program when finished, would have sufficient drill density to extend the indicated boundary over an area of 1000m by 200m.

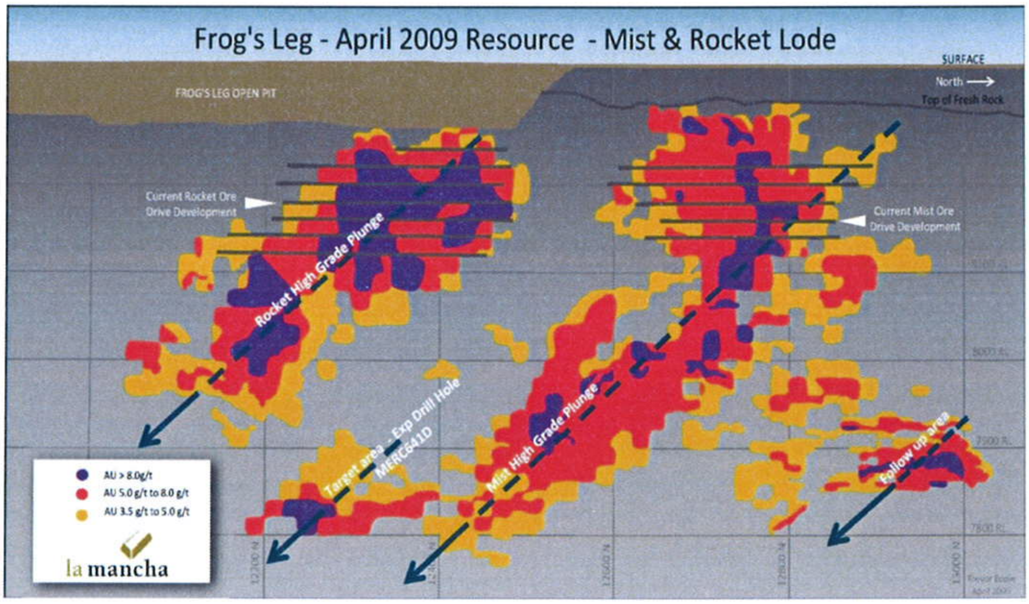


Figure 3 Rocket and Mist high grade plunging shoots

Quartz Lode

During 2004/5 the Frog's Leg joint venture partners mined a mineralised quartz vein in the Frog's leg open pit producing 832,976 tonnes at a grade of 4.5g/t for 116,611 ounces. The quartz vein was called the 'Quartz Lode", and was located east of the Rocket contact related lodes currently being mined from underground.

Underground development and drilling from underground has intersected a quartz lode in the footwall east of the Mist Lode which was not delineated during previous exploration drilling from surface, as the majority of drilling was drilled from east to west and didn't extend far beyond the mineralised Mist Lode contact.

The 'Quartz Lode was intersected on the Mist 8120N (approximately 220m below the surface) drive and face with sampling returning 0.2m @ 842g/t Au. A program of drilling from the surface and underground is planned later in the year to test the strike and up dip extent of the new 'Quartz Lode'.

Frog's Leg Project (continued)

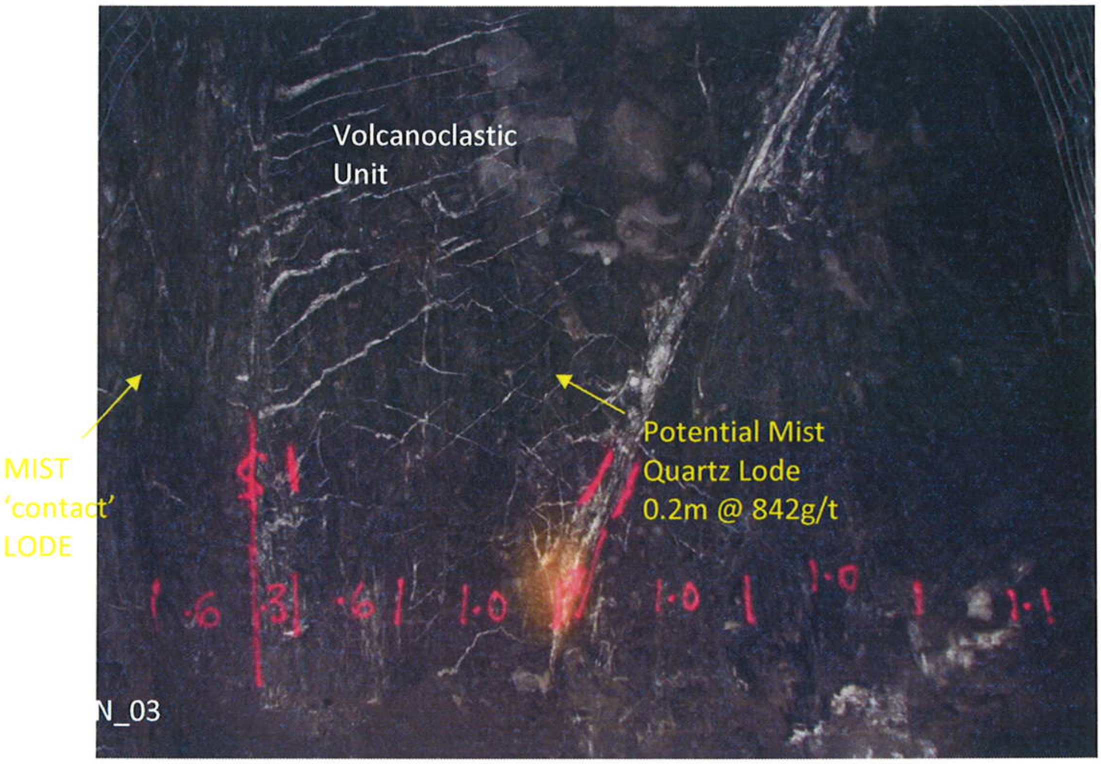


Figure 4 – Potential Mist Quartz Lode evident in M8120N ore drive

South Kalgoorlie

The South Kal operation represents a major Kalgoorlie landholding in excess of 1,100km². The project covers major gold endowed shears including Boulder Lefroy (BLF), Zuleika, Binduli, Strezlecki, Karramindie and the Wildcatters Shear. Dioro's mineral rights holdings include 25 kilometres of strike over the BLF Shear that hosts the Golden mile and Jubilee deposits.

Whilst exploration during the year primarily focussed on collecting baseline geochemical data, several prospects were tested with drilling. The highlight was the identification of the new DeRosa prospect. This prospect, along with the Colnago, Golden Eagle and Floater prospects, will form the initial focus of next year's exploration campaign.

South Kalgoorlie (continued)

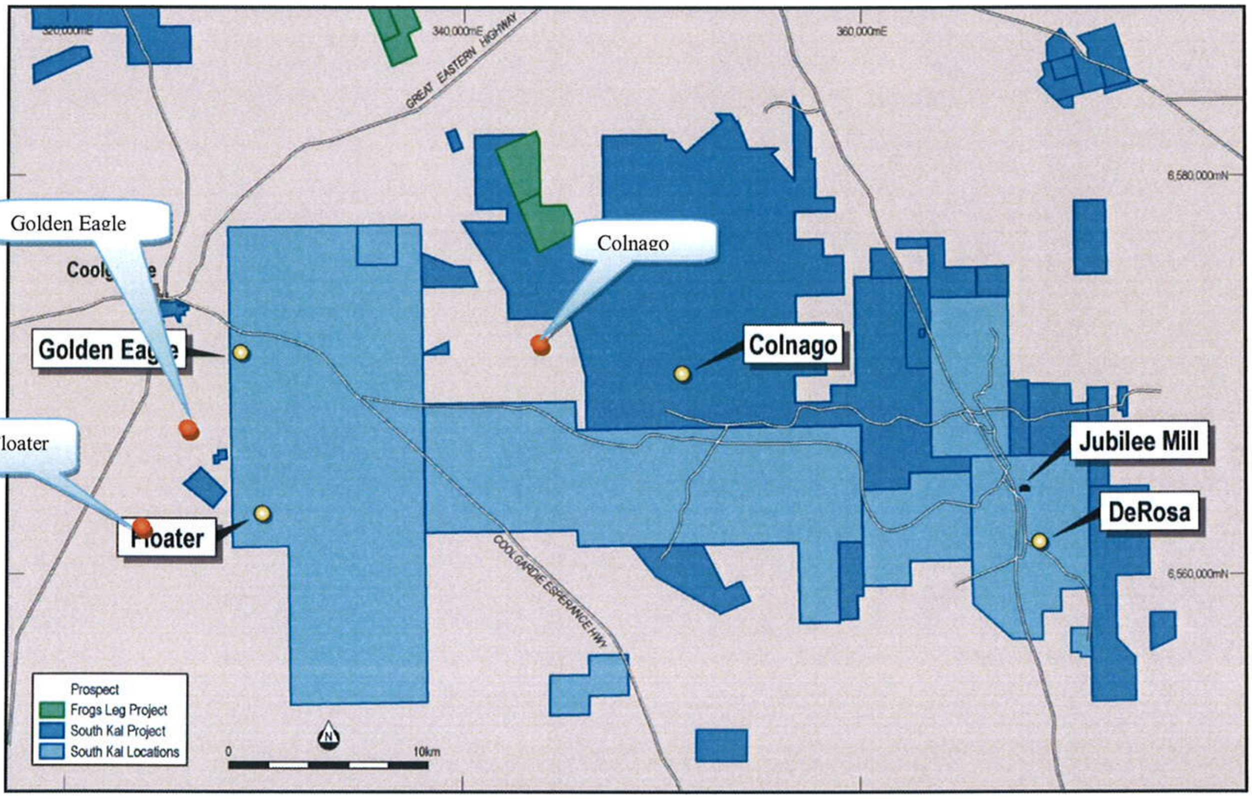


Figure 5: Exploration prospect locality plan

DeRosa (LOC48)

Dioro has conducted a number of exploration programs within Location 48 during the year. These included extensive geochemical analysis and shallow rotary air blast ("RAB") drilling in areas considered previously tested. RAB drilling completed by Dioro intersected anomalous shallow gold mineralisation in a number of areas within freehold Location 48. Follow-up first stage reverse circulation ("RC") drilling intersected a wide zone of gold mineralisation located 5.5 kms south-east of the Jubilee Mill, including **15m @ 2.33 g/t Au from 80m** within hole 09KBRC006. This new 100% owned prospect is called the DeRosa Prospect.

Dioro considers the result is highly encouraging and will embark on a follow-up RC drilling program to identify the extent and orientation of the new prospect and test targets in similar geological locations.

The mineralisation at DeRosa appears to share similar geological characteristics to Dioro's large HBJ Deposit which has produced approximately 1.5 million ounces of gold and has 650,000 ounces of Measured and Indicated Mineral Resources.

Gold at both DeRosa and HBJ are hosted in a strongly deformed and altered porphyry unit within an ultramafic sequence. The porphyry has undergone intense brittle deformation that is evidenced by abundant stockwork veining and displays strong biotite and pyrite alteration. Importantly, the mineralisation remains open along strike and at depth.

Historic shallow RAB drilling in the area failed to identify any anomalous gold mineralisation due to very shallow drill depths and limited assaying of only the last metre of each hole.

South Kalgoorlie (continued)

Significant Intercept Table						
Hole ID	**North**	**East**	**Depth from**	**Depth to**	**Interval (m)**	**Intercept (g/t Au)**
09KBRC006	6561124	370163	38	41	3	1.41
			60	61	1	6.47
			79	**94**	**15**	**2.33**
09KBRC017	6561072	370187	71	75	4	0.92
			86	95	9	1.42
09KBRC019	6561111	370184	20	36	16*	0.71
			62	68	6*	1.36

1m riffle split samples analysed for Au by 40g Fire Assay at UltraTrace Laboratories, Perth.
*4m composite grab samples analysed for Au by 40g Fire Assay at UltraTrace Laboratories, Perth.
Coordinates in GDA94

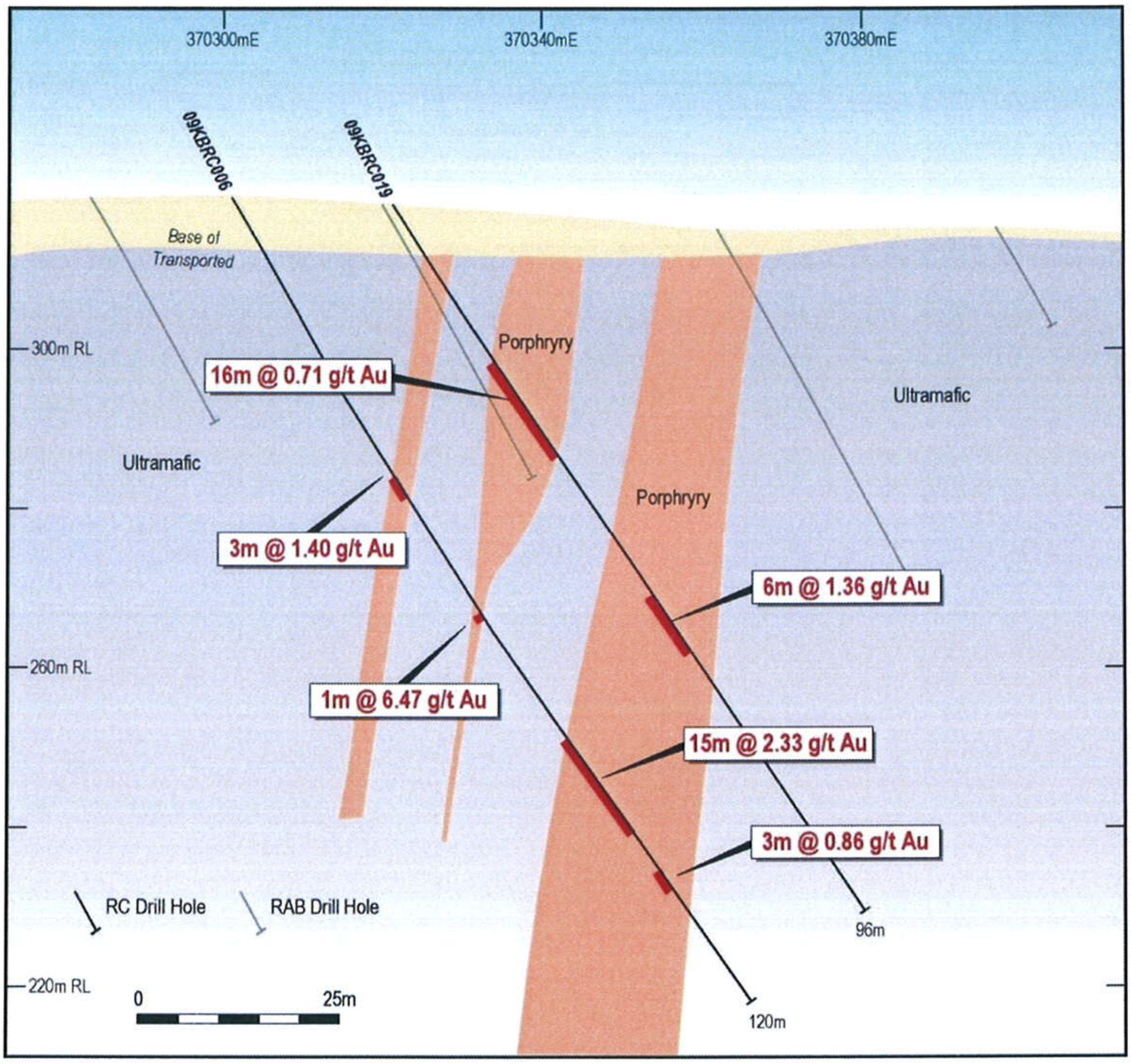


Figure 6: DeRosa prospect drilling cross section

South Kalgoorlie (continued)

Additional RC drilling has been planned to further delineate mineralisation at De Rosa. Mineralisation is open at depth and along strike to the north and south. Additional exploration drill holes will focus on testing the continuity of gold mineralisation over the 300m that seperate the DeRosa and Kings Hope Prospects.

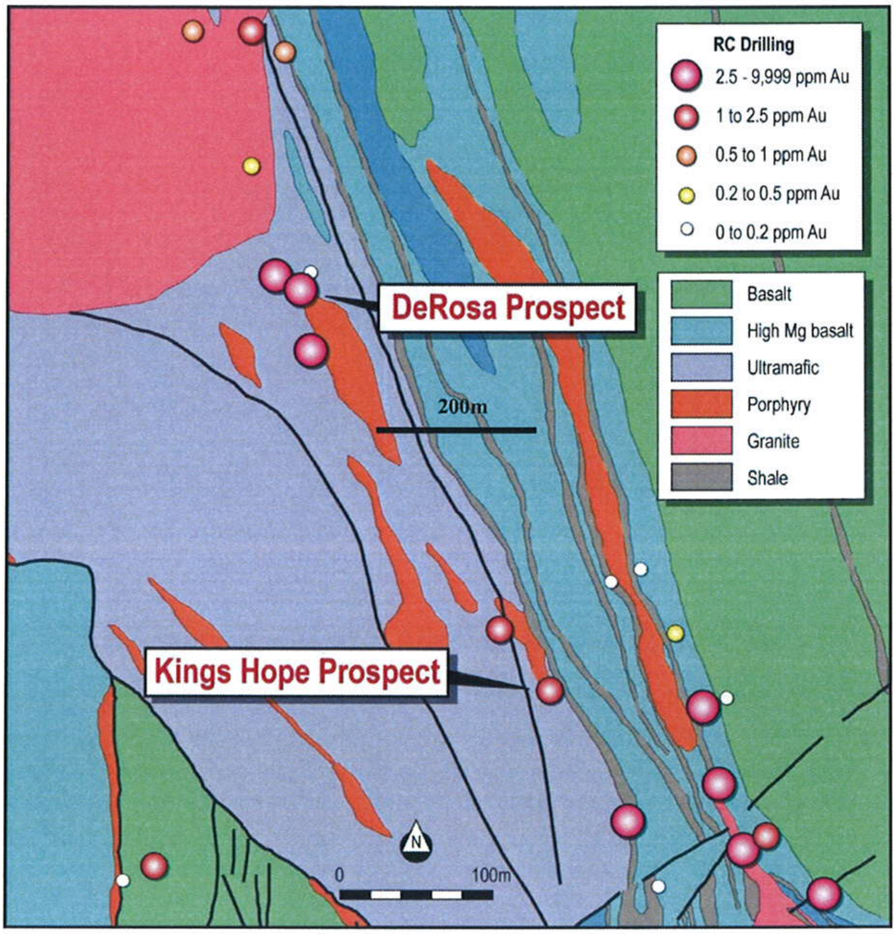


Figure 7: DeRosa prospect geology

Colnago (M15/469, M15/938 & E15/985)

RAB/Aircore drilling programs were carried out last year to test the strike extensions of the Colnago prospect. The results to highlight the presence of a mineralised NW-SE striking structure that remains poorly tested throughout the entire length of the Penfolds tenements. Anomalies in aircore drilling were generally restricted to the bottom of hole samples. These bottom of hole results continued the established trend in this area of gold depletion throughout the weathered profile. Supergene gold along the Colnago structure is confined to the fresh rock interface.

Analysis of multi-element geochemical data also strongly indicates hydrothermal alteration proximal to the interpreted Colnago Shear. Hydrothermal alteration in the central Penfolds domain corresponds to prominent features in aeromagnetic and gravity data; and is coincident with the Colnago mineralised trend outlined by recent drilling. Notably, the alteration identified is far more extensive than the area thus far tested by drilling. Of additional interest is the potential similarity to the Binduli style deposits, with mineralisation corresponding to a reduction front represented by carbonaceous shale units.

South Kalgoorlie (continued)

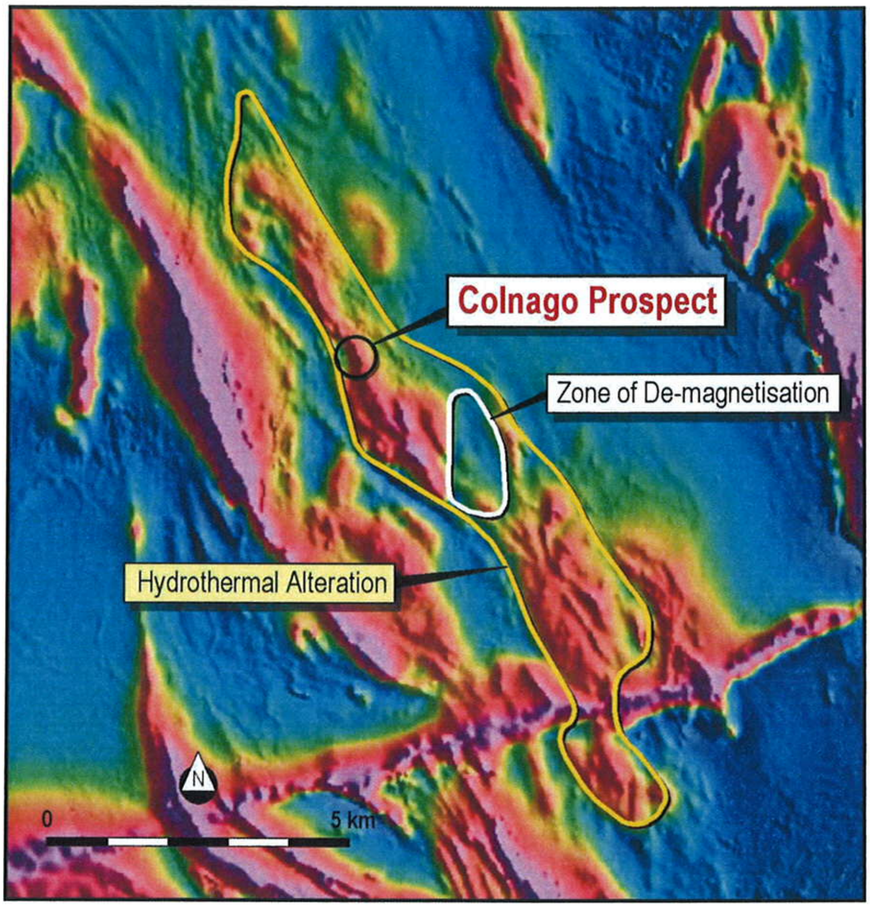


Figure 8: Colnago prospect demagnetized zone on airborne magnetics

A series of RC drill traverses have been designed initially follow up the mineralisation intersected in the aircore drilling.

Eva Golden Eagle (LOC59)

The Eva Golden Eagle prospect is located within the northwestern corner of Location 59 approximately 5km southeast of the Coolgardie. It is situated near the axis of a major east north-easterly trending anticlinal structure within an interpreted high magnesian basalt sequence. Detailed outcrop mapping has shown that the prospect is in fact located near the contact between a mafic volcanic unit and a medium grained gabbro. There are a number of old workings within the prospect area which form a general east north-easterly trend, parallel to the regional anticlinal axis.

The prospect has been explored over a number of years with geological mapping, soil and auger geochemical sampling and RC drilling.

The surface geochemical sampling shows a significant gold anomaly in the prospect area with values over 80ppb gold reported over a strike length of approximately 1000m. The maximum value reported from the recent auger sampling was 402ppb gold towards the eastern end of the anomaly. The anomalous zone appears to have an overall east south-easterly trend which is oblique to the trend suggested from the position of the old workings. Over the main part of the prospect the anomaly has a more easterly orientation.

There is very little hard information available on the historical drilling carried out on the prospect.
Previous drilling intersected up to three east west trending zones up to 12m wide, with the best intersections being 2m @ 14.4g/t Au, 4m @ 3.3g/t Au, 6m @ 1.6g/t Au, 6m @ 1.5g/t Au and 4m @ 1.9g/t Au. The drilling has not adequately tested the mineralised zones identified in the drilling program. Geochem work carried out last year suggests a slight deviation to the south of the E-W Golden Eagle structure that has not been tested by drilling. This is supported by #80 soil samples greater than 400ppb gold.

A small RC drilling program is to be carried out to further test the surface gold anomaly and the conceptual strike deviation. RC is the preferred drilling method due to the very shallow depth of weathering.

South Kalgoorlie (continued)

Floater (LOC59)

The Floater prospect is located along the western side of Location 59 within a major granitic intrusive. Much of the area is covered by around 40m of transported cover. Previous drilling, mainly aircore and RAB, with minor shallow RC reported a number of +1g/t gold intersections over a length of at least 400m. Most of the holes were vertical and only penetrated a few metres of the underlying bedrock. The majority of the anomalous intersections were within and at the base of the palaeochannel sediments. However there were two significant intersections from the underlying granitic bedrock. Drillhole CHAC2K934 intersected 4m @ 8.2g/t Au from 36m to the end of the hole and CHAC2K957 intersected 6m @ 2.2g/t Au also from 36m. The intersections are at the top of the granite immediately below the contact with the overlying transported cover. A number of other holes reported anomalous intersections within the underlying granite. There has been no follow-up drilling carried out on the prospect to determine the extent of the gold mineralisation within the granite.

A short RC drilling program is planned to be carried out early next calendar year.

Kunderong Project (Vale earning 60%)

The Kunderong and Kennedy uranium projects are located 220km SSW of Newman in Western Australia. The Company signed a uranium farm in agreement in 2007 with Rio Doce Australia Pty Limited, a wholly-owned subsidiary of Vale (formerly CVRD). Under the terms of the farm in agreement, Vale is to spend A$4m on exploration at the project over four years, to earn an interest of 60 percent in the uranium rights. Dioro maintains the rights to all other minerals, including gold, on the Kunderong and Kennedy Projects.

Early in 2009 the company successfully signed an agreement with the Jidi Jidi Aboriginal Corporation providing a heritage clearance protocol to allow for exploration. Vale has assumed management of the joint venture and in close association with Dioro, are compiling a budget to undertake significant exploration based on the detailed airborne EM surveying undertaken during 2008 and historical exploration undertaken by previous explorers.

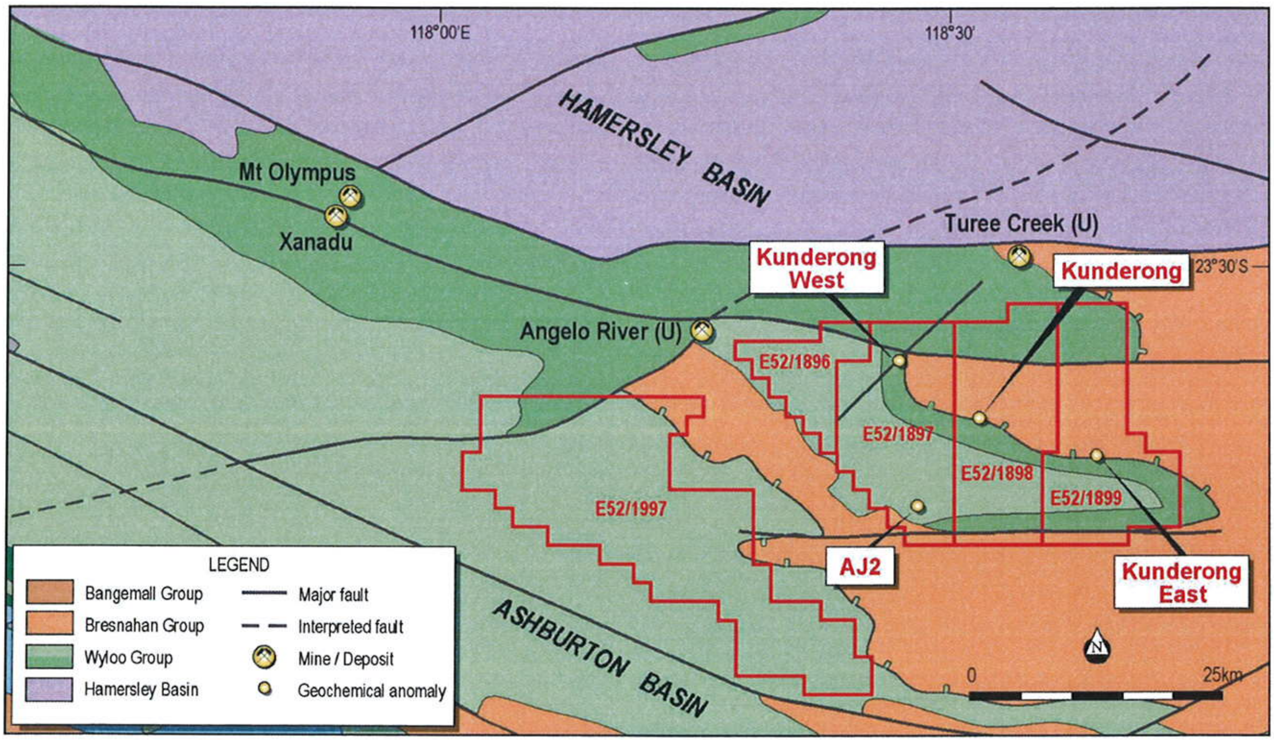


Figure 9: Kunderong Project

The information in this operations report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr R Grivas, MAIG, MAusIMM, Managing Director of Dioro Exploration NL. Mr Grivas has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Grivas consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward-Looking Statements: The forward-looking statements made in this release are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements, including but not limited to those with respect to the operations at the company's South Kal project and the Frog's Leg joint venture and the company's capital expenditures and expected future production involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of the company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the actual market price of gold, the actual results of current exploration, the actual results of future mining, processing and development activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the company's public document.

DIORO EXPLORATION NL
ABN 31 009 271 532

SCHEDULE OF MINERAL TENEMENTS

Tenement group name	Target	Location	Percentage interest held by Dioro
Feysville	Gold	WA	100%
Hampton Location Land	Gold	WA	100%
Pokai	Gold	WA	90%
Glandore South	Gold	WA	100%
Golden Ridge	Gold	WA	100%
Kanowna West	Gold	WA	100%
Lake Cowan	Gold	WA	100%
Lake Greta	Gold	WA	24%
Majestic	Gold	WA	100%
Mungari	Gold	WA	49%
New Celebration	Gold	WA	100%
Ottrey	Gold	WA	100%
Trojan	Gold	WA	100%
Kunderong Range	Gold / Uranium	WA	100%
Kennedy Creek	Gold / Uranium	WA	100%
Credo	Gold / Nickel	WA	100%
Kunanalling	Gold / Nickel	WA	100%
Londonderry	Gold / Nickel	WA	100%
Rose Hill	Gold / Nickel	WA	100%
Penfolds	Gold / Nickel	WA	100%
Queensland	Gold / Nickel	WA	100%

ROYALTY INTERESTS

Roses Find	$1.00 per tonne for the first 2,000,000 tonnes of ore mined
Little Wonder	50 cents per tonne of ore mined
Mt Rankin	50 cents per tonne of ore mined
Red Hill	$1.00 per tonne of ore mined
Red Hill / Kanowna	20 cents per tonne of ore mined
New Celebration	$10 per ounce produced
New Celebration and selective Hampton Land	1.75% per ounce produced
New Celebration	$1 million payable on discovery of 250,000 ounces

DIORO EXPLORATION NL
ABN 31 009 271 532

DIRECTORS' REPORT

The directors present their report together with the financial report of Dioro Exploration NL ("the Company") and the consolidated entity, being the Company, its subsidiaries and the consolidated entity's interest in jointly controlled entities ("the Group") for the financial year ended 31 August 2009 and the auditor's report thereon.

DIRECTORS

The names and details of the directors in office during or since the end of the financial year are:

Thaddeus (Ted) Steven Anthony Grobicki, *Non-executive Chairman*

Mr Grobicki, aged 60, retired in May 2006 from the position of Executive Director at Harmony Gold Mining Company, the fifth largest gold mining company in the world, where he had held several senior executive roles in South Africa, Australia and Canada respectively. He was part of the team that envisaged and executed the strategies and actions which transformed Harmony from a lease-bound loss-making local company into one of the largest and most dynamic integrated gold mining enterprises in the world.

He has 36 years experience in operational, corporate and financial management in the international mining industry. His experience encompasses activities in exploration, development and construction, operational management and restructuring, and in corporate management, mergers and acquisitions in various parts of the world including Southern Africa, North and South America, Australia, Russia and South-East Asia respectively.

He has served on the Boards of 15 publicly listed companies during his career.

Mr Grobicki also sits on the audit committee, and the remuneration and nomination committee.

Rhoderick Gordon John Grivas, *Managing Director*

Mr Grivas, aged 43, is a geologist with over 20 years experience in all technical aspects of exploration from grassroots through to resource estimation and feasibility. He has held a number of director and management positions with junior resource companies and worked at Gilt-Edged Mining NL prior to its takeover by Goldfields Limited (now Barrick), as the Kundana exploration manager during the discovery by Gilt-Edged Mining of a million ounce gold resource, located directly along strike from Dioro's Frog's Leg deposit.

David Maxwell McArthur, *Executive Director and Company Secretary*

Mr McArthur, aged 51, is a Chartered Accountant, with over 28 years experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies for the past 23 years.

Resigned as a director on 27 January 2009

Mark William Pitt, *Executive Director*

Mr Pitt, aged 61, is a mining engineer with extensive experience in mining projects. He was the mining engineer member of the original team that created the medium size gold miner New Hampton Goldfields Limited. Mr Pitt was the director in charge of the operations on which the strong profitable mining company was built. New Hampton was subsequently taken over by South African miner Harmony Gold. During his extensive career Mr Pitt has provided mining engineering services to several public companies. Work experience includes mine management, mine planning and permitting, feasibility studies and mine financing.

Resigned as a director on 27 January 2009

DIRECTORS' REPORT

Mark O'Dea, *Non-Executive Director*

Dr O'Dea, aged 41, is founder, president and CEO of Canadian listed companies Fronteer Development Group and Aurora Energy Resources. Dr O'Dea has been recognised by the Financial Post, Globe and Mail for raising over $250 million in equity financings and building an outstanding exploration team that has developed a sizeable portfolio of advanced-stage gold and copper-gold assets, as well as one of the world's largest primary deposits of uranium. Under Dr O'Dea's leadership, both companies have become ranked amongst the Top 50 Strongest publicly traded companies in British Columbia for their significant capital, liquidity and asset values. Previous to Fronteer and Aurora, Dr O'Dea worked with SRK Consulting and founded Riftore Consulting, providing structural advice on mineral exploration for client companies around the world. Dr O'Dea has also served as a member of the Board of Frontera Cooper Corporation. Dr O'Dea graduated from Carleton University in 1989 with a B.S.c (Hons.) degree in Geology. He then completed his Ph.D in Structural Geology at Monash University in 1995 and subsequently held a one-year Postdoctoral Research Fellowship. Appointed 15 February 2008.

Dr O'Dea is a member of the audit and the remuneration and nomination committees.

Ross Kestel, *Non-Executive Director*

Mr Kestel, aged 54, is both a Chartered Accountant and Certified Practising Accountant and has been a director of the accounting practice Nissen Kestel Harford since July 1980.
Over the last 18 years, he has acted as a director and company secretary of a number of public listed companies involved in mineral exploration, mining, mine services, property development, manufacturing and technology industries.
He has assisted in the listing of a significant number of public companies on the ASX and has been a member of a number of Due Diligence and Takeover Strategy Committees.

Mr Kestel is a member of the Institute of Company Directors.

Mr Kestel is the chairman of the audit committee and the remuneration and nomination committees.

Robert Gordon Reynolds, *Non-Executive Director*

Mr Reynolds, aged 62, is a Chartered Accountant with over 35 years experience in commerce and practice. He joined Delta Gold Limited as its accountant and company secretary and become an executive director in 1988. He became a non-executive director in 1996 and remained as such until the merger with Goldfields Limited in late 2001. Mr Reynolds jointly oversaw the growth of Delta Gold Limited from a junior explorer to a medium size gold mining company. His role was corporate planning, overseeing corporate governance and supervision of administration and financial management.

Mr Reynolds is a member of the audit committee.

Appointed 8 September 2009

Rohan Ian Williams, *Non-Executive Director*

Mr Williams, aged 44, joined Avoca Resources Limited as its founding Managing Director and CEO in October 2001, prior to its IPO in April 2002. Before joining Avoca he worked with WMC Resources Limited where he held Chief Geologist positions at St Ives Gold Mines and Central Norseman Gold Operation. He has had over 20 years of mining, development and exploration experience including over 15 years in the world-class St Ives / Kambalda-Higginsville – Norseman mining regions.

Appointed 8 September 2009

Jan Alex Castro, *Non-Executive Director*

Mr Castro, aged 41, is the Managing Director of Pala Investments AG, the major shareholder of Avoca and the exclusive investment advisor to Pala Investments Holdings Ltd, a US$ 1.0 billion investment company focused on the mining sector. As a long-term partner, Pala leverages its extensive mining and natural resources sector experience to provide strategic advice and innovative financing solutions. Prior to founding Pala in July 2006, Mr Castro was Senior Vice President of Investments and Coporate Affairs for Mechel OAO, a major Russian mining and metals company listed on the New York Stock Exchange.

Appointed 8 September 2009

COMPANY SECRETARY

Mr David McArthur Chartered Accountant was appointed to the position of company secretary in 1991. Mr David McArthur has been actively involved in the financial and corporate management of a number of public listed companies for the past 23 years.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Ted Grobicki	Luiri Gold Mines Limited	April 2005 – Current
Rhod Grivas	XState Resources Limited Lodestar Minerals Limited	29 March 2007 – Current 13 August 2007 - Current
David McArthur	Ellendale Resources NL XState Resources Limited Lodestar Minerals Limited	1999 – May 2007 September 2006 – Current 13 August 2007 - Current
Mark Pitt	Lodestar Minerals Limited	13 August 2007 - Current
Ross Kestel	Jabiru Metals Limited VDM Group Limited DVM International Limited Northern Mining Limited Equigold NL Resource Star Limited Blackcrest Resources Limited Regis Resource Limited XState Resources Limited Jatoil Limited	August 2003 – Current August 2005 - Current April 2005 – November 2007 April 2005 – June 2007 April 2005 – June 2008 August 2006 – Current June 2006 – Current July 2009 - Current September 2006 – Current September 2007 - Current
Mark O'Dea	Frontera Copper Corporation Fronteer Development Group Aurora Energy Resources	2002 – 2007 2007- Current 2007 – Current
Robert Reynolds	Avoca Resources Limited Global GeoScience Exeter Resource Corporation Rugby Mining Ltd	2002 - Current 2007 – Current 2007 – Current 2007 – Current
Rohan Williams	Avoca Resources Limited	2002 – Current
Jan Castro	Avoca Resources Limited Anatolla Minerals Development Limited Crowflight Minerals Inc Coal Corp Mining Inc Churchill Mining Plc	2002- Current 2008 – Current 23 July 2009 – Current 11 November 2009 – Current 20 March 2009 - Current

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Circulation of Resolutions		Audit Committee Meetings		Remuneration Committee Meetings	
Directors	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
T Grobicki	26	26	17	17	4	4	-	-
R Grivas	25	26	17	17				
M O'Dea	17	26	15	17	1	3	-	-
R Kestel	26	26	17	17	4	4	-	-
D McArthur	4	4	5	5	2	2		
M Pitt	4	4	5	5				

A – Number of meetings attended B – Number of meetings held during the time the director held office during the year

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Directors	Ordinary shares	Options over ordinary shares
T Grobicki	571,429	357,143
R Grivas	114,945	1,071,427
R Kestel	-	-
M O'Dea	-	-
R Williams	-	-
J Castro	-	-
R Reynolds	-	-
	686,374	1,428,570

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED

Principles of Compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the seven most highly remunerated Company and Group executives.

Compensation levels for key management personnel and the company secretary of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration committee obtains independent advice on the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies both locally and internationally, and the objectives of the Company's compensation strategy.

The Compensation structures explained below are designed to attract suitably qualified candidates, reward the achievements of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- The key management personnel's ability to control the relevant segment/s' performance.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Other than options issued to directors, the directors do not receive performance related compensation, short term incentives, nor any other benefits.

Long-term incentive

Subject to shareholder approval, directors receive options at various times for their ongoing commitment and contribution to the Company.

Consequences of performance of shareholders wealth

	2009	2008	2007	2006	2005
Profit/(loss) attributable to members of the parent entity	(1,165,862)	(15,997,395)	(1,322,068)	(636,586)	2,771,157
Share price at start of year	0.41	1.61	0.9	0.78	1.19
Share price at end of year	0.72	0.41	1.61	0.9	0.78
Dividends	-	-	-	-	-
Basic earnings/(loss per share) cents	(1.27)	(21.48)	(3.30)	(0.13)	0.73
Fully diluted earnings / (loss) per share (cents)	(1.27)	(21.48)	(3.30)	(0.13)	0.73
Return on capital employed	(1.32)	(17.97)	(3.95)	(3.83)	18.60

Given the nature of an exploration and producing mining company, the Company has historically not judged performance by financial measures but by operational aims such as safety, environmental and production.

Service contracts

Executive director
Mr Rhod Grivas, Chief Executive Officer, has a contract of employment with the Company. This contract is for an unlimited term and is capable of termination. If terminated (other than by Mr Grivas) Mr Grivas shall receive a once only payment of 12 month's salary. Mr Grivas' current salary is $345,000 per annum. The contract is subject to three months notice.

Non-executive directors
The compensation for all non-executive directors, last voted upon shareholders at the 2009 Annual General Meeting, is not to exceed $300,000 per annum in total and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Non-executive directors' base fees are presently $45,000 per annum and the Chairperson's fees are $70,000 per annum.
Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities. Presently Messrs Kestel, Williams, Reynolds, Castro and O'Dea each received non-executive directors' fees of $45,000 per annum. Mr Grobicki receives Chairman's' fees of $70,000 per annum. Messrs Kestel, O'Dea and Gobicki also received audit and remuneration committee fees of $15,000 per annum.

REMUNERATION REPORT - AUDITED

Executives

Mr Mark Pitt, Chief Operating Officer, has a contract of employment with the Company. This contract is for an unlimited term, and is capable of termination. If terminated (other than by Mr Pitt) Mr Pitt shall receive a once only payment of 12 month's salary. Mr Pitt's current salary is $325,000 per annum. The contract is subject to three months notice.

Mr David McArthur, Chief Financial Officer and Company Secretary has a contract of employment with the Company. This contract is for an unlimited term and is capable of termination. If terminated (other than by Mr McArthur) Mr McArthur shall receive a once only payment of 12 month's salary. Mr McArthur's current salary is $215,820 per annum. The contract is subject to three months notice.

On 5 November 2008 an employment agreement was entered into with Mr Paul Hucker, General Manager of South Kal Operations whereby Mr Hucker is paid $272,500 remuneration.

REMUNERATION REPORT – AUDITED (continued)

Directors' and executive officers' remuneration - audited

Details of the nature and amount of each major element of remuneration of each of the director of the Company, each of the named Company executives and relevant Group executives who receive the highest remuneration of the consolidated entity are:

		Short-term			Post-employment		Share based payments			S300A(1) (e) (i) 6 proportion of remuneration performance related	S300A(1) (e) (vi) value of options as proportion of remuneration
		Salary & fees $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Options and rights $	Shares $	Total $	% $	% $
Directors											
Non-executive											
T Grobicki	2009	85,000	6,452	91,452	7,650	-	-	-	99,102	-	-
Chairperson	2008	80,208	3,786	83,994	7,219	-	413,656	696,429	1,201,298	-	34%
R Kestel	2009	89,715	6,452	96,167	-	-	-	-	96,167	-	-
Non-executive director	2008	21,480	1,707	23,187	-	-	-	-	23,187	-	-
M O'Dea	2009	56,875	6,452	63,327	-	-	-	-	63,327	-	-
Non-executive director	2008	20,625	2,361	22,986	-	-	-	-	22,986	-	-
Executives											
R Grivas	2009	316,514	6,452	322,966	28,486	-	37,759	-	389,211	-	10%
Managing Director	2008	280,584	3,786	284,370	24,911	-	123,839	-	433,120	-	29%
David McArthur	2009	203,502	1,204	204,706	18,315	-	-	-	223,021	-	-
Chief Financial Officer/Company Secretary	2008	178,500	3,786	182,286	17,055	-	-	-	199,341	-	-
Mark Pitt	2009	298,173	1,204	299,377	26,836	-	-	-	326,213	-	-
Chief Operating Officer	2008	258,091	3,786	261,877	24,562	-	413,656	-	700,095	-	59%
Paul Hucker	2009	204,812	-	204,812	18,433	-	-	-	223,245	-	-
General Manager - Operations	2008	-	-	-	-	-	-	-	-	-	-
Former											
Dale Oram	2009	43,830	-	43,830	4,031	62,500	(253,216)	-	(142,855)	-	177%
General Manager - Operations	2008	175,387	-	175,387	15,905		124,865	-	316,157	-	39%
Totals	**2009**	**1,298,421**	**28,216**	**1,326,637**	**103,751**	**62,500**	**(215,457)**	**-**	**1,277,431**	-	**-17%**
	2008	**1,014,875**	**19,212**	**1,034,087**	**89,652**	-	**1,076,016**	**696,429**	**2,896,184**	-	**39%**

REMUNERATION REPORT – AUDITED (continued)

Notes in relation to the table of directors' and executive officers' remuneration – audited.

a) The fair value of options granted was determined using the Black and Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

b) Directors fees are paid to Nissen, Kestel, Harford, a company associated with Mr R Kestel.

c) Financial services are provided by Broadway Management (WA) Pty Ltd ("Broadway"), a company associated with David McArthur. Fees paid to Broadway totalled $63,250 (2008: $31,250). These fees are not included in the directors and executive officers table on page 28.

d) Mr D McArthur and Mr M Pitt both resigned as directors on 27 January 2009. Their remuneration is included for the entire year on the basis they continued as executives after their resignation as directors.

e) Mr D Oram ceased employment on the 5 November 2008.

f) Mr P Hucker was appointed on the 5 November 2008.

g) Directors and officers insurance premiums paid on behalf of the directors and senior executive for the amount of $29,970.

h) Messrs Kestel and McArthur received additional payments made over and above the service contracts in relation to the additional time spent on the takeover bids.

OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES OF THE COMPANY – AUDITED

Options and rights over equity instruments granted as compensation – audited

	Number of options granted during 2009	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2009
Directors						
T Grobicki	-	-	-	-	-	-
R Grivas	-	-	-	-	-	357,143
R Kestel	-	-	-	-	-	-
M O'Dea	-	-	-	-	-	-
Executives						
David McArthur	-	-	-	-	-	-
Mark Pitt	-	-	-	-	-	-
Paul Hucker	-	-	-	-	-	-
Dale Oram	-	-	-	-	-	-

No options have been granted since the end of the financial year.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable 4.5 to 5 years from grant date.

Modification of terms of equity-settled share based payment transactions – audited.

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

DIRECTORS' REPORT

Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of Company executives and Group executives are detailed below.

Directors	Number	Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
R Grivas	357,143	1-Feb-05	100%	-	1 September 2008
Executives					
D Oram	80,000	6-Dec-07	-	100%	
	70,000	6-Dec-07	-	100%	
	70,000	6-Dec-07	-	100%	

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the executive ceasing employment.

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and Company executives and relevant Group executives is detailed below:

Directors	Granted in year $ A	Value of Options Exercised in year $ B	Lapsed in year $ C
T Grobicki	-	-	-
R Grivas	-	-	86,500
R Kestel	-	-	-
M O'Dea	-	-	-
Executives			
D McArthur	-	-	-
M Pitt	-	-	29,100
D Oram	-	-	253,216
P Hucker	-	-	-
	-	-	368,816

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted in included in the table above. This amount is allocated to remuneration over the vesting period.
(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
(C) The value of the options that lapsed during the year represents the benefits forgone.

UNISSUED SHARES UNDER OPTIONS

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2011	$0.64	3,000,000
8 December 2011	$1.40	89,286
31 January 2012	$1.40	357,143
	$1.75	1,071,429
	$2.10	357,143
30 September 2012	$2.80	714,286
1 December 2012	$1.75	844,000
	$2.00	200,000
	$2.25	120,000
Total		6,753,287

All options expire on the earlier of their expiry date or termination of the employee's employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

UNISSUED SHARES UNDER WARRANTS

At the date of this report unissued ordinary shares of the Company under warrant are:

Expiry date	Exercise price	Number of shares
30 October 2009	C$2.08	15,625,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was gold mining and mineral exploration.

OPERATION AND FINANCIAL REVIEW

	2009	2008	2007
Net loss attributable to equity holders of the parent	(1,165,862)	(15,997,395)	(1,322,068)
Basic and diluted earnings per share (cents)	(1.27)	(21.48)	(3.30)
Net Assets (NA)	88,226,163	89,016,676	33,461,561
Net Asset Backing (cents per share)	96.34	97.20	4.92

DIRECTORS' REPORT

SUMMARY OF MATERIAL TRANSACTIONS

On 14 April 2009 Avoca Resources Limited announced an intention to make a takeover offer for Dioro Exploration NL. The offer was for 1 Avoca share for every 2.82 Dioro shares. On 20 May 2009 Avoca despatched its Bidders' Statement to Dioro shareholders, with the offer to close on 14 July 2009.

On 26 May 2009 BNP Paribas granted an extension of time to 31 March 2010 to Dioro's debt facility. The facility compromises of A$6 million standby debt facility, and a A$4 million performance bond facility.

On 28 May 2009 Dioro despatched its Targets' Statement to shareholders.

On 6 July 2009 Avoca increased its offer consideration to 1 Avoca share for every 2.4 Dioro shares, and extended the closing date to 21 July 2009.

On 20 July 2009 Avoca extended the closing date of its offer to 28 July 2009.

On 27 July 2009 Avoca extended the closing date of its offer to 4 August 2009.

On 29 July 2009 Avoca increased its offer from 1 Avoca share for every 2.4 Dioro share to 1 Avoca share for every 2.3 Dioro shares.

On 30 July 2009 Ramelius Resources Limited announced its intention to make a takeover for Dioro on the basis of 2 Ramelius shares for every 1 Dioro share.

On 11 August 2009 Avoca declared its offer final, and advised a final closing date of 19 August 2009.

On 13 August 2009 Ramelius despatched its Bidders' Statement to Dioro shareholders, with the offer to close a 12 October 2009.

On 19 August 2009 the Avoca takeover bid closed, with Avoca holding 41,078,023 shares in Dioro, being 44.85% of the issued shares of Dioro.

On 12 October 2009 Ramelius extended the closing date of its offer to 2 November 2009.

On 2 November 2009 Ramelius extended the closing date of its offer to 2 December 2009.

At 13 November 2009 Ramelius had 28,399,610 shares in Dioro, being 31.01% of the issued shares of Dioro.

EVENTS SUBSEQUENT TO REPORTING DATE

On 8 September 2009 Dioro appointed three new directors to the board following a formal request by Avoca. The three non-executive directors appointed were Mr Robert Reynolds, Mr Rohan Williams and Mr Jan Castro.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Since 31 August 2009, the Group has continued to mine and treat ore at its South Kal Operations in line with budget. Ore is sourced from the Group's South Kal Operations and its 49% of the Frog's Leg project.

The Group will continue its ongoing focus on exploration and evaluation activities within the Kalgoorlie region comprising tenements located at Penfolds, New Celebration, Feysville, Hampton Freehold, Glandore, Golden Ridge, Kanowna West, Kennedy Creek, Kunanalling, Lake Cowan, Lake Greta, Londonderry, Majestic, Mungari,Ottrey, Pokai, Queensland, Rose Hill and Trojan. Ongoing exploration will also be carried out the Frog's Leg project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those matters detailed in the summary of material transactions, and the operations report in, the opinion of the directors, there were no matters that significantly affected the state of affairs of the Group during the financial year in review.

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION PERFORMANCE

The Company has a policy of complying with its environmental performance obligations. An environmental breach occurred on 12 February 2009 when the in pit tails line ruptured causing damage to the surrounding area. Subsequent to the breach the area of contamination has been cleared and the necessary repairs to the pipeline have been completed.

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year and the directors recommend that no dividend be provided for the year ended 31 August 2009.

INDEMNIFICATION AND INUSRANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the following current directors of the Company: Messrs Gobicki, Grivas, Kestel, O'Dea, Castro, Williams and Reynolds, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of an agreement entered into in December 2007, the Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The senior executives in question are the general manager of the Group's operating division. The agreement stipulates that the Company will meet the full amount of such liabilities, including legal fees.

During the year, the Company has not indemnified its auditors.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $29,970 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities.The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following officers of the Company and its controlled entities:

- Premiums totalling $29,970 were paid in respect of the directors, senior executives and secretaries of the Company's controlled entities.

The insurance policies outlined above do not contain detail of the premiums paid in respct of individual officers of the Company.

LEAD AUDITOR'S INDEPENDENCE STATEMENT

The Lead auditor's independence declaration and forms part of the directors report for the financial year ended 31 August 2009.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed.

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Audit services				
Auditors of the Company				
KMPG Australia:				
Audit and review of financial reports	295,953	265,107	290,953	265,107
Overseas KPMG firms:				
Audit and review of financial reports	-	-	-	-
	295,953	265,107	290,953	265,107
Other services				
Auditors of the Company				
KPMG Australia:				
Taxation services	84,770	58,775	84,770	58,775
Independent experts report	106,400	-	106,400	-
TSX Listing	-	564,972	-	564,972
	191,170	623,747	191,170	623,747

DIRECTORS' REPORT

This report is made with a resolution of the directors.

R GRIVAS
Director

Dated at Perth this 25th day of November 2009.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Dioro Exploration NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 August 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

R Gambitta
Partner

Perth
25 November 2009

DIORO EXPLORATION NL
ABN 31 009 271 532

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2009

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

BOARD OF DIRECTORS

ROLE OF THE BOARD

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems.

It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer and Executive Management. *Responsibilities are delineated by formal authority delegations.*

Board processes

To assist in the execution of its responsibilities, the board has established a number of board committees including an Audit Committee and a Remuneration Committee.

The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds twelve scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the, chief executive officer and company secretary. Standing items include the chief executive officer's report, financial reports, operations reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' report. The composition of the board is determined using the following principles:

- A broad range of expertise both nationally and internationally;
- A majority of independent non-executive directors;
- A majority of directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- A non-executive independent director as Chairperson;
- Enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities;

- One third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account, in determining the number of directors to retire at the Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

The Board has reviewed the position and association of each of the seven directors in office at the date of this report and considers that six of the directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers that Messrs Grobicki, Kestel, O'Dea, Reynolds, Castro and Williams meet the criteria in Principle 2. They have no material business or contractual relationship, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly they are considered to be independent. For the purpose of the Targets' Statement in response to the takeover offer by Ramelius Limited, Messrs Reynolds, Williams and Castro were not considered independent.

The managing director is employed in an executive capacity and so is not considered to be independent.

Board performance review

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

REMUNERATION COMMITTEE

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other Group executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Mr R Kestel (Chairperson) – Independent Non Executive
- Mr M O'Dea - Independent Non Executive
- Mr T Gobicki - Independent Non Executive

The board policy is that the remuneration committee will comprise entirely of at least three independent non-executive directors. The Company Secretary, Mr D McArthur and chief operating officer Mr M Pitt, are invited to remuneration committee meetings, as required, to discuss senior executives' performance and remuneration packages but do not attend meetings involving matters pertaining to them.

The remuneration committee meets as required.

Director remuneration

Details of the Company's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2009

AUDIT COMMITTEE

All members must be non-executive directors with a majority being independent. The Chairperson of the committee may not be the Chairperson of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the audit committee during the year were:

- Mr R Kestel-B.Com., CA, CPA (Chairperson)
- Dr M O'Dea-B.Sc (Hons) and Phd
- Mr T Gobicki-B.Geo

The external auditors and the chief financial officer are invited to audit committee meetings at the discretion of the committee. The committee met four times during the year and committee members' attendance record is disclosed in the table of directors meetings.

The chief financial officer and chief executive officer declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 August 2009 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor met with the audit committee and the board of directors four during the year without management being present.

The responsibilities of the audit committee include:

- Reviewing the annual, half year and concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with committee members' information and adequate for shareholder needs
- Assessing management processes supporting external reporting
- Assessing corporate risk assessment processes
- Establishing procedures for selecting, appointing, and if necessary, removing the external auditor
- Assessing whether non-audit services provided by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001
- Assessing the adequacy of the internal control framework and the Company's code of ethical standards
- Organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and ASX Listing Rules and all other regulatory requirements.
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The audit committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.
- Review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results.
- Review the draft annual and half-year financial report, and recommend board approval of the financial report.
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

RISK MANAGEMENT

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The chief financial officer has provided assurance, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk management and compliance and control

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control is comprehensive. It comprises the Company's internal compliance and control systems, including:

- Operating unit controls – operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals.
- Functional speciality reporting – key areas subject to regular reporting to the board include financial, operation, environmental and safety.
- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where assets are being acquired or divested.

Comprehensive practices have been established to ensure:

- Capital expenditures above a certain size obtain prior board approval
- Financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in note 5 to the financial statements
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- Business transactions are properly authorised and executed
- The quality and integrity of personnel
- Financial reporting accuracy and compliance with the financial reporting regulatory framework
- Environmental regulation compliance

Quality and integrity of personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Financial reporting

The chief executive officer and chief financial officer have provided assurance in writing to the board the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets, approved by the directors, and revised forecasts for the year are prepared regularly.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2009

Environmental regulation and performance

The Group's mining activities are all in Western Australia, and are governed by Western Australian legislation, including the Mining Act 1978, the Mines Safety and Inspection Act 1994, Dangerous Goods Safety Act 2004 and other mining related and subsidiary legislation. The Group is subject to significant environmental legislation, including the Western Australian Environmental Protection Act 1986, Contaminated sites Act 2003, Wildlife Conservation Act 1950 and the Commonwealth Environmental Protection and Biodiversity Conservation Act 1999, as well as safety compliance in respect of its mining and exploration activities.

The Energy Efficiency Opportunities Act 2006 requires that the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As required under this Act, the Company has assessed its energy usage and will seek registration once it has reached the threshold for registration.

The National Greenhouse and Energy Reporting Act 2007 requires that the Group report its annual greenhouse gas emissions and energy use. The first measurement period for this Act runs from 1 July 2009 to 30 June 2010. The Group has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy data officer.

The Group holds a number of licenses to regulate its exploration and mining activities in Australia. These licenses are subject to various environmental regulations.

The Group is committed to achieving a high standard of environmental performance. The environmental performance is reported from site up through management to the board of directors on a regular basis.

Part of the review of the environmental performance involves:

- Setting and communicating environmental objectives and quantified targets.
- Monitoring progress against these objectives and targets.
- Implementing environmental management plans in operating areas which may have a significant environmental impact.
- Identifying where remedial actions are required and implementing action plans.
- Regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis

Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with two instances of non-compliance in relation to licence requirements noted.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2009

Code of conduct

The Group has advised each director, manager and employee that they must comply with the Group's Ethical Standards.

Continuous disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who, in consultation with Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with the continuous disclosure policy and update it from time to time, if necessary.

Trading in company securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Key elements of the policy are set out below:

- Identification of those restricted from trading – directors and executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - During the period from the half year or year end until 2 trading days following the release to the ASX of the half year or full year results.
  - Whilst in possession of price sensitive information not yet released to the market
- To raise awareness of legal prohitions including transactions with colleagues and external advisors
- To raise awareness that the Company prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period
- To require details to be provided of intended trading in the Company's shares
- To require details to be provided of the subsequent confirmation of the trade
- The identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

Communication with shareholders

The board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- The full annual report provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, is sent to any shareholder who requests it, and is provided on the Company's website.
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.
- All announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX.
- The external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website within one day of public release.

The board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and the Remuneration report.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

	Notes	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
		$	$	$	$
Revenue		85,674,761	46,201,452	46,756,365	8,793,412
Cost of sales		(78,263,994)	(58,684,179)	(25,454,869)	(7,666,168)
Gross Profit / (loss)		**7,410,767**	**(12,482,727)**	**21,301,496**	**1,127,244**
Other income	7	2,046,017	3,846,003	346,159	2,353,723
Administrative expenses	8	(2,217,017)	(4,481,766)	(1,714,693)	(4,164,856)
Other expenses	9	(5,679,019)	(3,319,501)	(19,589,646)	(16,271,465)
Results from operating activities		**1,560,748**	**(16,437,991)**	**343,316**	**(16,955,354)**
Finance income	11	202,305	1,474,091	117,463	1,253,482
Finance expenses	11	(2,928,915)	(1,033,495)	(1,629,498)	(336,872)
Net finance expense		**(2,726,610)**	**440,596**	**(1,512,035)**	**916,610**
Profit / (loss) before income tax		**(1,165,862)**	**(15,997,395)**	**(1,168,719)**	**(16,038,744)**
Income tax expense	12	-	-	-	-
Profit / (loss) for the period		**(1,165,862)**	**(15,997,395)**	**(1,168,719)**	**(16,038,744)**
Loss per share					
Basic earnings per share (cents)	23	(1.27)	(21.48)		
Diluted earnings per share (cents)	23	(1.27)	(21.48)		

The income statements are to be read in conjunction with the notes to the financial statements.

DIORO EXPLORATION NL
ABN 31 009 271 532

BALANCE SHEETS
AS AT 31 AUGUST 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current assets					
Cash and cash equivalents	21	5,767,319	7,094,742	2,739,766	1,078,245
Trade and other receivables	20	2,424,784	5,932,216	1,172,200	1,373,290
Inventories	19	7,561,111	8,853,268	3,988,421	2,418,320
Total current assets		**15,753,214**	**21,880,226**	**7,900,387**	**4,869,855**
Non current assets					
Trade and other receivables	20	1,041,821	4,072,818	43,963,525	48,432,171
Other investments	17	48,278	161,682	48,279	161,683
Property, plant and equipment	13	79,044,201	66,133,595	44,973,440	29,926,095
Exploration, evaluation and development	14	21,618,314	30,037,431	6,914,852	12,525,469
Total non current assets		**101,752,614**	**100,405,526**	**95,900,096**	**91,045,418**
Total assets		**117,505,828**	**122,285,752**	**103,800,483**	**95,915,273**
Current liabilities					
Trade and other payables	28	7,958,021	19,782,246	3,646,049	4,014,097
Loans and borrowings	24	7,049,464	1,006,670	6,998,077	651,849
Employee benefits	25	1,204,888	785,071	469,186	86,726
Total current liabilities		**16,212,373**	**21,573,987**	**11,113,312**	**4,752,672**
Non current liabilities					
Loans and borrowings	24	2,171,366	837,405	2,171,366	785,724
Provisions	27	10,895,926	10,857,684	2,289,641	1,360,200
Total non current liabilities		**13,067,292**	**11,695,089**	**4,461,007**	**2,145,924**
Total liabilities		**29,279,665**	**33,269,076**	**15,574,319**	**6,898,596**
Net assets		**88,226,163**	**89,016,676**	**88,226,164**	**89,016,677**
Equity					
Share capital	22 (a)	116,467,859	116,467,859	116,467,859	116,467,859
Reserves	22 (b)	4,687,056	4,311,707	4,731,263	4,353,057
Accumulated losses		(32,928,752)	(31,762,890)	(32,972,958)	(31,804,239)
Total equity		**88,226,163**	**89,016,676**	**88,226,164**	**89,016,677**

The balance sheets are to be read in conjunction with the notes to the financial statements.

DIORO EXPLORATION NL
ABN 31 009 271 532

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2009

	Issued Capital	Accumulated Losses	Reserves	Total
	$	$	$	$
CONSOLIDATED				
At 1 September 2008	116,467,859	(31,762,890)	4,311,707	89,016,676
Change in fair value of available-for-sale investments	-	-	(41,750)	(41,750)
Foreign currency translation reserve	-	-	(2,857)	(2,857)
Income and expense recognised directly in equity	-	-	(44,607)	(44,607)
Profit/ (loss) for the period	-	(1,165,862)	-	(1,165,862)
Total recognised income and expenses	-	(1,165,862)	(44,607)	(1,210,469)
Cost of share-based payments	-	-	419,956	419,956
At 31 August 2009	116,467,859	(32,928,752)	4,687,056	88,226,163
At 1 September 2007	48,520,595	(15,765,495)	706,461	33,461,561
Capital raising costs	(5,287,358)	-	-	(5,287,358)
Change in fair value of available-for-sale investments	-	-	(15,124)	(15,124)
Foreign currency translation reserve	-	-	(41,350)	(41,350)
Income and expense recognised directly in equity	(5,287,358)	-	(56,474)	(5,343,832)
Loss for the period	-	(15,997,395)	-	(15,997,395)
Total recognised income and expense	(5,287,358)	(15,997,395)	(56,474)	(21,341,227)
Cost of share-based payments	696,429	-	3,661,720	4,358,149
Acquisition of South Kalgoorlie project for shares	20,685,713	-	-	20,685,713
Issue of subscriptions to ordinary shares	56,850,483	-	-	56,850,483
Return of capital - Lodestar in-specie distribution	(4,998,003)	-	-	(4,998,003)
At 31 August 2008	116,467,859	(31,762,890)	4,311,707	89,016,676

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

DIORO EXPLORATION NL
ABN 31 009 271 532

STATEMENTS OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 AUGUST 2009

	Issued Capital	Accumulated Losses	Reserves	Total
	$	$	$	$
COMPANY				
At 1 September 2008	116,467,859	(31,804,239)	4,353,057	89,016,677
Change in fair value of available-for-sale investments	-	-	(41,750)	(41,750)
Income and expense recognised directly in equity	-	-	(41,750)	(41,750)
Profit/ (loss) for the period	-	(1,168,719)	-	(1,168,719)
Total recognised income and expenses	-	(1,168,719)	(41,750)	(1,210,469)
Cost of share-based payments	-	-	419,956	419,956
At 31 August 2009	116,467,859	(32,972,958)	4,731,263	88,226,164
At 1 September 2007	48,520,595	(15,765,495)	706,461	33,461,561
Capital raising costs	(5,287,358)	-	-	(5,287,358)
Change in fair value of available-for-sale investments	-	-	(15,124)	(15,124)
Foreign currency translation reserve	-	-	-	-
Income and expense recognised directly in equity	(5,287,358)	-	(15,124)	(5,302,482)
Loss for the period	-	(16,038,744)	-	(16,038,744)
Total recognised income and expense	(5,287,358)	(16,038,744)	(15,124)	(21,341,226)
Cost of share-based payments	696,429	-	3,661,720	4,358,149
Acquisition of South Kalgoorlie project for shares	20,685,713	-	-	20,685,713
Issue of subscriptions to ordinary shares	56,850,483	-	-	56,850,483
Return of capital - Lodestar in-specie distribution	(4,998,003)	-	-	(4,998,003)
At 31 August 2008	116,467,859	(31,804,239)	4,353,057	89,016,677

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

DIORO EXPLORATION NL
ABN 31 009 271 532

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Cash receipts from customers		85,674,761	48,191,894	46,756,365	9,025,062
Cash paid to suppliers and employees		(75,080,456)	(49,035,496)	(27,465,304)	(12,303,707)
Interest received		202,305	1,435,415	117,463	1,214,806
Interest paid		(746,002)	(262,074)	(713,145)	(254,599)
Net cash from operating activities	21 (b)	**10,050,608**	**329,739**	**18,695,379**	**(2,318,438)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		269,682	16,434	232,348	500
Acquisition of property, plant and equipment		(16,892,974)	(17,507,018)	(12,240,072)	(11,037,996)
Payments for exploration, evaluation and development		(2,081,349)	(6,664,736)	(1,446,988)	(3,329,007)
Loans to controlled entities		-	-	(8,613,257)	(12,114,955)
Settlement of the South Kal Operation acquisition		2,647,616	-	-	-
Payments for business acquisition (net of cash acquired)		-	(23,741,140)	-	(24,900,000)
Net cash used in investing activities		**(16,057,025)**	**(47,896,460)**	**(22,067,969)**	**(51,381,458)**
Cash flows from financing activities					
Proceeds from issue of shares and options		-	56,850,483	-	56,850,483
Payment of capital raising costs		-	(5,287,358)	-	(5,287,358)
Proceeds and payments for proceeds bonds		806,679	(824,643)	806,679	(824,643)
Proceeds from financing activities		5,500,000	-	5,500,000	-
Payment of finance lease liabilities		(1,627,684)	(800,000)	(1,272,568)	(800,000)
Net cash from (used in) financing activities		**4,678,995**	**49,938,482**	**5,034,111**	**49,938,482**
Net decrease in cash and cash equivalents		**(1,327,422)**	**2,371,761**	**1,661,521**	**(3,761,414)**
Cash and cash equivalents at 1 September		7,094,742	4,839,659	1,078,245	4,839,659
Effect of exchange rate fluctuations on cash held		-	(116,678)	-	-
Cash and cash equivalents at 31 August	21 (a)	**5,767,320**	**7,094,742**	**2,739,766**	**1,078,245**

The cash flow statements are to be read in conjunction with the notes to the financial statements.

1. REPORTING ENTITY

Dioro Exploration NL (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, 45 Stirling Highway, Nedlands, Western Australia, 6009. The consolidated financial statements of the Company as at and for the year ended 31 August 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in gold mining and exploration.

(a) Going concern

The financial report has been prepared on a going concern basis. The Group has a working capital deficiency at 31 August 2009 of $459,159 (Company: $3,212,925) including a working capital facility which is drawn to $5,500,000 ($4 million of which is performance bond guarantees) of a $10,000,000 total facility and maturing 31 March 2010. Management have prepared and directors have approved a cash flow forecast for the Group which anticipates a net cash flow surplus sufficient to recover the carrying value of property, plant and equipment, development assets and settlement of liabilities including the working capital facility in the normal course of business. The cash flow forecast and the ability to recover the carrying value of property, plant and equipment and development assets is dependent upon the ability of the Group to achieve its performance targets from the operations particularly gold production and successful mining at the Mt Martin and Mt Marion open pits. It is also dependent on achieving operating costs in line with this forecast. The Directors are confident that the operations will achieve production and output forecasts.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of the Directors on 25 November 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- share-based payments measured at fair value

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

Units of production method of amortisation

The Group applies the units of production method for amortisation of its life of mine specific assets, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserves and resources, metallurgy and the complexity of future capital development requirements; changes to these estimates and assumptions will impact the amortisation charge in the income statement and asset carrying values.

Impairment of assets

The recoverable amount of each cash generating unit (CGU) is determined as the higher of value-in use and fair value less costs to sell. These calculations require the use of estimates. Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the asset.

Future cash flow estimates are based on expected production volumes, the short and long term forecasts of the Australian dollar gold price, ore reserves and operating costs. Management is required to make these estimates and assumptions, which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances will alter these projections, which could impact on the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired, giving rise to an impairment charge in the income statement.

Rehabilitation and mine closure provisions

As set out in Note 3(i), the value of these provisions represents the discounted value of the present obligations to restore, dismantle, and rehabilitate each site. Significant judgment is required in determining the provisions for mine rehabilitation and closure as there are many transactions and other factors that will affect the ultimate costs necessary to rehabilitate the mine sites. The discounted value reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (Note 3(i)). The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Gold mineral reserves

Reserves are estimates of the amount of gold product that can be economically extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long term gold prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resource and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimated future cash flows.
- Depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves after expectations about the timing or cost of these activities.

If changes in estimates occur, depreciation and amortisation of mining assets is adjusted prospectively.

Share-based payments

As set out in Note 26, share-based payments have been calculated at fair value using the Black & Scholes method and have been recognised as either an employee or professional expense, according to its nature. Assumptions such as volatility factors and estimated life of the options, requires the use of judgement.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. Income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

(i) Non-Derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measureable as describe below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3 (l).

Available-for-sale financial assets

The Group's investment in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3 (g)(i)), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit of loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issues of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (including those under finance lease) are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 July 2004, the Group's date of transition to AASB's was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Depreciation

The Group applies the units of production (UOP) method for depreciation of its life of mine specific assets, which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserves and resources; changes to these estimates and assumptions will impact the amortisation charge in the income statement and asset carrying values. The unit of production rate for this year was 19%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Leased assets are depreciated over the shorter of the lease term and other useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates for the current and comparative periods are as follows:

	Method	2009	2008
Plant and equipment	UOP	19%	15%
Motor vehicles	UOP	19%	15%
Mine properties (amortisation)	UOP	19%	15%
Office equipment	Straight line	20%	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Amortisation

In applying the units of production method for mine properties, amortisation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on mineable reserves. The calculation includes consideration of appropriate estimates of the future costs to be incurred in developing the estimated economic reserve. Changes to mineable reserves are applied from the beginning of the reporting period and the amortisation charge is adjusted from the beginning of the period.

(v) Mine Properties

Mine properties represents the acquisition cost and/or accumulated exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

Mine development costs are deferred until commercial production commences until such time that mine development is transferred to mine properties, at which time they are amortised on a unit-of-production basis over mineable reserves.

(vi) Mine Development

Open pits

Waste removal costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs, which are subsequently amortised over the life of the operation.

Removal of waste incurred once an operation commences production is expensed.

Underground

When further development expenditure is incurred in respect of a mine development after the commencement of production, such expenditure is carried forward as part of the mine development only when substantial future economic benefits are thereby established, otherwise such is classified as part of production and expensed as incurred.

Mine development costs are tested for impairment in accordance with Note 15 or 3 (g) (ii).

(vii) Stripping costs

The costs of stripping and overburden material whilst the area of interest is in production, is expensed to the income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The gold in circuit is based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-fors sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and exploration expenditure are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(h) Employee entitlements

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contributions plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period during that employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximately terms of the Group's obligations.

(iv) Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the true value of money and the risks specific to the liability.

(i) *Site restoration and rehabilitation*
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Cost estimates are not reduced by potential from the sale of assets.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and mining facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset.

Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the costs of the related asset.

(j) Revenue recognition

Revenues from the sale of goods is measured at fair value of the consideration received or receivable, net of the amount of goods and services tax ("GST") payable to the taxation authority. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably there is no continuing management involved with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale.

(i) *Sale of gold*
Gold sales revenue is recognised when control of the gold passes to the refinery. Revenue is determined at the spot price of gold unless the delivery has been sold at a forward price.

(ii) Royalty income
Royalty income is recognised as it accrues.

(iii)*Rental income*
Rental income from office leases is recognised on a straight line basis over the term of the lease.

(iv) Sale of non-current assets
The net proceeds of non-current asset sales are included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the gross proceeds on disposal and recognised as other income/expense.

(v) Toll treatment income
An agreement was made between one of the Group entities and an outside party to toll treat ore through the Group's processing plant. Revenue is recognised once the service is provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounting for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer and the lease adjustment is known.

(l) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit or tax loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on difference tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is it no longer probable that the related benefit will be realised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities are not a consolidated group for tax purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes and share options granted to employees.

(p) Exploration and evaluation

In accordance with AASB 6 "Exploration for and Evaluation of Mineral Resources", exploration and evaluation costs are accumulated in respect of each separate area of interest. Exploration and evaluation expenditure are carried forward at cost where the rights of tenure are current and either:

(i) Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(ii) Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets will be assessed annually for impairment in accordance with AASB 6, and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units. The income statement will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(q) Segment reporting

A segment is a distinguishable component of the Group and the Company that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

The Company operates predominantly in the mining and exploration industry in Western Australia.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 August 2009, but have not been applied in preparing this financial report.

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Company's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments (Note 6). The Company does not believe that the effects of the new standard will be significant as it operates in one segment.

- Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 August 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's disclosures.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment:
  Vesting Conditions and Cancellations: clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments have prospective applications.

- AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.

- Revised AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 August 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 August 2010 financial statements, are not expected to have any impact on the financial statements.

- AASB 2008-7 Amendments to Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 31 August 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items had plant, equipment, fixtures and fittings are based on the quoted market prices for similar items.

(ii) Inventories
The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Investments in equity and debt securities
The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for sale financial assets is determined by reference to their quoted bid price at the reporting date.

(iv) Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) Exploration and development acquired
The fair value of exploration and evaluation expenditure acquired has been determined with reference to market values for reserves and resources acquired.

(vi) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vii) Share-based payment transactions
The fair value of employee stock options is measured using the Black and Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. FINANCIAL RISK MANAGEMENT

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivable and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Trade and other receivables
The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.
Credit risk from balances with banks and financial institutions is managed by the Board approved company policy.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to maintain, as far as possible, sufficient cash and marketable securities, and the availability of funding through adequate committed credit facilities, to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains a line of credit for $6 million (drawn to $5.5 million) that can be drawn down to meet short term financing needs. Refer also Note 1(a).

5. FINANCIAL RISK MANAGEMENT (continued)

As part of the facility agreement the company has entered into four forward contracts to deliver 19,823 ounces of gold at a net average price of A$1012.97, refer to the table below:

Gold Ounces	Maturity Date	Hedge Price ($A)
1,823	28 September 2009	$995.97
10,000	31 December 2009	$1009.80
8,000	29 March 2010	$1020.80

These gold forward contracts do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal sale / purchase exemption because physical gold is delivered into the contract.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Group is exposed to minimal currency risks that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD) and Sterling (GBP). The currencies in which these transactions primarily are denominated are AUD and GBP. The Group does not hedge its currency exposures.

Interest rate risk
The Group has interest rate risk relating to its funds on deposit with banking institutions, finance leases and third party loans. The Group does not hedge their exposure (see note 29(c) for sensitivity analysis).

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

There were no other changes in the Group's approach to capital management during the year. The Group does not have externally imposed capital requirements.

6. SEGMENT REPORTING

The group operates predominantly in the mining and exploration of gold in Australia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

7. OTHER INCOME

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Rent income	330,410	276,701	330,410	276,701
Royalty income	-	69,214	-	69,214
Profit on sale of subsidiary	-	1,962,500	-	1,962,500
Gain/(loss) of non-current assets	-	15,934	-	500
Toll treatment income	1,659,349	896,983	-	-
Other	56,258	624,671	15,749	44,808
	2,046,017	3,846,003	346,159	2,353,723

8. ADMINISTRATIVE EXPENSES

Wages and salaries	775,256	544,491	600,925	403,193
Other associated personnel expenses	216,016	209,001	180,629	209,001
Employee share-based payments	382,200	2,242,269	382,200	2,242,269
Total employee expenses	1,373,472	2,995,761	1,163,754	2,854,463
Advertising and publicity	215,132	189,130	215,132	189,130
Communication & information services	47,779	52,779	47,779	52,779
Office administration	347,412	682,516	54,806	507,956
Share registry and statutory fees	223,050	500,766	223,050	500,096
Bank fees	10,172	60,814	10,172	60,432
	843,545	1,486,005	550,939	1,310,393
	2,217,017	4,481,766	1,714,693	4,164,856

9. OTHER EXPENSES

Depreciation	-	40,559	-	40,559
Director's remuneration	976,198	794,000	976,198	794,000
Director's share-based payments	37,759	951,151	37,759	951,151
Fringe benefits tax	-	4,088	-	4,088
Motor vehicle expenses	1,239	15,961	1,239	15,961
Professional fees	1,689,027	627,589	1,689,027	611,827
Loss on disposal of non-current assets	613,713	-	386,819	-
Impairment on exploration expenditure	2,361,083	479,799	1,108,292	159,299
Impairment on intercompany loan	-	-	15,390,312	13,299,091
Other	-	406,354	-	395,489
	5,679,019	3,319,501	19,589,646	16,271,465

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

10. PERSONNEL EXPENSES

	Notes	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
		$	$	$	$
Wages and salaries		11,238,598	8,501,528	600,925	924,343
Other associated personnel expenses		534,198	1,743,024	81,003	185,156
Director's share-based payments		37,759	951,151	37,759	951,151
Contribution to defined contribution plans		972,165	858,384	54,905	154,244
Directors' remuneration		976,198	839,488	976,198	839,488
Termination benefit		456,855	-	-	-
Employee share-based payments		382,200	2,242,269	382,200	2,242,269
Total personnel expenses	(i)	14,597,973	15,135,844	2,132,990	5,296,651

(i) Personnel expenses are included in cost of sales $12,464,982 (2008:$10,392,966), administrative expenses $1,044,044 (2008: $2,995,761) and other expenses $1,013,957 (2008: $1,747,117).

11. FINANCE INCOME AND EXPENSE

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Finance income				
Interest income on bank deposits	202,305	1,470,007	117,463	1,249,398
Net foreign exchange gain	-	4,084	-	4,084
	202,305	1,474,091	117,463	1,253,482
Finance expense				
Interest expense	1,540,170	344,347	1,181,445	336,872
Net change in fair value of investments	71,653	-	71,653	-
Unwind of discount on site restoration	1,076,712	689,148	136,020	-
Impairment loss on trade receivables	240,380	-	240,380	-
	2,928,915	1,033,495	1,629,498	336,872
Net finance income / (expense) recognised in profit or (loss)	(2,726,610)	440,596	(1,512,035)	916,610

12. INCOME TAX EXPENSE

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current tax expense				
Current period income tax expense / (benefit)	2,125,114	(5,539,645)	5,228,646	1,187,126
Deferred income tax expense / (benefit)	(2,125,114)	5,539,645	(5,228,646)	(1,187,126)
Income tax expense reported in the income statement	-	-	-	-
Numerical reconciliation between tax expense and pre-tax accounting profit				
Accounting profit / (loss) for the period before income tax	(1,165,862)	(15,997,395)	(1,168,719)	(16,038,744)
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	(349,759)	(4,799,218)	(350,616)	(4,811,623)
Increase/(decrease) in income tax expense due to:				
Net tax effect of sale of Penfolds assets	-	911,250	-	911,250
Non-deductible expenses	931,933	1,164,770	649,725	5,087,499
Impairment expense on inter-company loan	-	-	4,617,094	-
Tax deductible equity raising costs	-	(405,547)	-	(405,547)
Recognition of previously	-	-	-	-
unrecognised tax losses	(582,174)	(781,579)	(4,916,203)	(781,579)
Tax losses not brought to account	-	3,910,324	-	-
Income tax expense reported in the income statement	-	-	-	-
Tax losses				
Unused tax losses	42,859,194	43,782,322	10,092,517	21,360,753

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of Group $12,857,758 / Company $3,027,751 (2008: Group $13,134,997 / Company $6,408,226) attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefit of these tax losses will only be obtained if:

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(ii) the conditions for deductibility imposed by tax legislation continue to be complied with, and
(iii) no changes in tax legislation adversely affect the Group or the Company in realising the benefit.
(iv) Satisfaction of either the continuity of ownership test or the same business test

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

13. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment are included in the financial statements, at cost, on the following basis:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Land				
Cost	525,000	525,000	-	-
Furniture and fixtures				
Cost	15,306	15,167	15,306	15,167
Accumulated depreciation	(5,597)	(2,680)	(5,597)	(2,680)
	9,709	12,487	9,709	12,487
Office and computer equipment				
Cost	189,136	178,588	189,136	178,588
Accumulated depreciation	(104,265)	(81,488)	(104,265)	(81,488)
	84,871	97,100	84,871	97,100
Motor vehicles				
Cost	79,068	79,068	79,068	79,068
Accumulated depreciation	(48,165)	(37,383)	(48,165)	(37,383)
	30,903	41,685	30,903	41,685
Plant and equipment				
Cost	29,697,567	27,312,621	1,396	700
Accumulated depreciation	(8,735,704)	(3,637,048)	(222)	(79)
	20,961,863	23,675,573	1,174	621
Plant and equipment under construction				
Cost	2,488,147	2,161,931	-	-
Mine properties				
Cost	62,124,145	39,315,451	44,779,814	24,548,619
Accumulated amortisation	(16,492,469)	(6,179,065)	(9,245,063)	(1,257,850)
	45,631,676	33,136,386	35,534,751	23,290,769
Joint venture plant and equipment				
Cost	11,450,112	7,450,832	11,450,112	7,450,832
Accumulated depreciation	(2,138,080)	(967,399)	(2,138,080)	(967,399)
	9,312,032	6,483,433	9,312,032	6,483,433
Total property, plant and equipment	79,044,201	66,133,595	44,973,440	29,926,095

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Land				
Carrying amount at beginning of period	525,000	-	-	-
Acquired on business combination	-	525,000	-	-
Carrying amount at end of period	525,000	525,000	-	-
Furniture and fixtures				
Carrying amount at beginning of period	12,487	519	12,487	519
Additions	139	13,832	139	13,832
Depreciation	(2,917)	(1,864)	(2,917)	(1,864)
Carrying amount at end of period	9,709	12,487	9,709	12,487
Office and computer equipment				
Carrying amount at beginning of period	97,100	53,158	97,100	53,158
Additions	10,547	71,806	10,547	71,806
Depreciation	(22,776)	(27,864)	(22,776)	(27,864)
Carrying amount at end of period	84,871	97,100	84,871	97,100
Motor vehicles				
Carrying amount at beginning of period	41,685	52,437	41,685	52,437
Additions	-	-	-	(10,752)
Depreciation	(10,782)	(10,752)	(10,782)	-
Carrying amount at end of period	30,903	41,685	30,903	41,685
Plant and equipment				
Carrying amount at beginning of period	23,675,573	-	621	-
Acquired on business acquisition	-	26,621,753	-	-
Additions	3,364,230	688,131	695	700
Disposals	(264,226)	-	-	-
Reassessment of provision during the period	(591,626)			
Depreciation	(5,222,086)	(3,634,311)	(142)	(79)
Carrying amount at end of period	20,961,865	23,675,573	1,174	621
Plant and equipment under construction				
Carrying amount at beginning of period	2,161,931	-	-	-
Additions	326,216	2,161,931	-	-
Carrying amount at end of period	2,488,147	2,161,931	-	-

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Mine properties				
Carrying amount at beginning of period	33,136,386	-	23,290,769	-
Acquired on business acquisition	-	1,385,950	-	-
Additions	11,909,168	14,474,237	10,946,017	10,534,076
Transferred from exploration phase	6,414,382	-	5,949,313	-
Transferred from development phase	1,725,000	21,519,343	-	12,654,343
Rehabilitation asset	213,876	1,935,921	789,599	1,360,200
Accumulated amortisation	(7,767,138)	(6,179,065)	(5,440,947)	(1,257,850)
Carrying amount at end of period	45,631,674	33,136,386	35,534,751	23,290,769
Joint venture plant and equipment (i)				
Carrying amount at beginning of period	6,483,433	2,144,615	6,483,433	2,144,615
Additions	4,639,233	5,184,519	4,639,233	5,184,519
Disposals	(611,669)	-	(611,669)	-
Accumulated depreciation	(1,198,965)	(845,701)	(1,198,965)	(845,701)
Carrying amount at end of period	9,312,032	6,483,433	9,312,032	6,483,433
Total property, plant and equipment	79,044,201	66,133,595	44,973,440	29,926,095

i) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At 31 August 2009, the net carrying amount of leased plant and machinery was $4,738,717 (2008: $1,588,950) and $3,632,435 was acquired by way of finance lease in 2009 (2008: $5,184,519).

14. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Costs carried forward in respect of areas of interest in:				
Exploration and evaluation phase	21,208,314	27,873,294	6,914,852	12,496,332
Development phase	410,000	2,164,137	-	29,137
	21,618,314	**30,037,431**	**6,914,852**	**12,525,469**
Exploration and evaluation phase				
Carrying amount at beginning of period	27,873,294	17,199,928	12,496,332	17,199,928
Acquired on / (adjustment to) business acquisition	(691,233)	12,362,233	-	-
Additions	2,772,583	6,178,131	1,446,988	2,842,902
Transferred to mine properties	(6,414,384)	(4,349,699)	(5,949,313)	(4,349,699)
Transferred from development	29,137	-	29,137	-
Disposal	-	(3,037,500)	-	(3,037,500)
Impairment loss	(2,361,083)	(479,799)	(1,108,292)	(159,299)
	21,208,314	**27,873,294**	**6,914,852**	**12,496,332**
Development phase				
Opening balance	2,164,137	8,333,781	29,137	8,333,781
Acquired	-	11,000,000	-	-
Transferred to exploration phase	(29,137)	4,349,699	(29,137)	4,349,699
Transferred to production phase	(1,725,000)	(21,519,343)	-	(12,654,343)
	410,000	**2,164,137**	**-**	**29,137**

Impairment of exploration and evaluation assets, investment in subsidiary and loans to subsidiary

The ultimate recoupment of the value of the exploration and evaluation assets, and the Company's investment in subsidiary and loans to subsidiary is dependent on successful development and commercial exploitation, or alternatively, sale of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review or indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgment that are considered in this review include:

- Recent drilling results and reserves and resource estimates
- Environmental issues that may impact the underlying tenements
- The estimated market value of assets at the review date
- Independent valuations of underlying assets that may be available
- Fundamental economic factors such as the gold price, exchange rates and current and anticipated operating costs in the industry
- The Group's market capitalisation compared to its net assets

Information used in the review process is rigorously tested to externally available information as appropriate.

In addition, an allocation of the cost associated with acquired mineral rights to individual projects was performed during the year. This allocation process required estimates and judgement by management as to the value of those projects acquired.

The ultimate recovery of exploration and evaluation phase expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

15. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 August 2009, the Group has under taken a review of impairment indicators that affect the cash generating units of the Group. The Company has formed a view that impairment indicators exist as at 31 August 2009 and therefore the Group's cash generating unit, South Kalgoorlie gold operations, has been tested for impairment. The recoverable amount of Dioro has been determined with reference to its value in use. As a result of performing this impairment test, the Group has not recognised an impairment loss for the year ended 31 August 2009.

Value in use was determined by discounting the future cash flows generated from the continuing use of the cash generating unit and was based on the following key assumptions:

- Cash flows were projected based on budgeted operating results and the five-year business plan.
- The gold price used to generate revenue was 2009; A$1,100, 2010 A$1,269 and 2011 onwards at A$1,109. These prices also take into consideration the applicable gold forward contract rate which is in the place through to March 2010 quarter only. The average price is A$1,139
- Gold production was based on life of mine plan to 5 years which includes reserves.
- The inflationary rate of 3 percent has been applied to the cash flows of the cash generating unit. The estimate was based on statistical analysis of long-term market price trends.
- Discount rate – a risk adjusted discount rate has been calculated to be 12.1% (nominal post tax rate) using the Capital Asset Pricing Model. A post-tax discount rate was applied equivalent to pre-tax discount rates.

The values assigned to the key assumptions represent management's assessment of future trends in the gold industry and are based on both external sources and internal sources (historical data).

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) by 2011. The introduction of the CPRS has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the Group's assets for the purpose of value-in-use calculations in impairment testing. The Group has not yet incorporated the impact of CPRS into their assumptions at 31 August 2009 as insufficient market information existed. Uncertainties exist around the following areas: the level of emissions the Group is expected to emit, abatement opportunities, the price or range of prices of emission permits, the number of permits required to be purchased, the impact on costs charged by suppliers, the ability to pass on the cost of the permits and government assistance.

16. JOINTLY CONTROLLED OPERATIONS

Joint Venture Name	Principal Activities	Interest held in share of output	
		2009	2008
Mungari East Project	Gold exploration	49%	49%

Included in the assets and liabilities of the Company and the Group are the following items which represent the Company's interest in the assets and liabilities employed in the joint venture:

	Notes	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
		$	$	$	$
Cash and cash equivalents	21 (a)	23,227	36,538	23,227	36,538
Trade and other receivables	20	1,753,148	271,570	1,753,148	271,570
Inventories	19	249,052	2,418,320	249,052	2,418,320
Property, plant and equipment	13	44,846,783	6,483,433	44,846,783	6,483,433
Exploration, evaluation and development expenditure	14	-	26,431,368	-	26,431,368
Trade and other payables and accruals	28	(4,243,118)	1,065,513	(4,243,118)	1,065,513
Employee entitlements	25	(332,786)	-	(332,786)	-
Loans and borrowings	24	(3,669,443)	(1,434,730)	(3,669,443)	(1,434,730)
Rehabilitation provisions	27	(873,393)	(659,205)	(873,393)	(659,205)

17. OTHER INVESTMENTS

	Notes	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Available for sale assets:					
Listed securities	(a)	822,153	822,153	822,153	822,153
Less: fair value adjustment		(287,727)	(174,323)	(287,727)	(174,323)
Less: accumulated impairment		(486,148)	(486,148)	(486,148)	(486,148)
		48,278	161,682	48,278	161,682
Unlisted securities		171,701	171,701	171,701	171,701
Less: accumulated impairment		(171,701)	(171,701)	(171,701)	(171,701)
		-	-	-	-
Investment in subsidiaries		-	-	1	1
		48,278	161,682	48,279	161,683

(a) Included in non-current investments as at 31 August 2009 are listed securities that have been suspended from trading on the Australian Securities Exchange with a cost of $474,204 (2008: $474,204). These securities have been fully impaired. Also included in other financial assets as at the year ended 31 August 2009 are listed securities with an aggregate market value at 31 August 2009 of $48,278 (2008: $161,682).

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 29.

18. DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Tax losses	9,627,328	10,815,433	101,695	4,918,071

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities are attributable to the following:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Trade and other receivables	37,293	(82,492)	69,500	(82,492)
Inventories	703,608	(1,068,416)	-	-
Other investments	283,673	252,986	283,673	252,986
Property, plant and equipment	(104,587)	495,024	(738,657)	(307,036)
Exploration and evaluation expenditure	(6,485,494)	(7,170,589)	(2,074,456)	(3,748,899)
Development expenditure	(2,223,564)	(184,003)	(2,365,552)	137,339
Blackhole deductible costs (s40-880)	1,182,058	1,377,468	1,182,058	1,377,468
Trade and other payables	21,785	42,000	15,581	42,000
Employee benefits	26,109	209,503	14,902	-
Loans and borrowings	59,912	552,370	-	430,419
Provisions	3,268,778	3,256,685	686,892	408,060
Carry forward tax losses	3,230,430	2,319,464	2,926,060	1,490,155
	-	-	-	-
Unrecognised tax losses	9,627,328	10,815,433	101,695	4,918,071

19. INVENTORIES

Ore stocks - at cost	2,401,024	1,487,099	2,209,687	1,487,099
Ore stocks - at net realisable value	29,048	2,353,348	-	841,241
Gold in circuit - cost	1,191,666	-	1,529,682	-
Gold in circuit - NRV	-	2,793,080	-	-
Finished goods - cost	1,372,268	-	-	-
Stores - at cost	2,567,105	2,219,741	249,052	89,980
	7,561,111	8,853,268	3,988,421	2,418,320

During the year ended 31 August 2009 the write-down of ore stocks and gold in circuit to net realisable value amounted to $38,418 (2008: $2,144,576). The reversal of write-downs recorded as at 31 August 2009 amounted to $1,717,888. The write-down and reversal are included in cost of sales.

20. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current				
GST receivable	1,335,446	928,704	565,508	195,522
Settlement receivable	-	3,373,701	-	61,935
Accrued income	390,538	185,073	390,538	185,073
Interest receivable	11,776	34,592	11,776	34,592
Prepayments	286,050	627,498	79,498	512,052
Other receivables	400,974	782,648	124,880	384,116
	2,424,784	5,932,216	1,172,200	1,373,290
Non current				
Loan to subsidiary	-	-	45,685,714	45,685,714
Less: accumulated impairment	-	-	(28,689,403)	(13,299,091)
Intercompany receivable	-	-	25,925,393	14,197,048
Restricterd cash - environmental bonds	1,041,821	4,072,818	1,041,821	1,848,500
	1,041,821	4,072,818	43,963,525	48,432,171

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 29.

21. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash in banks, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Bank balances	5,744,092	7,058,204	2,716,539	1,041,707
Joint venture bank accounts	23,227	36,538	23,227	36,538
Cash and cash equivalents in the statement of cashflows	5,767,319	7,094,742	2,739,766	1,078,245

The credit risk is considered low as cash and cash equivalents are with authorised deposit banking intuitions.
The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 29(b).

21. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of cash flows from operating activities:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Reconciliation of cash flows from operating activities				
Cash flows from operating activities				
Profit/(Loss) for the period	(1,165,862)	(15,997,395)	(1,168,719)	(16,038,744)
Adjustments for:				
Depreciation and amortisation	14,365,046	10,699,478	6,816,911	2,144,110
Net (gain) / loss on disposal of plant and equipment	613,713	-	386,819	395,489
Profit on sale of subsidiary	-	(1,963,000)	-	(1,963,000)
Net (gain) / loss on foreign exchange translations	-	(4,084)	-	(4,084)
Interest expense	468,300	-	468,300	-
Provision for diminiution	71,653	-	71,653	-
Impairment on exploration and evaluation	2,361,083	875,288	1,108,292	159,299
Discount on unwind	1,076,712	689,148	136,020	-
Provision for doubtful debts	240,380	-	240,380	-
Equity-settled share-based payment transactions	419,956	3,193,420	419,956	3,193,420
Provision for obsolete stock	-	15,305	-	-
Provision for impairment on intercompany loan	-	-	15,390,312	13,299,091
Operating profit before changes in working capital and provisions	18,450,981	(2,491,840)	23,869,924	1,185,581
Changes in assets and liabilities:				
Change in trade and other receivables	151,136	(1,221,117)	(3,622,678)	(378,235)
Change in inventories	1,292,157	(4,818,184)	(1,570,101)	(2,418,320)
Change in trade and other payables	(9,599,901)	8,525,335	(368,046)	(747,325)
Change in employee benefits / provisions	(240,908)	335,545	386,280	39,861
Change in foreign currency reserve	(2,857)	-	-	-
Net cash from / (used in) operating activities	**10,050,608**	**329,739**	**18,695,379**	**(2,318,438)**

22. CAPITAL AND RESERVES

(a) Issued and paid-up share capital

	Consolidated and Company 2009 $	2008 $
91,580,410 (2008: 91,580,410) fully paid ordinary shares	116,467,859	116,467,859
Reconciliation of movements in issued capital		
Balance at the beginning of the financial year:	116,467,859	48,520,595
Share issues:		
Post-consolidation		
- issue of 11,428,571 shares @ 1.81 each pursuant to the acquisition of the South Kal operations	-	20,685,713
- issue of 357,143 shares to a director at $1.95 each	-	696,429
- issue of 31,250,000 subscriptions receipts at $1.82 and subsequently converted to ordinary shares	-	56,850,483
- capital raising costs	-	(5,287,358)
- return of capital through in-specie distribution	-	(4,998,003)
	116,467,859	116,467,859

The Company does not have authorised capital or par value in respect of its issued capital.

Terms and conditions
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. Option holders cannot participate in any new share issues by the Company without exercising their options.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

22. CAPITAL AND RESERVES (continued)

(b) Reserves

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Equity-settled benefits reserve	4,731,263	4,311,307	4,731,263	4,311,307
Assets at fair value reserve	-	41,750	-	41,750
Foreign currency transaction reserve	(44,207)	(41,350)	-	-
	4,687,056	4,311,707	4,731,263	4,353,057
Reconciliation of movements in reserves for the year:				
Equity-settled benefits reserve				
Balance at beginning of the year	4,311,307	649,587	4,311,307	649,587
Cost of share-based payment	419,956	3,661,720	419,956	3,661,720
Balance at end of year	4,731,263	4,311,307	4,731,263	4,311,307
Assets at fair value reserve				
Balance at beginning of year	41,750	56,874	41,750	56,874
Change in fair value of available-for-sale	-	-	-	-
finanical investments	(41,750)	(15,124)	(41,750)	(15,124)
Balance at end of year	-	41,750	-	41,750
Foreign currency translation reserve				
Balance at beginning of year	(41,350)	(41,350)	-	-
Foreign currency movements	(2,857)	-	-	-
Balance at end of year	(44,207)	(41,350)	-	-

Equity-settled benefits reserve
The equity-settled benefits reserve represents the cost of options that have been granted as share-based payments but not exercised. This reserve will be reversed should these options be exercised, expired or forfeited.

Assets at fair value reserve
The asset at fair value reserve arises on the revaluation of available-for-sale assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in profit or loss.

Foreign currency translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

23. LOSS PER SHARE

Basic loss per share

The calculation of basic earnings per share at 31 August 2009 was based on the loss attributable to ordinary shareholders of $1,165,862 (2008: $15,997,395) and a weighted average number of ordinary shares outstanding of 91,580,410 (2008: 74,487,458), calculated as follows:

	Consolidated	
	2009	2008
	$	$
Loss for the period	(1,165,862)	(15,997,395)

Weighted average number of ordinary shares (basic)

Weighted average number of ordinary shares

	Consolidated	
	2009	2008
Issued ordinary shares at 1 September	91,580,410	74,487,458
Weighted average number of ordinary shares at 31 August 2009	91,580,410	74,487,458

Diluted loss per share

The calculation of diluted earnings per share at 31 August 2009 was based on loss attributable to ordinary shareholders of $1,165,862 (2008: $15,997,395) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares of 91,580,410 (2008: 74,487,458), calculated as follows:

DILUTED EARNINGS PER SHARE

	Consolidated	
	2009	2008
	$	$
Loss for the period	(1,165,862)	(15,997,395)

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2009	2008
Issued ordinary shares at 1 September	91,580,410	74,487,458
Weighted average number of ordinary shares at 31 August 2009	91,580,410	74,487,458

The diluted loss per share does not take into account the options on issue as these have an anti-dilutive effect.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

24. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate and liquidity risk, see note 29.

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current liabilities				
Secured bank loans	5,500,000	-	5,500,000	-
Finance lease liabilities	1,549,464	1,006,670	1,498,077	651,849
	7,049,464	1,006,670	6,998,077	651,849
Non-current liabilities				
Finance lease liabilities	2,171,366	837,405	2,171,366	785,724
	2,171,366	837,405	2,171,366	785,724

Terms and debt repayment schedule

				31 August 2009		31 August 2008	
	Currency	Interest rate - %	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Consolidated							
Secured bank loans	AUD	BBSY + 4%	2010	5,500,000	5,500,000	-	-
Finance lease liabilities	AUD	7.89 - 10.5	2009 - 2013	4,205,011	3,720,810	2,053,633	1,844,07
				9,705,011	9,220,810	2,053,633	1,844,07
Company							
Secured bank loans	AUD	BBSY + 4%	2010	5,500,000	5,500,000	-	-
Finance lease liabilities	AUD	7.99 - 10.5	2010 - 2013	4,147,395	3,669,443	1,608,829	1,437,57
				9,647,395	9,169,443	1,608,829	1,437,57

BBSY is the Bank Bill Swap Bid Rate

Finance lease liabilities
Finance lease liabilities of the Group and Company are payable as follows:

	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
	$	$	$	$	$	$
Consolidated						
Less than one year	1,304,779	179,290	1,125,489	1,151,820	145,150	1,006,670
Between one and five years	2,900,232	304,911	2,595,321	901,813	64,408	837,405
More than five years	-	-	-	-	-	-
	4,205,011	484,201	3,720,810	2,053,633	209,558	1,844,075
Company						
Less than one year	1,247,163	173,041	1,074,122	760,948	109,099	651,849
Between one and five years	2,900,232	304,911	2,595,321	847,881	62,157	785,724
More than five years	-	-	-	-	-	-
	4,147,395	477,952	3,669,443	1,608,829	171,256	1,437,573

25. EMPLOYEE BENEFITS

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
	$	$	$	$
Provision for annual leave	1,055,708	627,587	469,186	86,726
Provision for long service leave	149,180	157,484	-	-
	1,204,888	785,071	469,186	86,726

26. SHARE BASED PAYMENT PLANS

Employee option plan

An employee option plan has been established which is open to all employees of the Company under which they are issued with options over the ordinary shares of Dioro Exploration NL. The options, issued for nil consideration, are issued in accordance with guidelines established by the directors of Dioro Exploration NL. The options are issued for a term of 5 years and are exercisable beginning on the date of grant. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares. All options are granted at the discretion of the directors. Directors cannot be offered options under this plan.

The options have been granted on the following terms and conditions:

Tranche	Number	Exercise Price	Grant date	Vesting date	Expiry date
1	142,857	$1.40	12 December 2006	12 December 2006	8 December 2011
2	1,531,000	$1.75	6 December 2007	1 July 2008	1 December 2012
3	350,000	$1.75	6 December 2007	1 December 2008	1 December 2012
4	140,000	$2.00	6 December 2007	1 July 2009	1 December 2012
5	330,000	$2.00	6 December 2007	1 December 2009	1 December 2012
6	330,000	$2.25	6 December 2007	1 December 2010	1 December 2012

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Expected volatility	40%	70%	70%	70%	70%	70%
Risk-free interest rate	5.67%	6.89%	6.89%	6.89%	6.89%	6.89%
Life of option	4 years	5 years	5 years	5 years	5 years	5 years
Exercise price	$1.40	$1.75	$1.75	$2.00	$2.00	$2.25
Fair value of options	$0.23	$1.24	$1.19	$1.24	$1.19	$1.15

26. SHARE BASED PAYMENT PLANS (continued)

Employee option plan (continued)

The value of each tranche of options is amortised over their vesting period. For the period ending 31 August 2009 $523,995 has been expensed to the income statement in personnel expenses. $396,321 was reversed due to the forfeiture of 480,500 options after the resignation of employees.

All other options remain unexercised at 31 August 2009.

Directors' option plan

Options- 12 October 2007

On 12 October 2007 357,143 options each were granted to Mr Grobicki and Mr Pitt respectively. These options were issued as an incentive to secure the ongoing commitment of the directors to the continued growth of the Company. The options were issued for nil consideration.

The options have been granted on the following terms and conditions.

Number	Exercise price	Grant date	Vesting date	Expiry date
714,286	$2.80	12 October 2007	12 October 2007	30 September 2012

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Expected volatility	40%
Risk-free interest rate	6.5%
Life of option	5 years
Exercise price	$2.80
Fair value of options	$1.16

Based on these inputs the options have been valued at $827,312 and expensed to the income statement in "other expenses" in August 2008.

Options – 31 January 2007

On 31 January 2007 1,785,715 options were granted to the directors of the Company. These options were issued as an incentive to secure the ongoing commitment of the directors to the continued growth of the Company. The options were issued for nil consideration.

The options have been granted on the following terms and conditions:

Tranche	Number	Exercise price	Vesting date	Expiry date
1	357,144	$1.40 cents	30 June 2007	31 January 2012
2	357,144	$1.75 cents	30 June 2008	31 January 2012
3	357,144	$2.10 cents	30 June 2009	31 January 2012
4	1,071,429	$1.75 cents	31 January 2007	31 January 2012

26. SHARE BASED PAYMENT PLANS (continued)

Directors' option plan (continued)

Options- 31 January 2007 (continued)

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Expected volatility	40%	40%	40%	40%
Risk-free interest rate	5.67%	5.67%	5.67%	5.67%
Life of option	5 years	5 years	5 years	5 years
Exercise price	$1.40	$1.75	$2.10	$1.75
Fair value of options	$0.46	$0.37	$0.31	$0.37

The value of each tranche of options is amortised over their vesting period. For the period ended 31 August 2009 $37,759 was expensed in personnel expenses.

All options remain unexercised at 31 August 2009.

Options – 1 February 2005 (All expired)

On 1 February 2005 214,287 and 71,429 options were granted to Mr Grivas and Mr Pitt respectively. These options were issued as an incentive to secure the ongoing commitment of Mr Grivas and Mr Pitt to the continued growth of the Company. The options were issued for nil consideration.

The options have been granted on the following terms and conditions:

Tranche	Number	Exercise price	Vesting date	Expiry date
1	71,429	$1.82	1 February 2005	1 February 2009
2	142,858	$2.10	1 February 2006	1 February 2009
3	71,429	$2.52	1 February 2007	1 February 2009

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

	Tranche 1	Tranche 2	Tranche 3
Expected volatility	50%	50%	50%
Risk-free interest rate	5.04%	5.04%	5.04%
Life of option	4 years	4 years	4 years
Exercise price	$1.82	$2.10	$2.52
Fair value of options	$0.46	$0.41	$0.34

All options expired at 1 February 2009.

26. SHARE BASED PAYMENT PLANS (continued)

Other options – 25 August 2008

On 25 August 3,000,000 options were granted in lieu of securing a financing facility. The options were issued for nil consideration.

The options have been granted on the following terms and conditions.

Number	Exercise price	Grant date	Vesting date	Expiry date
3,000,000	64 cents	25 August 2008	25 August 2008	30 June 2011

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table list the inputs to the model:

Expected volatility	70%
Risk-free interest rate	7.47%
Life of option	2.8 years
Exercise price	64 cents
Fair value of options	$0.16

Based on these inputs the options have been valued at $468,300 and have been recognised in other assets in 31 August 2008.

Weighted average number of shares

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2009	2009	2008	2008
Outstanding at 1 September	1.48	8,311,503	1.79	2,160,717
Forfeited during the period	1.93	(1,558,216)	1.69	(298,071)
Exercised during the period	-	-	-	-
Granted during the period	-	-	1.39	6,448,857
Outstanding at 31 August	1.38	6,753,287	1.48	8,311,503
Exercisable at 1 August	1.35	6,513,287	1.36	6,804,360

The options outstanding at 31 August 2009 have an exercise price in the range of $0.64 to $2.80 (2008: $0.64 to $2.80) and a weighted average contractual life of 2.37 years (2008: 3.85 years).

27. PROVISIONS

	Site restoration	Mining fleet contract	Total
	$	$	$
Consolidated			
Balance at 1 September 2008	10,657,978	199,706	10,857,684
Reassessment of provision during the period	(377,748)	-	(377,748)
Provisions used during the period	(461,014)	(199,706)	(660,720)
Unwind of discount	1,076,712	-	1,076,712
Balance at 31 August 2009	10,895,928	-	10,895,928
Non-current	10,895,928	-	10,895,928
Current	-	-	-
	10,895,928	-	10,895,928
Balance at 1 September 2007	-		-
Reassessment of provision during the period	11,287,044	411,099	11,698,143
Provision used during the period	(1,318,214)	(211,393)	(1,529,607)
Unwind of discount	689,148	-	689,148
Balance at 31 August 2008	10,657,978	199,706	10,857,684
Non-current	10,657,978	-	10,657,978
Current	-	-	-
	10,657,978	-	10,657,978
Company			
Balance at 1 September 2008	1,360,200	-	1,360,200
Reassessment of provision during the period	789,599	-	789,599
Provisions used during the period	3,822	-	3,822
Unwind of discount	136,020	-	136,020
Balance at 31 August 2009	2,289,641	-	2,289,641
Non-current	2,289,641	-	2,289,641
Current	-	-	-
	2,289,641	-	2,289,641
Balance at 1 September 2007	-	-	-
Reassessment of provision during the period	1,360,200	-	1,360,200
Provision used during the period		-	-
Unwind of discount		-	-
Balance at 31 August 2008	1,360,200	-	1,360,200
Non-current	1,360,200	-	1,360,200
Current	-	-	-
	1,360,200	-	1,360,200

(i) **Site Restoration**

At the year-end date a provision of $10,895,928 (2008:$10,657,978) was made to restore contaminated and disturbed land use to its original condition. Because of the long-term nature of the liability, an uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. The provision has been calculated using a discount rate of 12.1 percent. The rehabilitation is expected to occur progressively over the next five years.

28. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Trade payables and accruals	6,867,802	18,408,026	3,198,880	3,810,294
Other payables	1,090,219	632,859	447,169	203,803
Claims from shareholders	-	741,361	-	-
	7,958,021	19,782,246	3,646,049	4,014,097

The Company has also entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 37. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the deed are set out in note 37.

All payables are unsecured and interest free.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29 (d).

29. FINANCIAL INSTRUMENTS

(a) Credit risk

Exposure to credit risk
The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Trade and other receivables	2,424,784	5,932,216	44,093,904	47,956,961
Cash and cash equivalents	5,767,319	7,094,742	2,739,766	1,078,245
Other assets - bonds	1,041,821	4,072,818	1,041,821	1,848,500
	9,233,924	17,099,776	47,875,491	50,883,706

None of the Group's receivables are past due.

An impairment loss of $15,390,312 (2008: $13,299,091) has been made against the loan due from subsidiaries in the Company accounts.

The Group's maximum exposure to credit risk for cash, trade and other receivables at the reporting date by geographic region.

Australia	9,233,924	17,099,776	47,875,491	50,883,706
	9,233,924	17,099,776	47,875,491	50,883,706

29. FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

Profile
At the reporting date the interest rate profile of the Company's and Group's interest bearing financial instruments was:

Fixed rate instruments				
Finance lease liabilities	(3,720,810)	(1,844,075)	(3,669,443)	(1,437,573)
Variable rate instruments				
Cash and cash equivalents	5,767,319	7,094,742	2,739,466	1,078,245
Loans and borrowings	(5,500,000)	-	(5,500,000)	-
Bonds - restricted cash	1,041,821	4,072,818	1,041,821	1,848,500
	1,309,140	11,167,560	(1,718,713)	2,926,745

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(c) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased or decreased the Group's equity and profit and loss by the amount shown below. This analysis assumes that all variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss	
	100bp increase	**100bp decrease**
CONSOLIDATED	**$**	**$**
31 August 2009		
Variable rate instruments - assets	62,340	(62,340)
Variable rate instruments - liabilities	(55,000)	55,000
31 August 2008		
Variable rate instruments - assets	104,588	(104,588)
COMPANY		
31 August 2009		
Variable rate instruments - assets	32,206	(32,206)
Variable rate instruments - liabilities	(55,000)	55,000
31 August 2008		
Variable rate instruments - assets	29,264	(29,264)

29. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	< 1 > 5 years	> 5 years
	$	$	$	$	$	$
CONSOLIDATED						
31 August 2009						
Trade and other payables	7,958,021	(7,958,021)	(7,958,021)	-	-	-
Finance lease liabilities	3,720,830	(4,205,011)	(943,669)	(1,247,162)	(2,014,180)	-
Loans and borrowings	5,500,000	(5,500,000)	-	(5,500,000)	-	-
	17,178,851	(17,663,032)	(8,901,689)	(6,747,162)	(2,014,180)	-
31 August 2008						
Trade and other payables	19,782,246	(19,782,246)	(16,447,195)	-	(3,335,051)	-
Finance lease liabilities	1,844,075	(2,053,633)	(555,136)	(552,294)	(946,203)	-
Loans and borrowings	-	-	-	-	-	-
	21,626,321	(21,835,879)	(17,002,331)	(552,294)	(4,281,254)	-
COMPANY						
31 August 2009						
Trade and other payables	3,646,049	(3,646,049)	(3,646,049)	-	-	-
Finance lease liabilities	3,669,443	(4,147,395)	(886,053)	(1,247,162)	(2,014,180)	-
Loans and borrowings	5,500,000	(5,500,000)	-	(5,500,000)	-	-
	12,815,492	(13,293,444)	(4,532,101)	(6,747,162)	(2,014,180)	-
31 August 2008						
Trade and other payables	4,014,097	(4,014,097)	(3,857,219)	-	-	(156,878)
Finance lease liabilities	1,437,573	(1,608,129)	(383,316)	(380,474)	(844,339)	-
	5,451,670	(5,622,226)	(4,240,535)	(380,474)	(844,339)	(156,878)

(e) Fair values of financial assets and liabilities

The fair values of the financial assets and liabilities at balance date of the Group and the Company approximate the carrying amounts in the financial statements

30. OPERATING LEASES

	Consolidated 2009 $	2008 $	Company 2009 $	200
Office rent				
Rental expenditure contracted for is payable as follows:				
Less than one year	217,520	169,237	217,520	169,237
Between one and five years	1,241,478	43,592	1,241,478	43,592
More than five years	322,572	-	322,572	-
	1,781,570	212,829	1,781,570	212,829

31. CAPITAL AND OTHER COMMITMENTS

Exploration & Evaluation (i)				
Not later than one year	3,053,926	3,438,412	2,081,126	2,228,044
Capital expenditure commitments				
Within one year	294,293	1,649,327	-	-

(i) Commitments for mineral exploration expenditure that are required to satisfy joint venture and exploration permit conditions (refer to Note 16).

(a) Joint venture commitments

In respect of the Group's interest in a joint venture (see note 16), the joint venture is committed to incur capital expenditure of $327,121 of which the Group's share of this commitment is $160,289. These commitments are expected to be settled in the following financial year.

32. CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of the following matter, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Performance Guarantee

The Company has guaranteed, to an unrelated party, the unconditional performance bonds of supply of electricity and liquid gas. If, in the event of default, the terms of the contract the Group shall pay to the unrelated party the amount of $520,000. Also, the Company has issued environmental bonds to the West Australian Department of Minerals and Petroleum amounting to $3,437,300. These bonds are at call. Should a bond be called, the terms of the facility require that the called bond be cashed backed by the Company. At 31 August 2009 no bonds within this facility had been called.

33. RELATED PARTIES

(a) Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated		Company	
	2009	2008	2009	200:
	$	$	$	:
Short-term employee benefits	1,326,637	1,034,087	1,077,994	858,700
Other long term benefits	-	-	-	-
Post-employment benefits	103,751	89,652	81,287	73,747
Termination benefits	62,500	-	-	-
Share-based payments	(215,457)	1,747,100	37,759	1,647,580
	1,277,432	2,870,839	1,197,040	2,580,027

The key management personnel receive no compensation in relation to the management of the Company. The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Company.

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year –end.

(b) Key management personnel and director transaction

Since the previous financial year no directors of the Group, or their related entities, purchased goods from the Group.

33. RELATED PARTIES (continued)

(c) Equity instruments

(i) Movement in options

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including other related parties, is as follows:

	Held at 1 September	Granted as compensation	Exercised	Other Changes *	Held at 31 August	Vested during the year	Vested and exercisable at 31 August
	2008				2009		2009
Directors							
Rhod Grivas	1,285,716	-	-	(214,287)	1,071,429	357,143	1,071,429
Ted Grobicki	357,143	-	-	-	357,143	-	357,143
Mark O'Dea	-	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-	-
Executives							
David McArthur	357,143	-	-	-	357,143	-	357,143
Mark Pitt	1,142,858	-	-	(71,429)	1,071,429	-	1,071,429
Dale Oram	220,000	-	-	(220,000)	-	-	-
Paul Hucker	-	-	-	-	-	-	-
	3,362,860	-	-	(505,716)	2,857,144	357,143	2,857,144

	Held at 1 September	Granted as compensation	Exercised	Other Changes *	Held at 31 August	Vested during the year	Vested and exercisable at 31 August
	2007				2008		2008
Directors							
Rhod Grivas	1,285,714	-	-	-	1,285,714	-	1,285,714
Ted Grobicki	-	357,143	-	-	357,143	-	357,143
Mark O'Dea	-	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-	-
David McArthur	357,143	-	-	-	357,143	-	357,143
Mark Pitt	785,715	357,143	-	-	1,142,858	-	1,142,858
Executives							
Dale Oram	-	220,000	-	-	220,000	-	220,000
	2,428,572	934,286	-	-	3,362,858	-	3,362,858

* Other changes represent options that expired or were forfeited during the year. No options held by key management personnel are vested but not exercisable at 31 August 2009.

33. RELATED PARTIES (continued)

(d) Equity instruments (continued)

(ii) Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each management person, including their related parties, is as follows:

	Held at 1 September 2008	Purchases	Received on exercise of options	Sales	Other changes	Held at 31 August 2009
Directors						
Rhod Grivas	78,945	-	-	-	-	78,945
Ted Grobicki	571,429	-	-	-	-	571,429
Mark O'Dea	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-
Executives						
David McArthur	900,000	-	-	(16,923)	-	883,077
Mark Pitt	81,992	-	-	-	-	81,992
Dale Oram	-	-	-	-	-	-
Paul Hucker	-	-	-	-	-	-
	1,632,366	-	-	(16,923)	-	1,615,443

	Held at 1 September 2007	Purchases	Received on exercise of options	Sales	Other changes	Held at 31 August 2008
Directors						
Rhod Grivas	42,945	36,000	-	-	-	78,945
Ted Grobicki	214,286	-	-	-	357,143	571,429
Mark O'Dea	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-
David McArthur	900,000	-	-	-	-	900,000
Mark Pitt	81,992	-	-	-	-	81,992
Executives						
Dale Oram	-	-	-	-	-	-
	1,239,223	36,000	-	-	357,143	1,632,366

No shares were granted to key management personnel during the reporting period as compensation in 2009.

33. RELATED PARTIES (continued)

	Notes	Transaction value year ended 31 August 2009 $	2008 $
Company			
Subsidiary - loans	(i)	45,685,714	45,685,714
Less: accumulated impairment		(28,689,403)	(13,299,092)
Subsidiary - management fees	(ii)	63,250	31,250
Consolidated			
Subsidiary - receivable	(iii)	25,925,393	14,189,566

(i) Loans are made by the Company to wholly owned subsidiaries for capital purchases. Loans outstanding between the Company and these subsidiaries have no fixed date of repayment and are non-interest bearing.

(ii) Financial services was paid to Broadway Management Pty Ltd, a company associated with David McArthur.

(iii) All outstanding balances with associates are priced on an arm's length basis and are to be settled in cash within twelve months of the reporting date. None of the balances are secured.

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in notes 10.

34. GROUP ENTITIES

The consolidated financial statements at 31 August 2009 include the following subsidiaries:

Name	Place of incorporation	Financial year end	2009 %	2008 %
Parent entity				
Dioro Exploration NL	Australia	31 August		
Subsidiary				
HBJ Minerals Pty Ltd	Australia	31 August	100	100
Hampton Gold Mining Areas Limited	United Kingdom	30 June	100	100

35. SUBSEQUENT EVENTS

On 8 September 2009 Dioro appointed three new directors to the board following a formal request by Avoca. The three non-executive directors appointed were Mr Robert Reynolds, Mr Rohan Williams and Mr Jan Castro.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

36. AUDITORS' REMUNERATION

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Audit services				
Auditors of the Company				
KMPG Australia:				
Audit and review of financial reports	295,953	265,107	290,953	265,107
Overseas KPMG firms:				
Audit and review of financial reports	-	-	-	-
	295,953	265,107	290,953	265,107
Other services				
Auditors of the Company				
KPMG Australia:				
Taxation services	84,770	58,775	84,770	58,775
Independent experts report	106,400	-	106,400	-
TSX Listing	-	564,972	-	564,972
	191,170	623,747	191,170	623,747

All amounts payable to the Auditors of the Company were paid by a Group subsidiary.

37. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full.

Dioro's subsidiary HBJ Minerals Pty Ltd and its subsidiary Hampton Gold Mining Areas Limited have entered into the above deeds.

A consolidated income statement and consolidated balance sheet, comprising the company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31st August 2009 is as follows:

Summarised income statement and retained profits

	Consolidated 2009	Consolidated 2008
Loss before tax	(1,165,862)	(15,997,395)
Income tax expense	-	-
Loss after tax	(1,165,862)	(15,997,395)
Accumulated loss at beginning of year	(31,762,890)	(15,765,495)
Accumulated loss at end of year	(32,928,752)	(31,762,890)

37. DEED OF CROSS GUARANTEE (continued)

Balance sheet

	Consolidated 2009	2008
Current assets		
Cash and cash equivalents	5,767,319	7,094,742
Trade and other receivables	2,424,784	5,932,216
Inventories	7,561,111	8,853,268
Total current assets	**15,753,214**	**21,880,226**
Non current assets		
Trade and other receivables	1,041,821	4,072,818
Other investments	48,278	161,682
Property, plant and equipment	79,044,201	66,133,595
Exploration, evaluation and development	21,618,314	30,037,431
Total non current assets	**101,752,614**	**100,405,526**
Total assets	**117,505,828**	**122,285,752**
Current liabilities		
Trade and other payables	7,958,021	19,782,246
Loans and borrowings	7,049,464	1,006,670
Employee benefits	1,204,888	785,071
Total current liabilities	**16,212,373**	**21,573,987**
Non-current liabilities		
Loans and borrowings	2,171,366	837,405
Provisions	10,895,926	10,857,684
Total non-current liabilities	**13,067,292**	**11,695,089**
Total liabilities	**29,279,665**	**33,269,076**
Net assets	**88,226,163**	**89,016,676**
Equity		
Issued capital	116,467,859	116,467,859
Reserves	4,687,056	4,311,707
Accumulated losses	(32,928,752)	(31,762,890)
Total equity	**88,226,163**	**89,016,676**

DIORO EXPLORATION NL
ABN 31 009 271 532

DIRECTORS' DECLARATION

1. In the opinion of the directors of Dioro Exploration NL (the "Company"):

   (a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 23 to 95, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company's and Group's financial position as at 31 August 2009 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 37 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and thos group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 August 2009.

Signed in accordance with a resolution of the directors.

R GRIVAS
Director

Dated at Perth this 25 day of November 2009.

Independent auditor's report to the members of Dioro Exploration NL

Report on the financial report

We have audited the accompanying financial report of Dioro Exploration NL (the Company), which comprises the balance sheets as at 31 August 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of Dioro Exploration NL is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 August 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a)

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 August 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Dioro Exploration NL for the year ended 31 August 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth
25 November 2009

KPMG

Comments by Auditor on Canadian GAAS – Australian Auditing Standards Differences

If our independent auditor's report to the members of Dioro Exploration NL was prepared in accordance with Canadian generally accepted auditing standards it would not contain a reservation.

KPMG

KPMG

R Gambitta
Partner

Perth
25 November 2009

DIORO EXPLORATION NL
ABN 31 009 271 532
ASX INFORMATION

Additional information included in accordance with the Listing Rules of the ASX Limited and not disclosed elsewhere in this report is set out below.

1. SHAREHOLDINGS (AS AT 29 OCTOBER 2009)

(a) Distribution of holders

			Fully paid ordinary shares
Number of Holders			3,730
Distribution is:			
1	-	1,000	1,459
1,001	-	5,000	1,466
5,001	-	10,000	416
10,001	-	100,000	363
100,001	and	Over	26
			3,730
Holding less than a marketable parcel			1,009

(b) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(c) Substantial shareholders

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares
Avoca Resources Limited	41,078,023
Ramelius Resources Limited	24,135,880

(d) Shareholders

The twenty largest shareholders hold 80.51% of the total issued ordinary shares in the Company as at 29 October 2009.

(h) Unlisted 8 December 2011 Options

There are 89,286 options held by 1 holder on issue and are exercisable at $1.40 on or before 8 December 2011. The option holders do not have any voting rights.

(i) Unlisted 31 January 2012 Options

There are 714,286 options held by 1 holder on issue and are exercisable at $1.40 on or before 31 January 2012. The option holders do not have any voting rights.

(j) Unlisted 31 January 2012 Options

There are 1,071,429 options held by 3 holders on issue and are exercisable at $1.75 on or before 31 January 2012. The option holders do not have any voting rights.

(k) Unlisted 31 January 2012 Options

There are 357,143 options held by 1 holder on issue and are exercisable at $2.10 on or before 31 January 2012. The option holders do not have any voting rights.

DIORO EXPLORATION NL
ABN 31 009 271 532
ASX INFORMATION

(l) Unlisted 30 September 2012 Options
There are 714,286 options held by 2 holders on issue and are exercisable at $2.80 on or before 30 September 2012. The option holders do not have any voting rights.

(m) Unlisted 1 December 2012 Options
There are 1,164,000 options held by 65 holders on issue exercisable at between $1.75 and $2.25 on or before 1 December 2012. The option holders do not have any voting rights.

2. QUOTATION

Listed securities in Dioro Exploration NL are quoted on the ASX and TSX. The Home exchange is Perth

3. OTHER INFORMATION

Dioro Exploration NL, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

DIORO EXPLORATION NL

Top Twenty Shareholders at 29 October 2009

	Name	Number of shares	% of issued shares
1.	Avoca Resources Limited	41,078,023	44.85
2.	Ramelius Resources Limited	24,135,880	26.35
3.	Citicorp Nominees Pty Ltd	1,860,992	2.08
4.	UBS Nominees Pty Ltd	1,860,992	2.03
5.	Mr Harold Walter Daly & Mrs Maureen Hazel Daly <The Daly Super Fund Account >	676,429	0.74
6.	ANZ Nominees Limited <Cash Income A/C>	576,537	0.63
7.	Stu Holdings Pty Ltd <Stu Holdings S/F A/C>	539,557	0.59
8.	Berne No 132 Nominees Pty Ltd <115180 A/C>	502,639	0.55
9.	Ematilta Pty Ltd <Fish Eagle Fund A/C>	357,143	0.39
10.	National Nominees Limited	308,497	0.34
11.	The Reagent Trust Company <The G143 A/C>	214,286	0.23
12.	Sams Watchmaker Jeweller P/L <Super Fund A/C>	214,286	0.23
13.	Mr Brian Andrew Wallace	200,000	0.22
14.	West Coast Enterprises (WA) Pty Ltd <Jeffees Super Fund A/C >	200,000	0.22
15.	Mr Morris Zabotti	197,722	0.22
16.	Comsec Nominees Pty Ltd	170,204	0.19
17.	Mr James Florian Pearson <J Pearson Family Account>	156,000	0.17
18.	Mr Wolfgang Feldhus	150,000	0.16
19.	Mr Brian Keith Slater	150,000	0.16
20.	Blinkal Limited	135,215	0.15
		73,732,053	**80.51**