DIORO EXPLORATION NL

ABN 31 009 271 532

28 November 2008

ASX Limited
By electronic lodgement

Dear Sir / Madam

RE: 2008 ANNUAL REPORT

We attach the 2008 annual report for Dioro Exploration for the year ended 31 August 2008.

Yours faithfully
Dioro Exploration

DAVID McARTHUR
Director

Registered Office: Level 2, 45 Stirling Highway, Nedlands, Western Australia 6009
Telephone: (08) 9389 8799 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

2008

DIORO EXPLORATION NL
ABN 31 009 271 532

CONTENTS

DIORO EXPLORATION NL
ABN 31 009 271 532

COMPANY DIRECTORY

Directors
Ted Grobicki
Rhod Grivas
David McArthur
Mark Pitt
Mark O'Dea
Ross Kestel

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
Level 31, Central Park
152-158 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,

At this time of my first Chairman's report there is extreme turmoil in the world's financial markets which is in turn leading to severe disruptions of the world's entire economic fabric.

It is precisely at times such as these that the characteristic of gold as a store of value comes to the fore. Whilst the US Dollar price of gold has to date not strengthened quite as much as some of us may have expected, the combination of a relatively healthy US dollar gold price and a steeply weakening A$:US$ exchange rate have combined to produce record gold prices in Australian dollar terms. It is hoped that the combination of these two parameters and the reflationary actions of the world's governments will continue to provide us with gold prices which may be volatile but which will hopefully average well in excess of A$1000 per ounce into the foreseeable future. This trend, combined with the expected decrease in the cost pressures that the mining industry has had to endure in recent years, bodes well for the economics of the business of gold mining in Australia.

Unfortunately, these favourable economic parameters have not been reflected in the price of gold company shares which have not escaped the carnage that all mining company shares worldwide have endured this year. Dioro has suffered at least as bad a destruction of value in our share price as has been experienced by most of our peers. However, once the pressures caused by the general deleveraging and 'forced selling' have abated I believe we should expect the prices of gold equities to recover and begin to reflect their underlying true worth.

On the corporate and operational front Dioro has had an exciting and tumultuous year. As has been highlighted in management's report to shareholders contained herein, Dioro has undertaken many initiatives and has experienced at least three major transformational events during the year, viz:

- The significant share holding restructuring which accompanied the settlement of this transaction including:
    - The issue of 31.25 million shares for cash (mainly to institutional investors in Europe and North America) and 11.4 million shares to Harmony, thereby expanding our share base by 90 percent
    - The listing of the company on the Toronto Stock Exchange
    - The requirement to consolidate the shares of the company on a 14:1 ratio in order to comply with Canadian listing regulations.
- The acquisition of South Kal Mines, which immediately catapulted Dioro into the category of gold producers
- The first pour of gold derived from underground ore mined at the Frog's Leg mine.
    - This enterprise has been a truly commendable achievement by the Mungari East Joint Venture (Dioro 49%; La Mancha 51%). It is some 18 years since the parties formed a partnership to explore some virgin tenements in the Coolgardie region. Through perseverance and good exploration this project has sequentially progressed from a greenfields exploration discovery in 2002 to the mining of a small open pit resource in 2004 to the further discovery in 2005 of a gold resource which already contains plus 1 million ounces, and which continues to grow. It is this resource that is now being developed from scratch as a modern underground mine. It already promises a long life based on the current resource, and there exists excellent potential for more discoveries which would further increase either the production rate or mine life in the future.

Both South Kal Operation and Frog's Leg underground are significant producers which have transformed Dioro into a mining company with the capacity to produce in excess of 100,000 ounces of gold a year; they are both at the development stage. Therefore the cashflows from mining do not yet cover the costs of the capital projects being undertaken to access and develop the respective orebodies. The costs of this development work are being met by the remainder of the funds raised in the capital raising undertaken in December 2007 and a A$14million facility obtained from BNP Paribas. This 'capital investment phase' is nearing completion and the company can expect further progression to the 'cash generative phase' in the forthcoming financial year.

Exploration during the course of the year has discovered a new trend containing encouraging signs of gold mineralization at the Colnago prospect whilst, due to innovative geological thinking, some exciting extensions have been added to the Shirl and Mt Marion West deposits respectively. Exploration has been cut back, however the Board is determined to restore the exploration budgets to a level that reflects the prospectivity of our excellent land holdings as soon as this is warranted by our cash flows.

In addition to exploration, the company is constantly looking for opportunities to add further growth and value for shareholders by corporate activity. Management and the Board will proactively seek out value adding opportunities that may arise. The company growth during 2008 has required many changes to the operations and organisation. The management team at Dioro has worked very hard to adjust to the needs of our exciting new and diversified business and I am hopeful that the worst of the disruptions are now behind us. Dioro can now consolidate on the strides it has taken during the year and begin to perform and produce profits at a level commensurate with the quality of our assets and people.

It is Dioro's policy not to hedge our future gold production except where the company is temporarily obliged to do so by financiers or where it is deemed strictly necessary to protect the financing of an ongoing capital intensive investment project during a period of tight financial constraints. It remains our policy to continue to give the company and its shareholders maximum exposure to the benefits of prevailing gold price trends which, as explained above, I consider to be very encouraging

We will in the immediate future be benefitting significantly from all of the ongoing internal company initiatives described in this report. These should all be taking place in a climate of good Australian Dollar gold prices and a more benign cost environment. I am confident therefore that the next period of the company's evolution to the 'cash generative phase' will be very rewarding for our shareholders and I look forward to sharing this journey with you all.

Ted Grobicki
Chairman

DIORO EXPLORATION NL
ABN 31 009 271 532

OPERATIONS REPORT

HIGHLIGHTS

- Transformation of company from explorer to producer with two gold operations.
- Acquisition of the South Kal operation with 1.2Mtpa mill, 220,000 ounces of gold reserves and 1,675,000 ounces of gold resources.
- Significant milestone - First gold poured from Frog's Leg underground.
- Dual listed with listing on TSX in Feb 2008, gives access to global capital markets.
- Frog's Leg M&I resource upgraded to 1 million ounces of gold.
- Nickel exploration rights transferred to a wholly owned subsidiary (Lodestar Minerals Limited) for shares in Lodestar, which were distributed free to Dioro shareholders on a pro rata basis.
- Procurement of $14 million debt facility from BNP Paribas.
- Dioro becomes the largest freehold land owner in the Kalgoorlie region.

INTRODUCTION

Dioro Exploration NL ("Dioro") is a Perth based gold producer with a dual Australian Securities Exchange and Toronto Stock Exchange listing. The company has transformed itself in a difficult climate from an explorer to a gold producer, with ownership of two separate gold projects, 0.516 million ounce reserve, 2.15 million ounce measured and indicated resource 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 220,000 ounces of open pitable reserves, 1.675 million ounces of measured and indicated resources, the 1.2 million tonne per annum Jubilee processing facility and in excess of 1,100 square kilometres of exploration acreage.

In addition, Dioro owns a 49% interest in the Frog's Leg gold project located 20km west of Kalgoorlie, which includes 605,000 ounces of underground gold reserves (Dioro share 296,000oz) contained within a measured and indicated resource of 964 000 ounces (Dioro share 472,000oz). 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 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.

MINING

Mining Activities Overview:

During the financial year ended 31 August 2008 Dioro commenced production of gold from the Frog's Leg Project (May 2008) and from the South Kalgoorlie operation (December 2007). Both projects were involved in significant capital development programs during the financial year. The HBJ open pit at South Kalgoorlie has been undergoing a significant cut back (a period involving a high percentage of waste removal compared to ore recovered), which has resulted in high costs per tonne of ore mined and per ounce of gold recovered. Annual costs reflect this development work, and as such are not representative of the expected future costs of mining the ore body. The average cash cost per ounce recovered for the last quarter of the year had dropped to $850 per ounce, reflecting the nearing of

completion of the capital waste stripping phase. As at 31 August 2008 Dioro is accessing progressively higher grades within the HBJ pit as a result of the development work. The average grade for the August quarter was 1.99 g/t. This grade will increase further as more of the orebody is exposed, further lowering the cash cost per ounce continuing into 2009.

The Frog's Leg underground project commenced development during the year. Ore recovery commenced in February 2008, with first gold poured in May 2008. As the project is still in a significant development phase, the actual cost per ounce recovered currently reflects the high proportion of lower grade development ore within the total ore production, which will continue until the main ore body is reached. As the production of ore from stopes increases in the future, the ratio of development to stoping ore produced will decrease, resulting in higher average grades hoisted, and as such a lower cash cost per ounce.

SOUTH KALGOORLIE

On 1 December 2007, Dioro took operational control and ownership of the South Kal Operation acquired from Harmony Gold. The South Kal operation is located 32km south of Kalgoorlie in the Eastern Goldfields of Western Australia. Mining has been undertaken continuously at the South Kal operation for in excess of 20 years with the continued replacement of reserves being sufficient to fully utilise the 1.2 million tonne capacity of the Jubilee processing facility.

Mining at the South Kal operation during the year has been undertaken primarily at the HBJ open pit, with mining at satellite ore bodies including completion of mining at the Shirl and Bakers Flat open pits and commencement of crown pillar extraction at the Mt Marion open pit. This extraction was delayed by a pit wall failure, which is in the process of remediation prior to the recommencement of mining operations.

When Dioro acquired the South Kal operations the project was in the midst of an extensive capital development program with a waste stripping phase at the HBJ open pit. This was supplemented in part by the completion of mining at Shirl and Bakers Flat. Throughout the year, Dioro continued the capital intensive phase and at the year-end had moved approximately 3 million bank cubic metres ("BCM"), representing a waste to ore stripping ratio at 10.5:1. The completion of the capital waste stripping programme at HBJ south cut-back should result in a decreased stripping ratio moving forward.

Total All Ore Sources SKO		Dec 07 – Aug 08	Quarter ended 31 Aug 2008	Quarter ended 31 May 2008	Quarter ended 29 Feb 08
SKO	Waste and ore mined (BCM)	2,945,562	952,934	1,017,588	975,040
	Ore Mined (tonnes)	655,925	275,590	130,547	249,788
	Grade (g/t)	1.99	2.03	1.51	2.2
	Ounces	41,973	17,967	6,338	17,668

Table 1: SKO Mining Summary

HBJ Open Pit:

The Hampton-Boulder-Jubilee ("HBJ") open pit is located adjacent to the Jubilee mill on the Boulder Lefroy Fault, host also to the Kalgoorlie Super Pit (Golden Mile). The HBJ pit has historically produced in excess of 1,473,000 ounces (including 203,000 ounces from underground). As at 31 August 2008, HBJ has a measured and indicated resource of 778,000oz and a reserve of 127,000oz, a reduction of 42,000 ounces since December 2007. The majority of this reduction can be attributed to reserve depletion due to mining, stockpiling and processing.

The main aim of activities at HBJ over the past nine months has been the removal of overburden and 'pushing back' of the walls of the southern cut back to the HBJ pit. Over this period the mine has operated at an average stripping ratio of 13:1. These stripping activities are nearing completion and have exposed for mining a large reserve block of ore in the deepest part of the open pit. This ore has been subdivided into relatively 'high' (720,000 tonnes @ 2.49g/t Au), 'medium' (200,000 tonnes @ 1.14g/t Au) and 'low' (274,000 tonnes @ 0.78g/t Au) components and will be mined and stockpiled in these categories.

Mining of this ore has now commenced and will be extracted over the next seven months at a stripping ratio of an estimated 3.5:1. The optimal mining rate of this exposed ore significantly exceeds the milling capacity of the HBJ mill and this will result in the build up of a large broken ore stockpile.

The HBJ southern cutback and stockpiling represents stage one of a two stage mine plan for the HBJ orebody. The HBJ northern cutback is currently scheduled to commence late in 2009.

HBJ Pit Mining	Dec 07 – Aug 08	Quarter ended 31 Aug 2008	Quarter ended 31 May 2008	Quarter ended 29 Feb 2008
Waste and ore mined (BCM)	2,157,217	835,961	749,339	571,917
Ore Mined (tonnes)	485,643	220,750	130,547	134,346
Grade (g/t)	1.99	1.58	1.51	1.4
Ounces	23,599	11,214	6,338	6,047
Mining Cost ($M)	21.93	8.91	7.19	5.83

Table 2: HBJ Pit Mining Summary

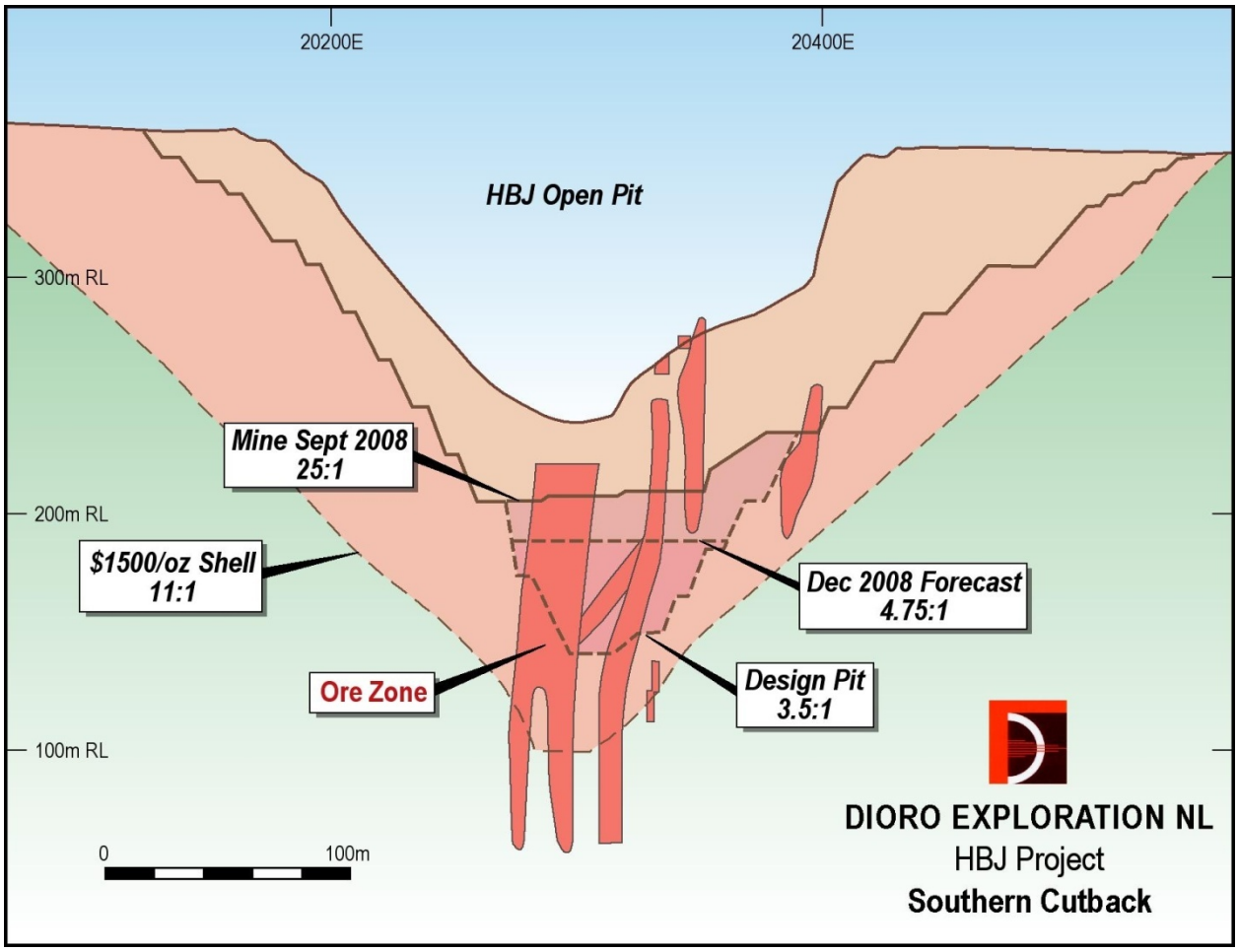

Figure 1: HBJ Project Southern Cutback

Mt Marion Crown Pillar:

The Mt Marion deposit is located 25 kilometres west of the Jubilee mill and was mined by the previous owner by open cut and underground methods (total production 650,000ozs). During 2007 underground operations ceased, thus making available the high grade crown pillar between the former open pit and underground mine.

Following the completion of overburden stripping activities and other preparation work, during August 2008 Dioro detonated the main blast to extract the crown pillar of high-grade ore. It is estimated that 13,000 ounces of gold still remain in blasted material in the Mt Marion Pit.

Subsequent to the end of the year, Dioro announced a significant pit wall failure at Mt Marion. Earth moving has temporarily ceased while drilling and dewatering works are carried out to reduce water inflow into the pit, thereby allowing access to the slip material, a portion of which has moved further and settled into the bottom of the pit. The removal of the slip material and remediation of the wall will recommence once dewatering work is complete.

Mt Marion Pit Mining		Dec 07 – Aug 08	Quarter ended 31 Aug 2008	Quarter ended 31 May 2008	Quarter ended 29 Feb 08
Mt Marion	Waste and ore mined (BCM)	469,023	116,973	268,251	83,799
	Ore Mines (tonnes)	71,486	54,840	16,646	-
	Grade (g/t)	3.60	3.83	2.85	-
	Ounces	8,282	6,757	1,525	-
	Mining Cost ($M)	8.06	3.51	3.63	0.92

Table 3: Mt Marion Pit Mining Summary

Shirl Open pit:

The Shirl deposit was discovered during fiscal 2006 and is located approximately 10km ESE of Coolgardie. During the February quarter mining ceased at the Shirl Pit. The mining fleet was then moved sequentially to complete the Bakers Flat open pit and commence open pit extraction of the Mt Marion crown pillar respectively. Prior to ceasing operations, a total of 41,922 BCM was mined by Dioro at Shirl, to produce 58,552 tonnes of ore at a grade of 3.7g/t.

Bakers Flat Open pit:

The Bakers Flat deposit (located 300m east of the Shirl deposit) is a small (4-5 metres thick), flat-lying supergene deposit located approximately 40 metres below the surface. During October 2007 (by previous owners) mining commenced and the first ore parcel was delivered to the mill during December 2007. Mining at Bakers Flat was completed during February 2008 with a total of 177,525 BCM mined by Dioro since acquisition to produce 52,760 tonnes of ore for Dioro at a grade of 2.29g/t.

FROG'S LEG (Mungari East Joint Venture)

Dioro owns a 49% interest in the Mungari East Project ("MEJV"), a 32km² tenement package located 20 kilometres west of Kalgoorlie and includes the Frog's Leg deposit. The project operator and owner of the remaining 51% of the project is La Mancha Resources Inc ("La Mancha"), a Toronto listed company.

During December 2007 the joint venture completed the Frog's Leg underground feasibility study and Ore Reserve based on a measured an indicated resource of 723,000 ounces of gold (100%). The study converted 86% of the resource into reserve. Subsequent to the underground study in April 2008 the joint venture announced a 38% increase in the measured and indicated resource to 990,000 ounces of gold (100%). The joint venture is currently completing an underground study and Ore Reserve update.

On 5th July 2007, the joint venture commenced decline development at the Frog's Leg underground with an owner-operator mining fleet and staff resident in Kalgoorlie. During May 2008, the joint venture poured its first gold bar from the first batch of ore mined at Frog's Leg and milled at the Jubilee processing facility.

		Year ended Aug 2008	Quarter ended 31 Aug 2008	Quarter ended 31 May 2008	Quarter ended 29 Feb 2008	Quarter ended 30 Nov 2007
Frog's Leg 49%	Ore Mined	84,546	39,747	24,146	14,635	6,017
	Grade	3.98	3.98	4.41	2.75	5.26
	Ounces	10,814	5,084	3,420	1,293	1,018

Table 4: Frog's Leg Mining Summary (Dioro 49%)

To the end of August 2008, a total of 4,110 metres of underground Jumbo development had been completed. Development of stope ore drives continued in the upper levels of the mine. To date approximately 80% of the ore extracted from the underground operations has been sourced from development with only 30% of ore hoisted during this period derived from stopes. The Rocket and Mist Lodes now each have ore development on four levels. At 31 August 2008 ore development was proceeding on the 8160 level (Surface approximately 8340 level).

Since the commencement of underground mining 223,139 tonnes grading 3.0 g/t have been processed to produce 19,729 ounces of fine gold (100% JV). Ore treated included 72,409 tonnes of stockpiled low grade open cut ore and a high portion of the development ore primarily from the Rocket Lode.

Ore was processed in several campaigns during the year at the Jubilee and Greenfields processing plants respectively. Stockpiled open pit low grade ore was processed as well as the underground ore. At present prices, processing of the low grade stockpiles is very profitable but is limited by the availability of processing capacity.

From September 2008 onwards the ore produced is being split, with Dioro's 49% portion being processed through the Jubilee mill.

Frog's Leg underground development status:

The Frog's Leg underground mine design was based on resource estimation block modelling information provided by La Mancha. The feasibility study envisaged the extraction of 3.65 million tonnes of a combination of stoping and development ore at a fully diluted grade of 5.29 g/t Au (622,000 JORC Total Ore Reserve ounces) over a 7.5 year mine life. This ore Reserve has subsequently been depleted by approximately 2.7% with the commencement of mining at Frog's Leg.

Access to the proposed Frog's leg underground is by a decline with its portal located within the Frog's Leg pit. The decline layout will provide access to stoping areas in the Rocket, Mist and Mist Hanging wall (Fog) lodes (Figure 1). The proposed mining method utilises longhole stoping with 20m sublevel interval. Stoping will be a combination of open stoping and back filled stoping utilizing cemented waste rock material.

The proposed underground mine will have a mine life (based on the resources declared in July 2007) of 7.5 years at an average mining rate of approximately 83,000 ounces per annum. Excess saline water generated during underground mining operations will be discharged onto the White Flag Lake and agreements and approvals are in place to discharge this water.

The feasibility study has assumed a metallurgical recovery of 94.9% reflecting results from metallurgical testwork.

Based on an additional scoping study conducted on the 209,000 ounce inferred resources (5.7g/t Au), an additional 150,000 ounces has the potential to be incorporated into the reserves with minimal additional capital development.

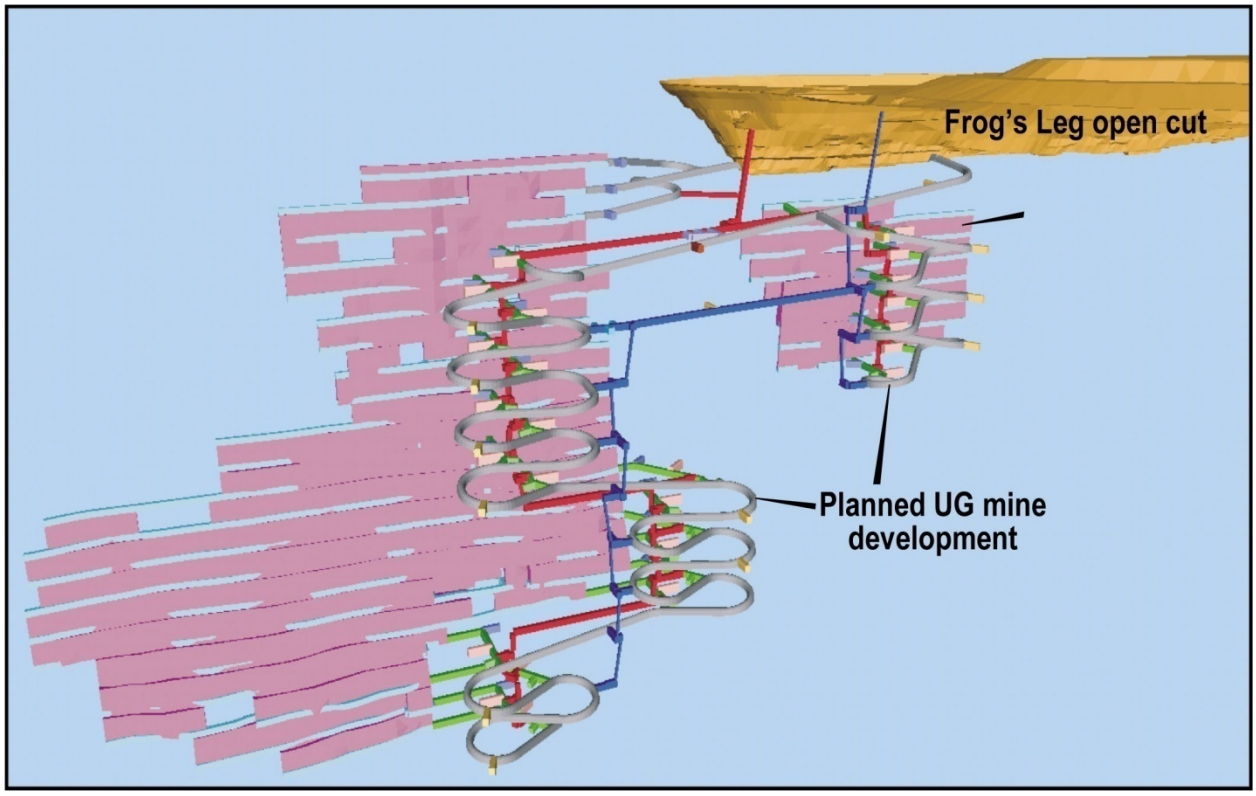

Figure 2 – Frog's Leg feasibility study underground design

RESOURCES AND RESERVES

South Kalgoorlie Operation

As at 31 August 2008, the South Kal Operation has a total JORC proved and probable Ore Reserve of 4.4 million tonnes at 1.5g/t for 220,000 ounces of gold (including low grade stockpiles), taking into consideration reserve restoration and depletion since December 2007.

	Proved			Probable			Total 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	23	2.9	2,000	2,556	1.5	125,000	2,579	1.5	3,958	127,000
HBJ-Southern Extension			-	298	1.8	17,000	298	1.8	525	17,000
Mt Martin			-	369	1.8	21,000	369	1.8	656	21,000
Bakers Flat Stage 2			-	67	2.4	5,000	67	2.4	157	5,000
Triumph			-			-				
Mt Marion CP	57	3.4	6,000			-	57	3.4	194	6,000
28 Pit			-	116	2.2	8,000	116	2.2	256	8,000
Sub Total	**81**	**3.2**	**8,000**	**3,405**	**1.6**	**176,000**	**3,485**	**1.6**	**5,746**	**185,000**
High Grade Stockpiles	**246**	**2.2**	**17,000**		**0.0**	**-**	**246**	**2.2**	**538**	**17,000**
Sub Total Insitu & HG Stock	**326**	**2.4**	**26,000**	**3,405**	**1.6**	**176,000**	**3,731**	**1.7**	**6,284**	**202,000**
Low Grade Stockpiles	**648**	**0.8**		**63**	**0.7**		**711**	**0.8**	**548**	**18,000**
Total Stockpiles	**894**	**1.2**	**34,000**	**63**	**0.7**	**1,000**	**957**	**1.1**	**1,086**	**35,000**
TOTAL	**974**	**1.3**	**42,000**	**3,468**	**1.6**	**178,000**	**4,442**	**1.5**	**6,831**	**220,000**

Table 5: South Kal Operations Reserve Statement 31 Aug 2008

As at August 31, 2008, the South Kalgoorlie project had a total JORC measured and indicated resource of 1.675 million ounces, an increase of 6% on the resources declared in the December 2007 statement, due to the addition of Penfold resources and changes in SKO resources.

	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	283	2.7	24,000	16,145	1.5	754,000	16,429	1.5	778,000
Mt Martin			-	4,470	1.5	221,000	4,470	1.5	221,000
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	193	3.5	22,000	41	2.1	3,000	234	3.3	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			-			-			
Swift Pit	62	2.3	5,000			-	62	2.5	5,000
Low Grade Stockpiles - SKO	716	0.8	18,000	165	0.7	4,000	882	0.8	22,000
Sub Total SKO	**2,222**	**1.8**	**131,000**	**26,215**	**1.7**	**1,437,000**	**28,437**	**1.7**	**1,569,000**
Penfolds									
Sub Total Penfolds	**23**	**6.2**	**5,000**	**1,120**	**2.3**	**84,000**	**1,143**	**2.4**	**89,000**
Total Insitu + LG Stocks	**2,245**	**1.9**	**136,000**	**27,335**	**1.7**	**1,521,000**	**29,579**	**1.7**	**1,658,000**
			-			-			
High Grade Stockpiles	246	2.2	17,000		0.0	-	246	2.2	17,000
TOTAL ALL RESOURCES	**2,491**	**1.9**	**153,000**	**27,335**	**1.7**	**1,521,000**	**29,825**	**1.7**	**1,675,000**

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

Table 6: South Kal Operations Resource Statement 31 Aug 2008

Frog's Leg Project

Ore Reserve:

The current Ore Reserve was calculated in November 2007 and although at the time of publication of this report, depletion of the reserve is only in the process of being calculated, it is expected that less than 4% of this reserve was depleted by mining during the year.

Since the feasibility and reserve calculation was completed, drilling and evaluation programmes continued and a significant 37% increase to the Measured and Indicated Mineral Resource has been estimated. The joint venture has commenced scoping studies incorporating the increases in resources, alternative mine designs and techniques. The joint venture expects to complete these studies and a reserve update early in 2009.

	Tonnes	Au g/t	Ounces
Proved Ore Reserve	1,048,200	5.38	181,500
Probable Ore Reserve	2,492,500	5.28	423,400
Total	**3,540,700**	**5.31**	**604,900**

Table 7: Frog's Leg Ore Reserve Statement (100% Project August 2008)

Mineral Resources:

The Frog's Leg Mineral Measured and Indicated Resource now comprises 964,000 ounces of gold (472,360 ounces attributable to Dioro) after taking into consideration resource depletion due to commencement of mining at Frog's Leg.

The following table demonstrates the new Frog's Leg resource estimate on a 100% basis.

Class	Tonnes	Grade (g/t)	Ounces
Measured	908,000	7.1	208,000
Indicated	3,522,000	6.7	756,000
Total M+I	**4,430,000**	**6.8**	**964,000**
Inferred	914,000	5.9	172,000

Table 8: Frog's Leg Resource Estimation (100% JV) as at 31 August 2008

NB: Grade, Tonnes and Ounces rounding errors may occur.
Lower grade cut-off 3.5g/t.
The resource is inclusive of reserve tonnes and ounces.
This estimation does not include the results of holes drilled since Jan 2008.

The Mineral Resource and Ore Reserve estimates were evaluated in accordance with definitions and guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum and the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004). The Ore Reserve has been calculated using a mining reserve cut-off-grade of 3.50g/t, standard dilution parameters applied to the resource based upon empirical knowledge within the Frog's Leg rock conditions and industry standards, mining methods, pillar and panel recoveries, standard assumptions on mine design made to suit operating equipment parameters.

MILLING

As part of the acquisition of the South Kal Operation, Dioro acquired the Jubilee processing facility. The mill provides the company with a valuable low cost strategic asset in the Kalgoorlie district. The mill has been used constantly since commissioning in 1987. In order to meet the milling requirements over the life of the reserves at South Kal and Frog's Leg, Dioro has continued a capital refurbishment program. This work has included refurbishing one of the tanks and converting an exhausted open pit into a tailing facility.

The Jubilee mill continues to perform well with 96.1% availability. During the year the mill processed a combination of ore from HBJ, Shirl, Bakers Flat, Mt Marion and Frog's Leg. During May and June 2008 a 91,924 tonne Frog's Leg batch was successfully processed through the mill. Since the beginning of September 2008, Jubilee has processed (at a rate of approximately 100,000 tonnes per month) a blend of ore from Dioro's 100% owned mines at South Kalgoorlie and Dioro's 49% portion of the Frog's Leg ore respectively.

Frog's Leg ore has been treated at both the Jubilee mill and the Greenfields custom mill. Total Dioro ore milled is shown in table 9.

		Dec 07 to Aug 08 Total	Quarter ended 31 Aug 2008	Quarter ended 31 May2008	Quarter ended 29 Feb 2008
Frog's Leg 49% **	tonnes	109,313	54,448	54,865	-
	grade	2.94	3.37	2.51	-
	recovery	92.2%	91.5%	93.2%	-
	ounces	9,520	5,397	4,123	-
South Kal Operation	tonnes	727,266	250,079	198,008	279,179
	grade	1.85	2.01	1.49	1.95
	recovery	90.2%	91.2%	90.2%	88.7%
	ounces	38,860	14,762	8,553	15,545
Total	tonnes	836,579	304,527	252,813	279,179
	grade	1.99	2.26	1.71	1.95
	recovery	90.3%	91.3%	91.1%	88.7%
	ounces	48,381	20,160	12,676	15,545

** Frog's Leg milling includes some Low Grade ore.

Table 9: Total Dioro ore milled

EXPLORATION

South Kalgoorlie Operation

Introduction:

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.

Since acquisition Dioro's exploration efforts have focussed both on advanced and greenfields prospects in order to maintain the future project stream. Resource development activities at the South Kal Operation have involved drill testing extensions to the Mt Marion and Shirl deposits. Results of this work have been encouraging, moving these projects closer to a development decision.

Greenfield exploration activities at the South Kal Operation have concentrated on building new, more sophisticated geological and geochemical datasets. Dioro's approach has been to collect modern baseline datasets that will form the basis of future exploration targeting.

Previous exploration has not included multi-element collection, and as such Dioro has embarked on an extensive program of sophisticated geochemical and PIMA data collection. Multi-element geochemistry has confirmed the recently discovered Colnago Trend which has geochemical characteristics similar to the other major gold camps in the Yilgarn.

Early stage bedrock drilling has currently identified 7km of gold mineralisation along the Colnago trend, which still remains untested to the south east.

Advanced studies initiated at the South Kal project include collaboration with the CSIRO to undertake a 3D numerical modelling and exploration targeting project, that will expand in the future to include other geoscience disciplines.

During the year, Dioro completed in excess of 36,000m of RAB and aircore drilling, 4,365m of RC drilling, 214m of diamond drilling and collected over 9,000 surface geochemical samples.

Shirl Deeps:

The Shirl deposit was discovered during fiscal 2006 and is located approximately 10km ESE of Coolgardie on the mineral freehold Hampton East Location 59. The deposit is adjacent to the historic Barbara-Surprise mining centre, which has historically produced in excess of 250,000 ounces from both underground and open pit mines. The discovery was located approximately 300m from the Surprise mine, in an area previously explored but covered with thin transported overburden.

Mining was completed at the Shirl open pit in January 2008.

Mineralisation at the Shirl deposit is centred on two gold bearing structures, the Main and Cross lodes. Both structures are hosted within a differentiated gabbroic sill. The Main lode (Figure 3), which was the focus of the majority of the open pit mining reserve, consists of a brittle fault zone within the gabbro sequence, up to 25m in true width. The significance of the Cross lode (Figure 4), was recognised within the bedrock sequence once mining had begun. The structure consists of a narrow cross-cutting shear zone, which is typically highly altered.

Two late stage, flat lying felsic intrusives successively stope out the ore zone, with the lower of the two forming the base of the Shirl open pit.

Drilling of the ore zone beneath this lower intrusive has been undertaken in the past to delineate ore-zones which might be potentially exploitable by underground methods. Prior to Dioro taking control of the South Kal Operations, diamond drilling had successfully identified the Main lode to a depth of approximately 350m below surface, as well as limited testing of the Cross lode.

A JORC compliant Indicated resource of 99,000ozs was calculated for the Main lode, with an Inferred resource of 47,000 ounces including both some Main lode and Cross lode mineralisation.

Drilling during the year at Shirl Deeps was undertaken to both increase the data density and confidence in the Main lode width and tenor of grade at depth, as well as to scope the extent of high grade mineralisation contained within the Cross lode structure at depth. The Cross lode structure was also targeted within the footwall of the overall sequence, with no previous drill testing having been undertaken on the target.Results to date have been encouraging, with high grade mineralisation intercepted on both the Main and Cross lode structures outside of the existing resource areas. Additionally, the continuation of the Cross lode structure within the footwall sequence has been confirmed, with hole SHDD033 intersecting the structure with abundant visible gold. This intercept has also suggested the existence of a fault along the southern margin of the deposit, which potentially could have offset the orebody beyond the extent of current drilling at the prospect.

Significant results include:

- 9.5m @ 19.2g/t from 236m (Oblique, Main Lode – SHDD031)
- 3.8m @ 5.7g/t from 218m and 7.0m @ 4.6g/t from 232m (Oblique, Main Lode – SHDD032)
- 0.96m @ 38.1g/t from 350.4m (Cross lode – SHDD033)
- 3.5m @ 6.5g/t from 399.9m (Cross lode – SHDD031)

Additionally, mineralisation was intersected in the pre-collar to hole SHDD025, which aligns with a postulated hangingwall repetition to the Shirl Main Lode, known as Shirl West. The intercept in hole SHDD025 at Shirl West is 7.3m @ 4.0g/t from 96m (SHDD025).

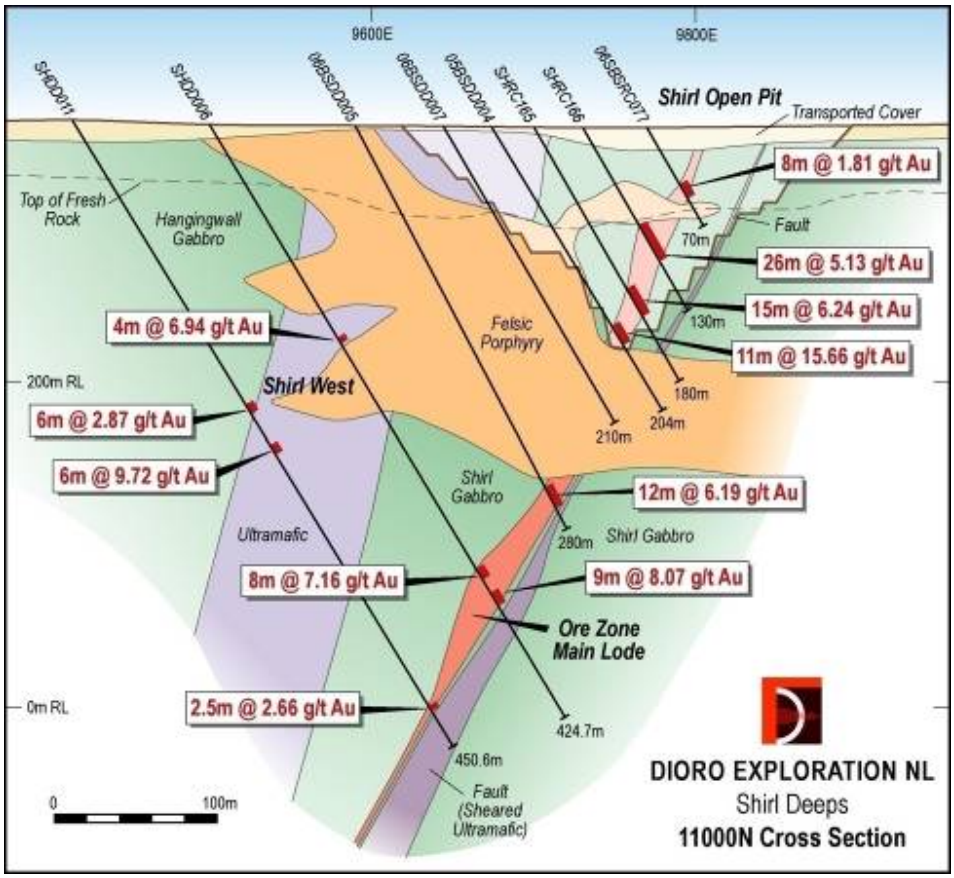

Figure 3: – Schematic Cross section representing Main Lode and Shirl West mineralisation.

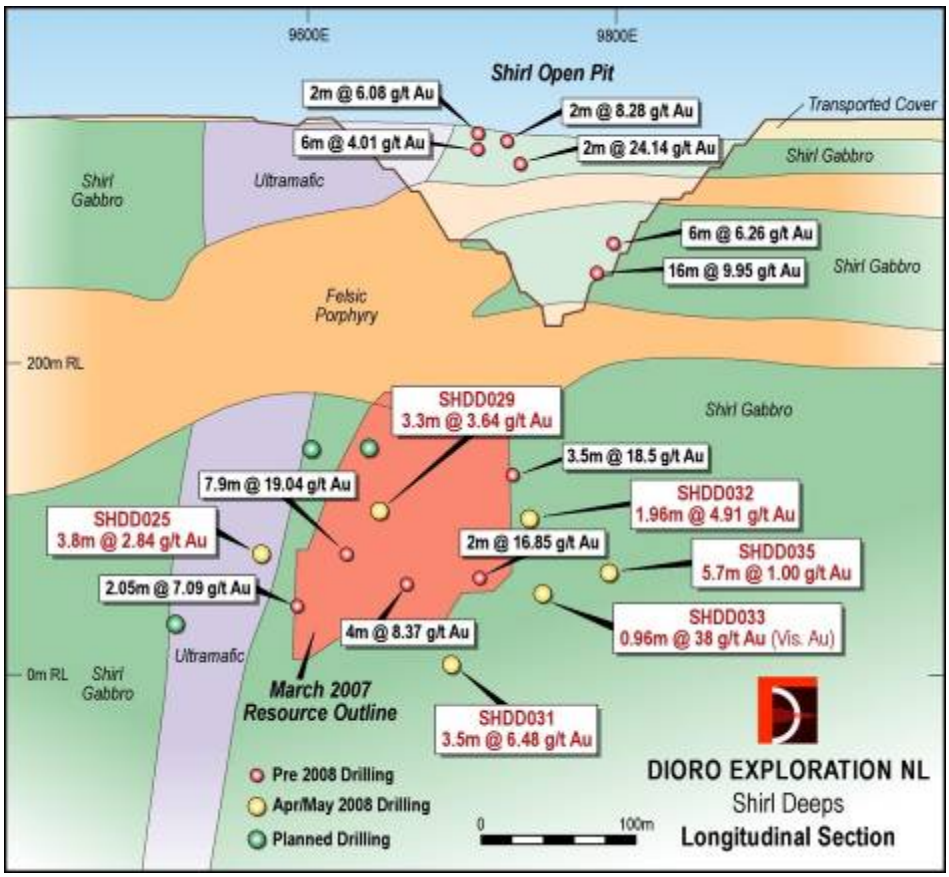

Figure 4: – Longitudinal Section, Cross Lode mineralisation, drill results and current resource outline, Shirl Deeps

Mt Marion West:

The Mt Marion West lodes (adjacent to the +1.2M ounces Ghost Crab/Mt Marion deposit), are located on M15/717, which is 100% owned by Dioro. The lodes were discovered in 2003 by underground exploration methods, and were subsequently mined as part of the Mt Marion underground operation until closure in 2007. Previous attempts at delineating up-plunge extensions to the underground developed lodes had proved unsuccessful.

Following closure of the Mt Marion operation, reinterpretation of the geological data collected during mining postulated a steeper plunge to that on the Mt Marion deposit, and as such, the near surface expressions of the mineralisation had not been tested. A small RC drilling campaign in mid 2007 returned anomalous results from favourable stratigraphic positions, but no further work proceeded.

Since taking control of the South Kal Operation in December 2007, Dioro has undertaken two RC drilling campaigns on a nominal 25m x 20m grid, to follow up on the anomalous results and testing of the favourable "Lode Gneiss" geological formation intercepted. These two programmes have been successful in delineating significant mineralisation at the Mt Marion West prospect. Figure 5 illustrates the mineralisation delineated on section 8275mE.

Significant intercepts returned to date include:

- 13m @ 2.0g/t from 77m downhole (MWRC023)
- 11m @ 5.0g/t from 57m downhole (MWRC027)
- 13m @ 2.3g/t from 102m downhole (MWRC028)
- 10m @ 4.4g/t from 79m downhole (MWRC029)
- 11m @ 4.6g/t from 108m downhole (MWRC030)

An initial interpretation and resource model have been generated for a mining scoping study prior to any further work proceeding. The model was generated utilising all RC data, and utilised geostatistical parameters derived from mining in the Mt Marion underground project in order to form an ordinary kriged grade interpolation. Nominal density values were used based on logged oxidation levels. The resultant fill realised a resource estimate of:

- Inferred 171,000t @ 2.1g/t for 11,000 ounces
- Total 171,000t @ 2.1g/t for 11,000 ounces

As at 31 August 2008 Mt Marion West had a JORC compliant inferred resource of 11,000 ounces.

This model will be utilised for an open pit mining scoping study to confirm the validity of pursuing the project further.

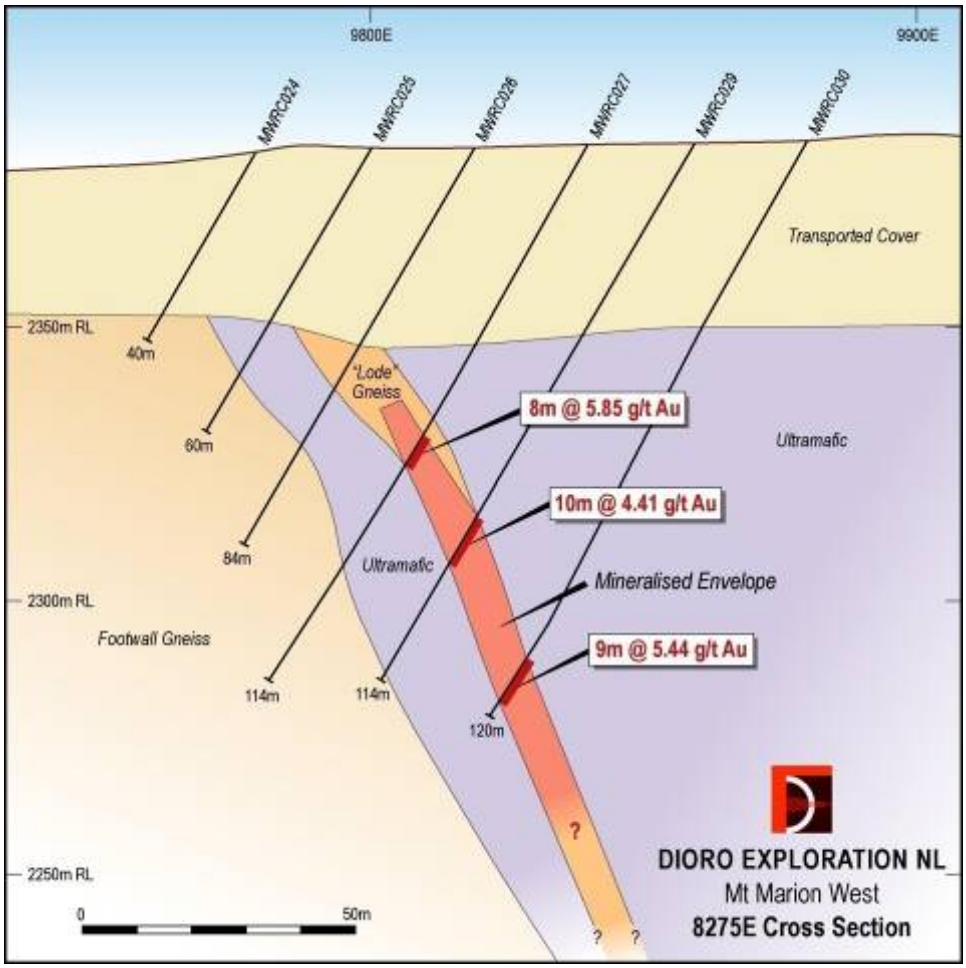

Figure 5 – Mt Marion West Prospect, Schematic Cross-section 8275mE

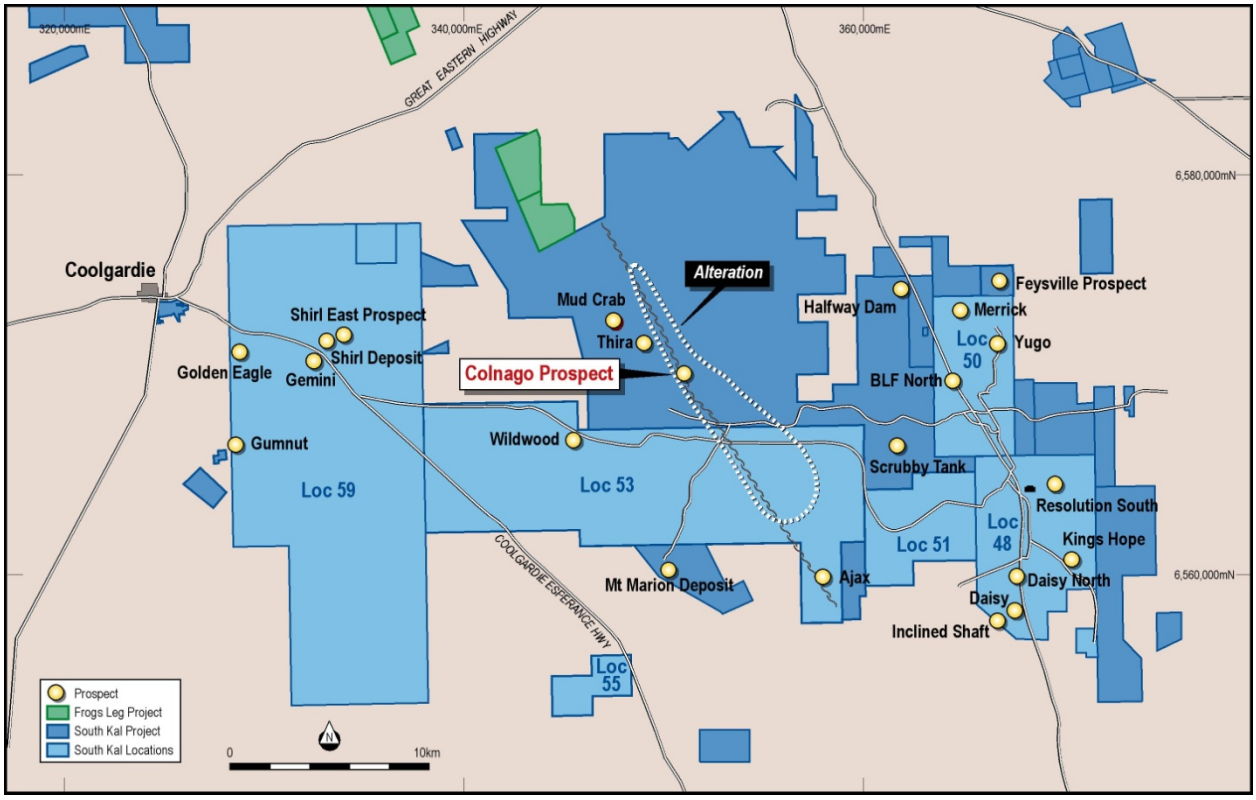

Figure 6: South Kal Operations Plan

Colnago:

Wide zones of gold anomalism and alteration have been intersected over several kilometres of strike, highlighting the mineralized structure discovered in the Colnago drilling in 2007. Mineralization has now been tracked over 7.5km of the Colnago structure, with bottom of hole anomalism ranging between 5-10m with grades between 0.2 and 1.0g/t gold.

Exploration during the year concentrated on RAB/aircore testing of the northern extensions to the Colnago Trend. Drilling continues to intersect bottom of hole anomalism at the interface between weathered and fresh rock.

A single diamond hole was drilled at Colnago primarily to obtain detailed structural information about the mineralised structure. The drilling confirmed the mineralisation continues at depth associated with a wide brittle deformation zone comprising quartz stockwork veining within a volcanoclastic unit. Further step out drilling is being planned.

Freehold Location Lands:

The core tenements that comprise the South Kal Operation are the freehold Location Lands tenements. The main exploration activities carried out on the Location Lands involved the collection of baseline geochemical data. Results returned thus far from Location 48 and Location 59 have identified significant untested greenfield anomalies and have further refined existing prospects of interest. Of particular note are the results in Location 48 which are indicating the presence of 'pregnant porphyries', thought to be integral to all the main gold camps in the Yilgarn. Drill programs have been designed to test the main geochemical anomalies and concepts resulting from this initial phase of exploration work.

An 11 hole RC program was conducted on Location 59 at the Shirl East prospect. Encouraging gold results have been received from all holes with the best intersections tabulated below:

Hole Number	Grid Coordinates		Survey Data				Anomalous Intersections *			
	AMG Easting	AMG Northing	RL (m)	Azimuth (deg)	Dip (deg)	Depth (m)	From (m)	To (m)	Interval (m)	Grade g/t
08BSRC190	333920	6571880	360	360	-60	120	36	38	2	12.78
08BSRC193	333400	6571940	360	360	-60	96	23	26	3	10.49
08BSRC197	334080	6571940	360	360	-60	138	76	79	3	8.42
08BSRC199	334000	6571880	360	360	-50	168	144	152	8	2.23
08BSRC199	334000	6571880	360	360	-50	168	156	165	9	1.61

Table 10: Location 59 Drilling

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.

Near mine exploration at the Frog's Leg project returned a high-grade intersection giving the deposit exciting scope for extension. MERC641D intersected 33m @ 3.64g/t gold from 615m including 6m @ 11.19g/t gold from 615 metres and 2m @ 25.06g/t gold from 615 metres. (Figure 7, Table 11)

MERC641D was one of the last holes to be drilled as part of the 2007 diamond drilling program. The intersection is significant as it is located 500m below the surface, 150m below previous drilling and below the new March 2008 resource envelope at Rocket. The wide, high-grade intersection confirms the southerly plunging, high-grade shoot shown by geological modelling incorporating the 2007 drilling.

MERC641D was not included in the resource upgrade reported on the 1st April 2008, indicating that the Frog's Leg resource will continue to grow as extensional drilling is conducted. Potential remains to extend the resource at depth and in particular along strike to the south.

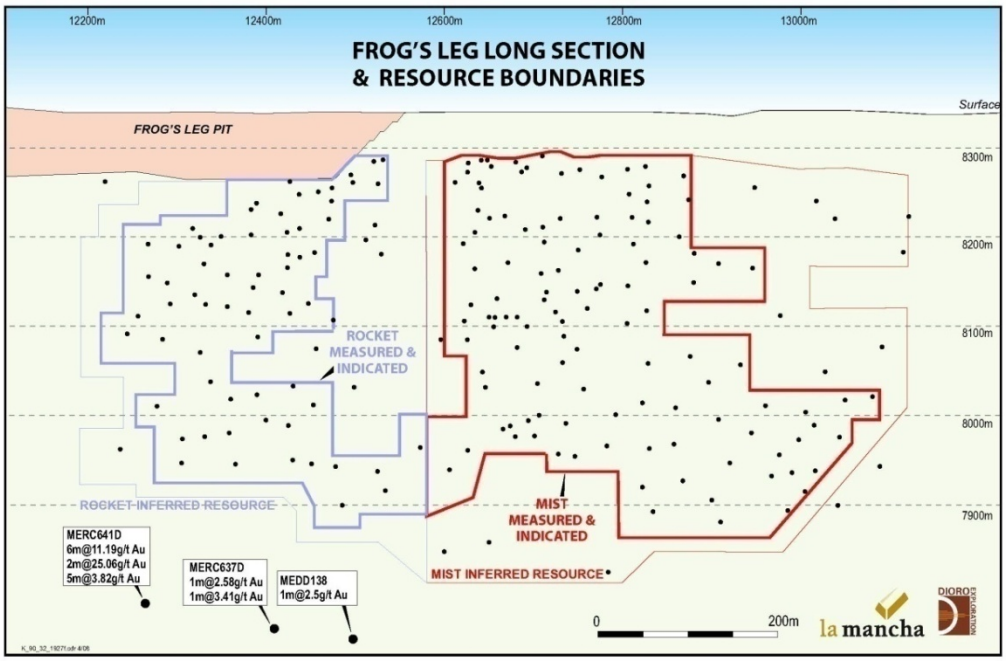

Figure 7: Frog's Leg Long Section & Resource Boundaries

Hole ID	N_AMG	E_AMG	RL	Depth	Interval	Intercept	True Thickness
MERC641D	6595619.77	334421.56	339.83	733.31	291-292	1m @ 3.73g/t	0.36
					348-349	1m @ 1.32g/t	0.37
					615-621	**6m @ 11.19g/t**	**2.52**
					615-617	**2m @ 25.06g/t**	**0.84**
					622-626	4m @ 1.6g/t	1.72
					630-633	3m @ 2.18g/t	1.29
					634-639	5m @ 3.82g/t	2.15
					643-644	1m @ 1.31g/t	0.43
					647-648	1m @ 2.97g/t	0.43

Table 11: Frog's Leg Near Mine Exploration

Regional exploration surrounding Frog's Leg is ongoing. Exploration outside the Frog's Leg deposit has been limited to shallow drill testing of targets, with in excess of 10 kilometres of strike still to be explored. This includes testing the White Foil Trend north of the White Foil pit where it is projected to extend on the joint venture ground.

During the year the majority of exploration was concentrated on improving and growing the Frog's Leg resource. A $5.5 million diamond drilling program which commenced early in 2007 was completed early in 2008. This has led to two significant increases in the resource. The Frog's Leg deposit is still open at depth and additional internal drilling is proposed from underground to improve resource robustness.

Kunderong Project (Vale earning 60%)

The Kunderong uranium project is 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 the next four years, to earn an interest of 60 per cent in the uranium rights. Dioro maintains the rights to all other minerals, including gold, on the Kunderong Project.

During the year a TEMPEST geophysical EM airborne survey was completed and the final processed product has been delivered. The EM survey offers a significant improvement over the previously obtained magnetic images providing more structural and conductivity detail. The Breshnahan unconformity associated with Uranium mineralization in this area is accurately delineated in the TEMPEST data. The unconformity can be easily tracked through the Kunderong Project tenements, providing superior detail under surficial cover. The clarity of the EM survey has enabled more precise targeting of Uranium prospects.

Whilst native title issues have previously stalled on-ground exploration activities, the State Solicitors Office has negotiated a Heritage Agreement with the Jidi Jidi People that will enable exploration activities to proceed.

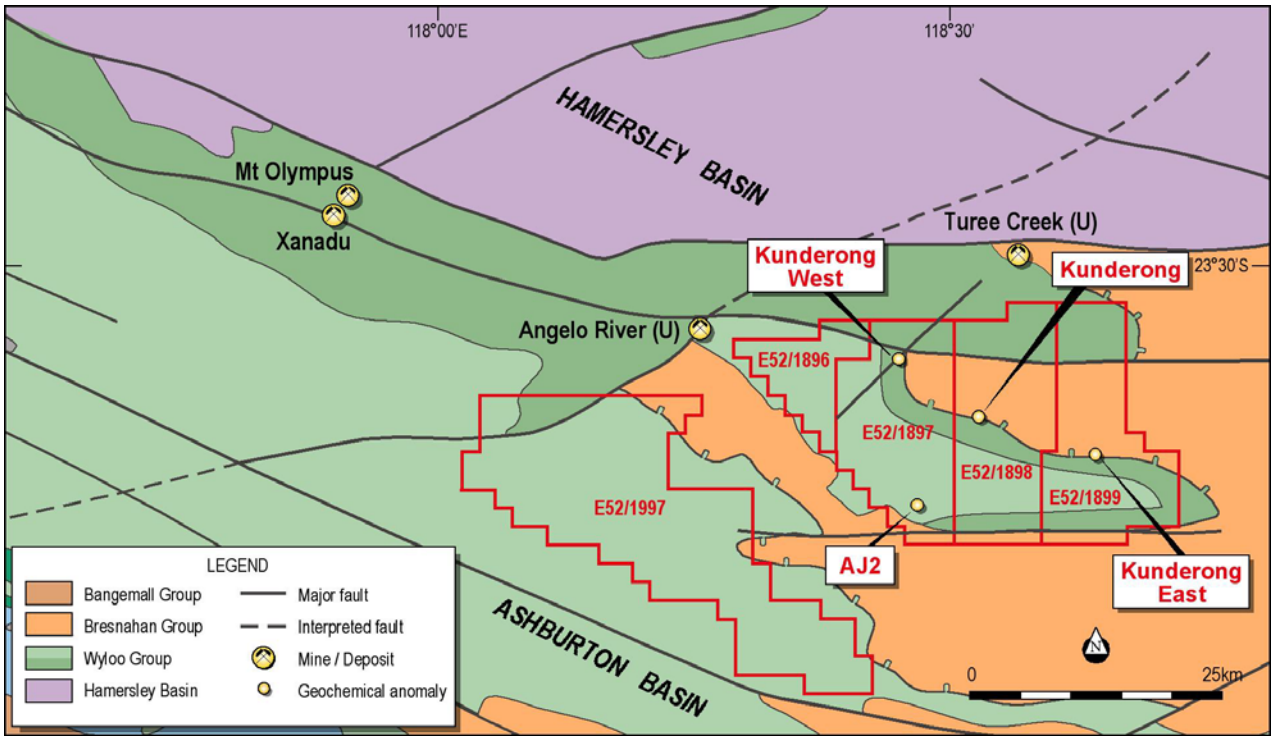

Figure 8: Kunderong Project.

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
South Kalgoorlie	Gold	WA	100%
Mungari East	Gold	WA	49%
Pokai	Gold	WA	90%
Six Mile	Gold	WA	10%
Kunderong Range	Gold / Uranium	WA	100%
Kennedy Creek	Gold / Uranium	WA	100%
Bonnie Vale	Gold / Nickel	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	P 27/980-984 inc	$1.00 per tonne for the first 2,000,000 tonnes of ore mined.
Little Wonder	P 26/1515	50 cents per tonne of ore mined.
	P 26/1616	50 cents per tonne of ore mined.
Mt Rankin	M 77/302	$1.00 per tonne of ore mined.
Red Hill / Kanowna	M 27/57	20 cents per tonne of ore mined.

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 for the financial year ended 31 August 2008 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 59, 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.

Appointed 31 July 2007.

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

Rhoderick Gordon John Grivas, *Managing Director*

Mr Grivas, aged 42, 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.

Appointed 2002

David Maxwell McArthur, *Executive Director and Company Secretary*

Mr McArthur, aged 50, 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.

Appointed 1991

Mark William Pitt, *Executive Director*

Mr Pitt, aged 59, 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.

Appointed 2004

Mark O'Dea, *Non-Executive Director*

Mr O'Dea, aged 40, 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 Unversity 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

Ross Kestel, *Non-Executive Director*

Mr Kestel, aged 53, 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 Registered Company Auditor and a member of the Institute of Company Directors.

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

Appointed 14 April 2008

All directors held their positions as a director throughout the entire financial year, with the exception of Messrs O'Dea and Kestel, and up to the date of this report unless otherwise indicated.

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	Harmony Gold Mining Company Limited Luiri Gold Mines Limited	1999 – May 2006 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	Conquest Mining Limited Jabiru Metals Limited VDM Group Limited DVM International Limited Northern Mining Limited Equigold NL Resource Star Limited Reco Financial Services Limited XState Resources Limited Jatoil Limited	February 1999 – May 2006 August 2003 – Current August 2005 - Current April 2005 – November 2007 April 2005 – June 2007 April 2005 – June 2008 August 2006 – Current June 2006 – Current 6 September 2006 - Current September 2007 – Current
Mark O'Dea	Frontera Copper Corporation Fronteer Development Group Aurora Energy Resources	2002 – 2007 2007- Current 2007 – Current

DIRECTORS' MEETINGS

During the year there were 15 meetings of directors.

The attendance of directors was as follows:

	Meetings Attended	Meetings during office held
T Grobicki	15	15
R Grivas	15	15
D McArthur	15	15
M Pitt	15	15
M O'Dea	4	5
R Kestel	4	4

DIRECTORS' MEETINGS (continued

During the year there were 3 meetings of the audit committee.

	Meetings Attended	Meetings during office held
T Grobicki	3	3
R Kestel	3	3

During the year there were 2 meetings of the remuneration committee.

	Meetings Attended	Meetings during office held
T Grobicki	2	2
R Kestel	2	2

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and rights or options over such instruments, 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:

Director	Ordinary shares	Options over ordinary shares
	Number	Number
Ted Grobicki	571,429	357,143
Rhod Grivas	78,945	1,285,714
David McArthur	900,000	357,143
Mark Pitt	81,992	785,714
Mark O'Dea	-	-
Ross Kestel	-	-
	1,632,366	2,785,714

REMUNERATION REPORT - AUDITED

Principles of Compensation

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 five most highly remunerated Company and Group executives.

Fixed compensation

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

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group. In addition external consultants provide analysis and advice to ensure the director's and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

The Company has a remuneration policy which aims to provide remuneration that is fair and equitable in terms of external competitiveness. The policy is determined by the Board and administered by the remuneration committee.

The policy relates individual remuneration to individual performance, the individual's position in the relevant salary market and the need for the organisation to retain and motivate the individual. No remuneration is directly linked with the overall financial performance of the Company.

To give effect to this policy the remuneration committee reviews available information that measures the remuneration levels in the various labour markets in which it competes.

The expectation of the Company is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Other than options issued to directors, the directors do not receive performance related compensation, short or long-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.

REMUNERATION REPORT – AUDITED (continued)

Service contracts

Executive directors
On 1 October 2007 an employment agreement was entered into with Mr Grivas, whereby Mr Grivas is paid $280,000 pa remuneration. The agreement has a condition that if it is terminated (other than by Mr Grivas) Mr Grivas shall receive a once only payment of 12 month's salary. On 8 May 2008, it was resolved that Mr Grivas' salary be increased to $345,000 per annum.

On 1 October 2007 an employment agreement was entered into with Mr Pitt, whereby Mr Pitt is paid $250,000 pa remuneration. The agreement has a condition that if it is terminated (other than by Mr Pitt) Mr Pitt shall receive a once only payment of 12 month's salary. On 8 May 2008, it was resolved that Mr Pitt's salary be increased to $325,000 per annum.

On 1 October 2007 an employment agreement was entered into with Mr McArthur, whereby Mr McArthur is paid $120,000 pa remuneration plus superannuation. The agreement has a condition that if it is terminated (other than by Mr McArthur) Mr McArthur shall receive a once only payment of 12 month's salary. On 8 May 2008, it was resolved that Mr McArthur's salary be increased to $153,000 per annum plus superannuation. On this date, his executive directors' fee was also increased to from $30,000 to $45,000 per annum.

Non-executive directors
The compensation for all non-executive directors, last voted by shareholders, is not to exceed $150,000 per annum and is set based on advice from external advisors with reference to fees paid to other directors of comparable companies. Directors' base fees are presently $45,000 per annum per director and Chairman's fees $70,000 per annum.

Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities. Presently Messrs Kestel and O'Dea each received non-executive directors' fees of $45,000 per annum (pro rata). Mr Grobicki received Chairmans' fees of $70,000 per annum. Messrs Kestel and Grobicki also received audit and remuneration committee fees each of $15,000 per annum (pro rata).

Executives
On 6 December 2007 an employment agreement was entered into with Mr Oram, whereby Mr Oram is paid $250,000 pa remuneration plus superannuation.

REMUNERATION REPORT – AUDITED (continued)

Directors' and executive officers' remuneration - audited

Details of the nature and amount of each element of the compensation of each of the directors, being the key management personnel, and relevant group executives of the Company are shown below:

		Short-term		*Post-employment*	*Share-based payments*				
	Year	**Fees & salary**	**Non-monetary benefits**	**Superannuation**	**Options**	**Shares**	**Total**	**Proportion of remuneration performance related**	**Value of options of remuneration**
		$	**$**	**$**	**$**		**$**	%	%
Directors									
T Grobicki *Chairman*	**2008**	80,208	3,786	7,219	413,656	696,429	1,201,298	-	34
	2007	-	-	-	-	-	-	-	-
R Grivas *Managing Director*	**2008**	280,584	3,786	24,911	123,839	-	433,120	-	29
	2007	211,008	-	18,143	250,965	-	480,116	-	52
D McArthur *Director & Company Secretary*	**2008**	178,500	3,786	17,055	-	-	199,341	-	-
	2007	84,337	-	6,790	133,500	-	224,627	-	59
M Pitt *Director*	**2008**	258,091	3,786	24,562	413,656	-	700,095	-	59
	2007	62,429	-	4,547	133,500	-	200,476	-	67
R Kestel *Non-executive Director*	**2008**	21,480	1,707	-	-	-	23,187	-	-
	2007	-	-	-	-	-	-	-	-
M O'Dea *Non-executive Director*	**2008**	20,625	2,361	-	-	-	22,986	-	-
	2007	-	-	-	-	-	-	-	-
C Donner *Non-executive Director*	**2008**	-	-	-	-	-	-	-	-
	2007	37,500	-	-	-	-	37,500	-	-
Executives									
D Oram *General Manager - Operations*	**2008**	175,387	-	15,905	124,865	-	316,157	-	39
	2007	-	-	-	-	-	-	-	-
Totals	**2008**	**1,014,875**	**19,212**	**89,652**	**1,076,016**	**696,429**	**2,896,184**		
	2007	**395,274**	**-**	**29,480**	**517,965**	**-**	**942,719**		

REMUNERATION REPORT – AUDITED (continued)

Directors' and executive officers' remuneration –
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.

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

Company secretarial work and financial services are provided by Broadway Management (WA) Pty Ltd ("Broadway"), a company associated with David McArthur. Fees paid to Broadway totalled $31,250 (2007:$Nil).

OPTIONS GRANTED TO DIRECTORS OF THE COMPANY – AUDITED

On 12 October 2007 357,143 options were granted each to Mr Pitt and Mr Grobicki, respectively. On 6 December 2007 220,000 options were granted to Mr D Oram. The options have been valued using the following inputs.

	Directors	Executives		
		Tranche 1	Tranche 2	Tranche 3
Expected volatility	40%	70%	70%	70%
Risk-free interest rate	6.5%	6.89	6.89	6.89
Life of option	5 years	4.5 years	4.5 years	4.5 years
Exercise price	$2.80	$1.75	$2.00	$2.75

Director's options
Based on these inputs the director's options have been valued at $827,312 ($1.16 each option) using Black and Scholes option pricing model. This amount has been expensed to the income statement in personnel expenses.

Executive's options
Based on the inputs above, the executive's options have been valued at $263,208. The value of each tranche of options is amortised over their vesting period. For the period ending 31 August 2008 $124,865 has been expensed to the income statement in personnel expenses.

Name	Number	Grant date	Vesting date	Exercise price	Expiry date
Directors					
T Grobicki	357,143	12 October 2007	12 October 2007	$2.80	30 September 2012
M Pitt	357,143	12 October 2007	12 October 2007	$2.80	30 September 2012
Executives					
D Oram	80,000	6 December 2007	1 December 2009	$1.75	1 December 2012
	70,000	6 December 2007	1 July 2009	$2.00	1 December 2012
	70,000	6 December 2007	1 December 2010	$2.25	1 December 2012

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.

	Options Granted		% vested in year	% forfeited in year	Financial years ending 31 August in which grant vests
	Number	Date	(A)	(B)	
Directors					
Ted Grobicki	357,143	12/10/2007	100%	-	2008
Rhod Grivas	357,143	31/01/2007	100%	-	2008
	357,143	31/01/2007	66%	-	2009
Mark Pitt	357,143	12/10/2007	100%	-	2008
Executives					
Dale Oram	80,000	06/12/2007	75%	-	2009
	70,000	06/12/2007	37%	-	2010
	70,000	06/12/2007	25%	-	2011

(A) The amount vested in the year represents the expense recognised in accordance with the accounting standards.
(B) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

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:

	Granted in year $ (A)	Value of Options Exercised in year $(B)	Lapsed in year $(C)
Directors			
Ted Grobicki	$413,656	Nil	Nil
Mark Pitt	$413,656	Nil	Nil
Executives			
Dale Oram	$263,208	Nil	Nil

(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 and is calculated at the date the option lapsed using a Black Scholes option-pricing model assuming the performance criteria has been achieved. No options lapsed in the year.

Shares issued to Directors
On 5 December 2007, 357,143 shares with a fair value of $1.95 were issued to Mr Grobicki for services rendered in relation to the completion of the South Kalgoorlie acquisition.

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
1 February 2009	$1.82	71,429
	$2.10	142,858
	$2.52	71,429
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	1,636,500
	$2.00	470,000
	$2.25	330,000
Total		8,311,503

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	CDN 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 mining and mineral exploration.

OPERATION AND FINANCIAL REVIEW

Shareholder returns	2008	2007
Net loss attributable to equity holders	(15,997,395)	(1,322,068)
Basic and diluted EPS	(21.48)	(3.30)
Net Assets (NA)	89,016,676	33,461,561
NA Backing (cents)	97.20	4.92

DIRECTORS' REPORT

SUMMARY OF MATERIAL TRANSACTIONS

On 12 October 2007 shareholders approved:

- The in-specie pro rata distribution of 25,000,000 Lodestar shares to Dioro shareholders.
- The issue of 160 million shares to Harmony Gold for the acquisition of the South Kalgoorlie assets.
- The placement of up to A$70,000,000 in shares by way of a capital raising in Canada.
- 14:1 consolidation of the Company's securities.
- The issue of 357,143 (post consolidation) options exerciseable by 30 September 2012 to each of Mr Pitt and Mr Grobicki, such options are exerciseable at $2.80 each.
- Upon the completion of the South Kalgoorlie acquisition, the issue of 357,143 (post consolidation) shares to Mr Grobicki.

On 1 November 2007 the Company advised that it had issued C$50,000,000 in subscription receipts, such subscription receipts issued at C$1.60 each. The receipt can be converted into 31,250,000 fully paid ordinary shares plus 15,625,000 options exerciseable at C$2.08 within 2 years.

Following settlement of the South Kalgoorlie acquisition on 6 December 2007, the receipts were converted into 31,250,000 fully paid shares, and the 15,625,000 options were issued

EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter of circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

The Company will continue underground mining at the 49% owned Frog's Leg project, and open pit mining at its 100% owned South Kalgoorlie project.

Exploration will be carried out over the Frog's Leg, Penfolds and South Kal projects.

The Company will continue to assess corporate opportunities for growth.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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, other than those matters referred to in the summary of material transactions.

ENVIRONMENTAL REGULATION PERFORMANCE

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 31 August 2008.

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 2008.

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year the Company paid an insurance premium in respect of a contract insuring each of the directors of the Company named earlier in this report and the company secretary, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

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

LEAD AUDITOR'S INDEPENDENCE STATEMENT

The auditor's independence declaration is included immediately following this directors' report and forms part of the directors' report for the year ended 31 August 2008.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors independence 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 directors to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not compromise 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 auditors 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, for audit and non-audit services provided during the year are set out below:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Audit services				
Auditors of the Company – KPMG Australia				
Audit and review of financial reports	265,107	66,741	265,107	66,741
Services other than statutory audit				
Auditors of the Company – KPMG Australia				
Taxation services	58,775	9,350	58,775	9,350
Other assurance services – TSX listing	564,972	-	564,972	-
	623,747	9,350	623,747	9,350

This report is made with a resolution of the directors

D M McARTHUR
Director

Dated at Perth this 28th day of November 2008.

KPMG

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 2008 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

28 November 2008

DIORO EXPLORATION NL
ABN 31 009 271 532

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2008

The Board of directors of Dioro Exploration NL has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficient, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the Company has and has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out below.

THE BOARD OF DIRECTORS

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

CORPORATE GOVERNANCE STATEMENT

Board composition

The Directors' Report contains details of the directors' skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises a non-executive Chairman, a managing director, two executive directors and two non-executive directors. Details of the directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by a majority of the shareholders.

Retirement and re-election of directors

The Constitution of the Company requires 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 that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of directors

The Board has reviewed the position and association of each of the six directors in office at the date of this report and considers that three 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 and O'Dea 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.

The other three directors are employed in an executive capacity and so are not considered to be independent.

Independent professional advice

The prior approval of the Chairperson, or in the absence of a Chairperson, the Board, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

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.

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

MANAGING BUSINESS RISK

The Company maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director and CFO annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

AUDIT COMMITTEE

Messrs Grobicki and Kestel sit on the audit committee. This committee meets a minimum of four times a year with the auditors to consider the company's accounts and the report from the auditors.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

REMUNERATION AND NOMINATION COMMITTEE

Messrs Grobicki and Kestel sit on the remuneration and nomination committee which meets a minimum of two times a year to consider the company's remunerations and nominations.

ETHICAL STANDARDS

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Managing Director as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

CORPORATE GOVERNANCE STATEMENT

TRADING IN THE COMPANY'S 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. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Managing Director (or in his place the Chairperson) must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

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 (Cth) 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, or in the absence of a Chairperson, the Board, who in consultation with the 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 this continuous disclosure policy and update it from time to time, if necessary.

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:

- as the Company is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Company's continuous disclosure policy, including quarterly reports, half-year reviewed accounts, year end audited accounts and an annual report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor must attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

CORPORATE GOVERNANCE STATEMENT

ASX BEST PRACTICE RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that based upon the information set out above, it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council.

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

The Board has adopted a statement of its primary responsibilities as set out above, which reflects the policies that were in place during the reporting year.

Recommendation 2.3: The roles of the chairperson and chief executive officer should not be exercised by the same individual

The role of the chairperson has been filled by Mr Ted Grobicki and the role of Chief Executive Officer has been fulfilled by Mr Rhod Grivas.

Recommendation 2.4: The Board should establish a Nomination Committee.

The Company has established a Nomination Committee.

Recommendation 3.1: Establish a code of conduct to guide directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Code of Conduct which reflects policies that were in place during the reporting year.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

The Company has adopted a trading policy.

Recommendation 3.3: Provide the information indicated in "Guide to Reporting on Principle 3".

The Company has made available a summary of its Code of Conduct and trading policy in this statement, but has not otherwise made this information publicly available.

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this requirement.

Recommendation 4.2: The Board has an Audit Committee.

The Company has an Audit Committee.

Recommendation 4.3: The Audit Committee comprises only Non-Executive Directors.

The chairperson is independent, and is not the chairperson of the company. There are only two members to the committee; however the fourth non-executive to be appointed referred to later in this report will sit on the audit committee.

Recommendation 4.4: The Audit Committee should have a formal charter.

The audit committee has a formal charter.

Recommendation 4.5: Provide the information indicated in "Guide to reporting on Principle 4".

The *Guide to reporting on Principle 4* requires that the corporate governance section of the annual report include "*details of the names and qualifications of those appointed to the audit committee*". These are included in the directors report.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.

Recommendation 5.2: Provide the information indicated in "Guide to Reporting on Principle 5".

The Company has provided a summary of its continuous disclosure policy in this Statement.

CORPORATE GOVERNANCE STATEMENT

ASX BEST PRACTICE RECOMMENDATIONS (continued)

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

The Company has adopted a communications policy, which reflects policies that were in place during the reporting year.

Recommendation 6.2: *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.*

The Company requests its auditor to attend the annual general meeting.

Recommendation 7.1: *The board or appropriate committee should establish policies on risk oversight and management.*

The Board has established policies on risk oversight and management.

Recommendation 7.2: *The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state to the board in writing that:*

7.2.1 *the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.*

7.2.2 *the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

The Company complies with this requirement.

Recommendation 7.3: *Provide the information indicated in "Guide to Reporting on Principle 7".*

The Company has provided relevant information in this Statement upon recognising and managing risk, but has not otherwise made a description of its risk management policy and internal compliance and control system publicly available.

Recommendation 8.1: *Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.*

The Company's processes for performance evaluation are set out above.

Recommendation 9.1: *Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.*

The Company's remuneration policies are referred to above.

Recommendation 9.2: *The Board should establish a Remuneration Committee.*

The Company has a remuneration committee.

Recommendation 9.3: *Clearly distinguish the structure of non-executive directors' remuneration from that of executives.*

The distinction between non-executive and executive remuneration is detailed above.

Recommendation 9.4: *Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.*

As set out in the Company's remuneration policies, the Company complies with this requirement.

Recommendation 9.5: *Provide the information indicated in "Guide to reporting on Principle 9".*

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 9* is "*the names of members of the remuneration committee and their attendance at meetings of the committee*".

These are included in the director's report.

Recommendation 10.1: *Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.*

The Company has adopted a Code of Conduct setting standards of behaviour and compliance with obligations to stakeholders, which reflects policies in place during the reporting year.

CORPORATE GOVERNANCE STATEMENT

ASX BEST PRACTICE RECOMMENDATIONS (continued)

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.1: A majority of the board should be independent directors.

Three of the six directors are independent, and the company is in the process of identifying a suitable fourth non-executive director.

The Board has adopted procedures intended to ensure that independent decision making occurs. As set out above, all directors are entitled to seek independent professional advice in carrying out their duties. Further, in accordance with the Corporations Act 2001 (Cth) and the Company's policies, each member of the Board is required to keep the Board advised of any potential conflict of interest with the Company and must absent themselves from any Board discussion and not vote if a conflict does exist. Board effectiveness is also achieved through appointing directors with knowledge and experience specific to the Company's business and operations.

DIORO EXPLORATION NL
ABN 31 009 271 532

INCOME STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	$	$	$	$
Revenue		46,201,452	-	8,793,412	-
Cost of sales		(58,684,179)	-	(7,666,168)	-
Gross (loss) / profit		(12,482,727)	-	1,127,244	-
Other income	8	3,846,003	489,006	2,353,723	489,006
Administrative expenses	9	(4,481,766)	(984,027)	(4,164,856)	(984,027)
Other expenses	10	(3,319,501)	(1,132,723)	(16,271,465)	(1,132,723)
Loss from operating activities		(16,437,991)	(1,627,744)	(16,955,354)	(1,627,744)
Finance income		1,474,091	334,191	1,253,482	334,191
Finance expense		(1,033,495)	(28,515)	(336,872)	(28,515)
Net finance income	12	440,596	305,676	916,610	305,676
Loss before income tax		(15,997,395)	(1,322,068)	(16,038,744)	(1,322,068)
Income tax expense	13	-	-	-	-
Loss for the year		(15,997,395)	(1,322,068)	(16,038,744)	(1,322,068)
Net loss attributable to equity holders		(15,997,395)	(1,322,068)	(16,038,744)	(1,322,068)
Loss per share					
Basic (cents per share)	23	(21.48)	(3.30)		
Diluted (cents per share)	23	(21.48)	(3.30)		

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 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	$	$	$	$
Current assets					
Cash and cash equivalents	21	7,094,742	4,839,659	1,078,245	4,839,659
Trade and other receivables	20	5,932,216	933,121	1,373,290	933,120
Inventories	19	8,853,268	-	2,418,320	-
Total current assets		21,880,226	5,772,780	4,869,855	5,772,779
Non-current assets					
Trade and other receivables	20	4,072,818	1,048,500	48,432,171	1,048,500
Other investments	17	161,682	176,806	161,683	176,808
Property, plant and equipment	14	66,133,595	2,250,729	29,926,095	2,250,729
Exploration, evaluation and development	15	30,037,431	25,533,709	12,525,469	25,533,709
Total non-current assets		100,405,526	29,009,744	91,045,418	29,009,746
Total assets		122,285,752	34,782,524	95,915,273	34,782,525
Current liabilities					
Trade and other payables	28	19,782,246	882,134	4,014,097	882,135
Loans and borrowings	24	1,006,670	7,106	651,849	7,106
Employee benefits	25	785,071	46,865	86,726	46,865
Total current liabilities		21,573,987	936,105	4,752,672	936,106
Non-current liabilities					
Loans and borrowings	24	837,405	-	785,724	-
Provisions	27	10,857,684	384,858	1,360,200	384,858
Total non-current liabilities		11,695,089	384,858	2,145,924	384,858
Total liabilities		33,269,076	1,320,963	6,898,596	1,320,964
Net assets		89,016,676	33,461,561	89,016,677	33,461,561
Equity					
Issued capital	22(a)	116,467,859	48,520,595	116,467,859	48,520,595
Reserves	22(b)	4,311,707	706,461	4,353,057	706,461
Accumulated losses		(31,762,890)	(15,765,495)	(31,804,239)	(15,765,495)
Total Equity		89,016,676	33,461,561	89,016,677	33,461,561

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 2008

	Notes	Issued capital $	Accumulated losses $	Reserves $	Total $
CONSOLIDATED					
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	(i)	(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
At 1 September 2006		30,963,072	(14,443,427)	85,883	16,605,528
Capital raising costs		(733,181)	-	-	(733,181)
Change in fair value of available-for-sale investments		-	-	81,738	81,738
Income and expense recognised directly in equity	(i)	(733,181)	-	81,738	(651,443)
Loss for the period		-	(1,322,068)	-	(1,322,068)
Total recognised income and expense		(733,181)	(1,322,068)	81,738	(1,973,511)
Cost of share-based payments		-	-	538,840	538,840
Issue of ordinary shares		12,215,704	-		12,215,704
Acquisition of Penfolds tenements		6,075,000	-	-	6,075,000
At 31 August 2007		48,520,595	(15,765,495)	706,461	33,461,561

(i) The amounts recognised directly in equity are net of tax.

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 2008

	Notes	Issued capital $	Accumulated losses $	Reserves $	Total $
COMPANY					
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)
Income and expense recognised directly in equity	(i)	(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
At 1 September 2006		30,963,072	(14,443,427)	85,883	16,605,528
Capital raising costs		(733,181)	-	-	(733,181)
Change in fair value of available-for-sale investments		-	-	81,738	81,738
Income and expense recognised directly in equity	(i)	(733,181)	-	81,738	(651,443)
Loss for the period		-	(1,322,068)	-	(1,322,068)
Total recognised income and expense		(733,181)	(1,322,068)	81,738	(1,973,511)
Cost of share-based payments		-	-	538,840	538,840
Issue of ordinary shares		12,215,704	-		12,215,704
Acquisition of Penfolds tenements		6,075,000	-	-	6,075,000
At 31 August 2007		48,520,595	(15,765,495)	706,461	33,461,561

(i) The amounts recognised directly in equity are net of tax.

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 2008

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	$	$	$	$
Cash flows from operating activities					
Receipts from customers		48,191,894	495,168	9,025,062	495,168
Payments to suppliers and employees		(49,035,496)	(1,827,812)	(12,303,707)	(1,818,082)
Interest received		1,435,415	334,191	1,214,806	334,191
Interest paid		(262,074)	(84)	(254,599)	(84)
Net cash from / (used in) operating activities	21(b)	329,739	(998,537)	(2,318,438)	(988,807)
Cash flows from investing activities					
Payments for investments		-	(114,626)	-	(114,628)
Payments for property, plant and equipment		(17,507,018)	(2,294,815)	(11,037,996)	(2,294,815)
Proceeds from sale of property, plant and equipment		16,434	7,238	500	7,238
Payments for exploration, evaluation and development		(6,664,736)	(7,391,960)	(3,329,007)	(7,391,960)
Loans to controlled entities		-	-	(12,114,955)	(9,728)
Payments for business acquisition (net of cash acquired)		(23,741,140)	-	(24,900,000)	-
Net cash used in investing activities		(47,896,460)	(9,794,163)	(51,381,458)	(9,803,893)
Cash flows from financing activities					
Proceeds from issue of shares and options		56,850,483	12,215,704	56,850,483	12,215,704
Payments for capital raising costs		(5,287,358)	(733,181)	(5,287,358)	(733,181)
Finance lease payments		(824,643)	(9,237)	(824,643)	(9,237)
Payments for environmental bonds		(800,000)	-	(800,000)	-
Net cash provided by financing activities		49,938,482	11,473,286	49,938,482	11,473,286
Net increase / (decrease) in cash and cash equivalents		2,371,761	680,586	(3,761,414)	680,586
Cash and cash equivalents at the beginning of the financial period		4,839,659	5,207,573	4,839,659	5,207,573
Adjustment to prior year closing cash balance	*	-	(1,048,500)	-	(1,048,500)
Effects of exchange rate fluctuations on cash held		(116,678)	-	-	-
Cash and cash equivalents at the end of the financial year	21(a)	7,094,742	4,839,659	1,078,245	4,839,659

* Reclassification of restricted cash

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

DIORO EXPLORATION NL
ABN 31 009 271 532

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

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 2008 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.

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 Group's and Company's financial report also complies with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of the Directors on 28 November 2008.

(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

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

(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.

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 amortization 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 amortization charge in the income statement and asset carrying values.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

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, in accordance with the Company's accounting policy. 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 27). 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.

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 commodity 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.

Depreciation and amortisation of mining assets is prospectively adjusted, based on these changes.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

Business combination
The business combination set out in Note 7 has been calculated at fair value in accordance with AASB 3 *Business Combinations*. The fair value calculations may remain provisional for up to 12 months.

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.

(e) Comparative information

The comparative consolidated financial statements are for the period from 13 August 2007 (date of consolidation) to 31 August 2007.

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) Acquisitions from entities under common control
Business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components with Group equity. Any cash paid for the acquisition is recognised directly in equity.

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(iv) 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.

(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.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instruments. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharge or cancelled.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(i) Non-Derivative financial instruments (continued)

Available-for-sale financial assets
The Group's investment in equity securities and certain debt 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.

In-specie distribution
Any in specie distribution by the Company are pro rata to existing shareholders.

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
Dividends 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 losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(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 15%.

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	**2008**	**2007**
Plant and equipment	UOP	15%	20%
Motor vehicles	UOP	15%	20%
Mine properties (amortisation)	UOP	15%	20%
Office equipment	Straight line	20%	20%

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) 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.

(iv) 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.

(v) 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 3(g)(ii).

(vi) 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.

(vii) Gains and Losses

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 current 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 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

Site Restoration

In accordance with the Group's published environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

(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.

(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.

(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 borrowings, 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.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax is not recognised if for the initial recognition of assets and liabilities in a transaction, that is a business combination, and that affects neither taxable nor accounting profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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. 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 2008, but have not been applied in preparing this financial report.

- *AASB 3 Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interest. Key changes include: the immediate expensing of all transaction costs; measurements of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutual's. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's 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* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's 30 June 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* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

  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* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is being obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

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.

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.

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.

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.

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.

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.

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.

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), weighted average 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.

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 30 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 $10 million that can be drawn down to meet short term financing needs. The interest rate is the bank bill (BBSY) rate plus 2.5%.

As part of the facility agreement the company has entered into four forward contracts to deliver 38,000 ounces of gold at a net average price of A$1,003.64, refer to the table below:

Gold Ounces	Maturity Date	Hedge Price
10,000	28 June 2009	$987.80
10,000	28 September 2009	$998.80
10,000	20 December 2009	$1009.80
8,000	29 March 2009	$1021.80

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

5. FINANCIAL RISK MANAGEMENT (continued)

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.

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(b) 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 the capital, which the Group defines as net operating income divided by total shareholders' equity.

The Group is required to maintain net assets at a minimum of $85 million pursuant to its financing facility.

There were no other changes in the Group's approach to capital management during the year.

6. SEGMENT REPORTING

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

7. ACQUISITIONS AND DISPOSALS

(i) Business Combination

On 30 November 2007 the Company acquired assets and liabilities from several wholly owned entities of Harmony Gold (Australia) Pty Limited in consideration for ordinary share capital of the Company and cash. All conditions detailed in the executed sale agreement were settled on 6 December 2007.

The business combination is accounted for in accordance with AASB 3 *Business Combinations* and apply the purchase method of accounting, with the Company being identified as the acquirer.

The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time necessarily required to obtain independent valuations of individual assets and to complete assessments of provisions. As at the date of this financial report the fair values remain provisional.

The cost of the acquisition includes 11,428,571 ordinary shares issued at a fair value of $1.81 on 6 December 2007 and cash of $25,000,000.

Since the date of acquisition the business has contributed loss before tax of $13,257,742.

The majority of operations began operating since the date of acquisition and accordingly it would be inappropriate to provide an estimate of the loss had the acquisition occurred at 1 September 2007.

The pre-acquisition carrying amounts for all assets and liabilities acquired is not available.

The acquisition had the following effect on the Company's assets and liabilities on the acquisition date.

Purchase price	**$**
11,428,571 ordinary shares of the Company at $1.81 per share	20,685,713
Cash consideration	25,000,000
Acquisition costs	3,699,278
Cash acquired	(1,158,860)
Exploration settlement received	(420,137)
	47,805,994

Net assets acquired	**$**
Trade and other receivables	404,277
Inventory	4,035,083
Non-current receivables	2,200,800
Property, plant and equipment	26,621,753
Exploration, evaluation and development	24,748,183
Land	525,000
Trade and other payables	(818,345)
Rehabilitation provision	(9,351,123)
Finance lease liabilities	(464,000)
Provision for long service leave	(95,634)
	47,805,994

(ii) Disposal of subsidiary

During the year the Company distributed 25,000,000 ordinary shares in Lodestar Minerals Limited as a reduction in capital of the Company. This reduced the Company's ownership from 100% to 0%. A profit on disposal of the subsidiary (and its underlying exploration assets) has been recorded as a profit totalling $1,962,500.

	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
8. OTHER INCOME					
Rent income		276,701	163,603	276,701	163,603
Royalty income		69,214	282,831	69,214	282,831
Profit on sale of subsidiary	(i)	1,962,500	-	1,962,500	-
Gain on sale of non-current assets		15,934	768	500	768
Toll treatment income		896,983	-	-	-
Other		624,671	41,804	44,808	41,804
		3,846,003	489,006	2,353,723	489,006

(i) The in specie distribution of shares in Lodestar Minerals Ltd ("Lodestar") to Dioro shareholders has been recorded at fair value through the income statements. Refer Note 7(ii).

9. ADMINISTRATIVE EXPENSES					
Wages and salaries		544,491	230,916	403,193	230,916
Other associated personnel expenses		209,001	74,994	209,001	74,994
Employees share-based payment		2,242,269	20,875	2,242,269	20,875
Total employee expenses		2,995,761	326,785	2,854,463	326,785
Advertising and publicity		189,130	151,473	189,130	151,473
Communication and information services		52,779	40,665	52,779	40,665
Office administration		682,516	342,687	507,956	342,687
Share registry and statutory fees		500,766	117,964	500,096	117,964
Bank fees		60,814	4,453	60,432	4,453
		1,486,005	657,242	1,310,393	657,242
		4,481,766	984,027	4,164,856	984,027
10. OTHER EXPENSES					
Depreciation	(i)	40,559	142,688	40,559	142,688
Director's remuneration		794,000	301,097	794,000	301,097
Director's share-based payments		951,151	517,965	951,151	517,965
Fringe benefits tax		4,088	(1,278)	4,088	(1,278)
Motor vehicle expenses		15,961	28,501	15,961	28,501
Professional fees		627,589	71,932	611,827	71,932
Exploration expenditure written off		479,799	6,312	159,299	6,312
Bad debts		-	22,383	-	22,383
Provision for doubtful debts		-	25,000	-	25,000
Other		406,354	18,123	395,489	18,123
Impairment on intercompany loan		-	-	13,299,091	-
		3,319,501	1,132,723	16,271,465	1,132,723

(i) Depreciation of office equipment

	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
11. PERSONNEL EXPENSES					
Wages and salaries		8,501,528	230,916	927,343	230,916
Other associated personnel expenses		1,743,024	41,610	185,156	41,610
Director's share-based payments		951,151	517,965	951,151	517,965
Contribution to defined contribution plans		858,384	33,384	154,244	33,384
Directors' remuneration		839,488	301,097	839,488	301,097
Equity-settled shared-based payments		2,242,269	20,875	2,242,269	20,875
Total personnel expenses	(i)	15,135,844	1,145,847	5,299,651	1,145,847

(i) Personnel expenses are included in cost of sales ($10,392,966), administrative expenses ($2,995,761) and other expenses ($1,747,117)

12. FINANCE INCOME AND EXPENSE				
Finance income				
Interest income on bank deposits	1,470,007	334,191	1,249,398	334,191
Net foreign exchange gain	4,084	-	4,084	-
	1,474,091	334,191	1,253,482	334,191
Finance expense				
Interest expense	344,347	84	336,872	84
Unwind of discount on site restoration provision	689,148	28,431	-	28,431
	1,033,495	28,515	336,872	28,515
Net finance income	440,596	305,676	916,610	305,676

	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
13. INCOME TAX EXPENSE					
Recognised in the income statement					
Current income tax (benefit) / expense		(5,539,645)	(213,979)	1,187,126	(213,979)
Deferred income tax expense / (benefit)		5,539,645	213,979	(1,187,126)	213,979
Income tax expense reported in the income statement		-	-	-	-
Numerical reconciliation between tax expense and pre-tax accounting loss					
Accounting loss for the period before income tax		(15,997,395)	(1,322,068)	(16,038,744)	(1,322,068)
Income tax using the domestic corporation tax rate of 30% (2007: 30%)		(4,799,218)	(396,620)	(4,811,623)	(396,620)
Increase/(decrease) in income tax expense due to:					
Net tax effect of sale of Penfolds assets		911,250	-	911,250	-
Non-deductible expenses		1,164,770	182,641	5,087,499	182,641
Tax losses not brought to account		3,910,324	213,979	-	213,979
Tax deductible equity raising costs		(405,547)	-	(405,547)	-
Recognition of previously unrecognised tax losses		(781,579)	-	(781,579)	-
Income tax expense reported in the income statement		-	-	-	-
Tax losses					
Unused tax losses		43,782,322	25,317,838	21,360,753	25,317,838
Potential tax benefit at 30% (2007:30%)		13,134,997	7,595,352	6,408,226	7,595,352

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of Group $13,134,997 / Company $6,408,226 (2007: Group $7,595,352 / Company $ $7,595,352) 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	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
14. PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment are included in the financial statements, at cost, on the following basis:					
Land					
Cost		525,000	-	-	-
Furniture and fixtures					
Cost		15,167	1,334	15,167	1,334
Depreciation		(2,680)	(815)	(2,680)	(815)
		12,487	519	12,487	519
Office and computer equipment					
Cost		178,588	106,782	178,588	106,782
Depreciation		(81,488)	(53,624)	(81,488)	(53,624)
		97,100	53,158	97,100	53,158
Motor vehicles					
Cost		79,068	117,913	79,068	117,913
Depreciation		(37,383)	(65,476)	(37,383)	(65,476)
		41,685	52,437	41,685	52,437
Plant and equipment					
Cost		27,312,621	-	700	-
Depreciation		(3,637,048)	-	(79)	-
		23,675,573	-	621	-
Plant and equipment under construction					
Cost		2,161,931	-	-	-
Mine properties					
Cost		39,315,451	-	24,548,619	-
Amortisation		(6,179,065)	-	(1,257,850)	-
		33,136,386	-	23,290,769	-
Joint venture plant and equipment					
Cost		7,450,832	2,266,313	7,450,832	2,266,313
Depreciation		(967,399)	(121,698)	(967,399)	(121,698)
		6,483,433	2,144,615	6,483,433	2,144,615
Total property, plant and equipment		66,133,595	2,250,729	29,926,095	2,250,729

	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

14. PROPERTY, PLANT AND EQUIPMENT

Reconciliations

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

Land				
Carrying amount at beginning of period	-	-	-	-
Acquired on business acquisition	525,000	-	-	-
Carrying amount at end of period	525,000	-	-	-
Furniture and fixtures				
Carrying amount at beginning of period	519	784	519	784
Additions	13,832	-	13,832	-
Depreciation	(1,864)	(265)	(1,864)	(265)
Carrying amount at end of period	12,487	519	12,487	519
Office and computer equipment				
Carrying amount at beginning of period	53,158	60,824	53,158	60,824
Additions	71,806	10,208	71,806	10,208
Depreciation	(27,864)	(17,874)	(27,864)	(17,874)
Carrying amount at end of period	97,100	53,158	97,100	53,158
Motor vehicles				
Carrying amount at beginning of period	52,437	-	52,437	-
Additions	-	53,763	-	53,763
Depreciation	(10,752)	(1,326)	(10,752)	(1,326)
Carrying amount at end of period	41,685	52,437	41,685	52,437
Plant and equipment				
Carrying amount at beginning of period	-	-	-	-
Acquired on business acquisition	26,621,753	-	-	-
Additions	688,131	-	700	-
Depreciation	(3,634,311)	-	(79)	-
Carrying amount at end of period	23,675,573	-	621	-
Plant and equipment under construction				
Carrying amount at beginning of period	-	-	-	-
Additions	2,161,931	-	-	-
Carrying amount at end of period	2,161,931	-	-	-
Mine properties				
Carrying amount at beginning of period	-	-	-	-
Acquired on business acquisition	1,385,950	-	-	-
Additions	14,474,237	-	10,534,076	-
Transferred from development phase	21,519,343	-	12,654,343	-
Rehabilitation asset	1,935,921	-	1,360,200	-
Amortisation	(6,179,065)	-	(1,257,850)	-
Carrying amount at end of period	33,136,386	-	23,290,769	-

	Consolidated		Company	
	2008	2007	2008	2007
Notes	$	$	$	$

14. PROPERTY, PLANT AND EQUIPMENT (continued)
Reconciliations (continued)

Joint venture plant and equipment				
Carrying amount at beginning of period	2,144,615	-	2,144,615	-
Additions	5,184,519	2,266,313	5,184,519	2,266,313
Depreciation	(845,701)	(121,698)	(845,701)	(121,698)
Carrying amount at end of period	6,483,433	2,144,615	6,483,433	2,144,615
Total property, plant and equipment	66,133,595	2,250,729	29,926,095	2,250,729

15. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated		Company	
	2008	2007	2008	2007
Notes	$	$	$	$
Costs carried forward in respect of areas of interest in:				
Exploration and evaluation phase	27,873,294	17,199,928	12,496,332	17,199,928
Development phase	2,164,137	8,333,781	29,137	8,333,781
	30,037,431	25,533,709	12,525,469	25,533,709

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Exploration and evaluation phase				
Carrying amount at beginning of period	17,199,928	3,643,190	17,199,928	3,643,190
Acquired on business acquistion	12,362,233	-	-	-
Additions	6,178,131	13,556,738	2,842,902	13,556,738
Transferred to development phase	(4,349,699)	-	(4,349,699)	-
Disposals	(3,037,500)	-	(3,037,500)	-
Impairment loss	(479,799)	-	(159,299)	-
	27,873,294	17,199,928	12,496,332	17,199,928

Movements for the period (continued):

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Development phase				
Opening balance	8,333,781	8,333,781	8,333,781	8,333,781
Acquired	11,000,000	-	-	-
Additions	-	-	-	-
Transferred from exploration phase	4,349,699	-	4,349,699	-
Transferred to production phase	(21,519,343)	-	(12,654,343)	-
	2,164,137	8,333,781	29,137	8,333,781

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

16. JOINTLY CONTROLLED OPERATIONS

Joint Venture Name	Principal Activities	Interest held in share of output	
		2008	2007
Mungari East Project	Gold exploration	49%	49%

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

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	$	$	$	$
Assets / (liabilities) employed in joint venture operations					
Cash and cash equivalents	21	36,538	373,741	36,538	373,741
Trade and other receivables	20	271,570	110,271	271,570	110,271
Inventories	19	2,418,320	-	2,418,320	-
Plant and equipment	14	6,483,433	2,144,615	6,483,433	2,144,615
Exploration, evaluation and development expenditure	15	26,431,368	15,232,268	26,431,368	15,232,268
Trade and other payables and accruals	28	1,065,513	(527,541)	1,065,513	(527,541)
Loans and borrowings	24	(1,434,730)	-	(1,434,730)	-
Rehabilitation provision	27	(659,205)	-	(659,205)	-
Amounts relating to all joint ventures					
Capital expenditure commitments		-	159,181	-	159,181

17. OTHER INVESTMENTS

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	$	$	$	$
Available for sale assets:					
Listed securities	(a)	822,153	822,153	822,153	822,153
Less: fair value adjustment		(174,323)	(159,199)	(174,323)	(159,199)
Less: accumulated impairment		(486,148)	(486,148)	(486,148)	(486,148)
		161,682	176,806	161,682	176,806
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	2
		161,682	176,806	161,683	176,808

(a) Included in non-current investments as at 31 August 2008 are listed securities that have been suspended from trading on the Australian Securities Exchange with a cost of $474,204 (2007: $474,204). These securities have been fully impaired. Also included in other financial assets as at the year ended 31 August 2008 are listed securities with an aggregate market value at 31 August 2008 of $161,682 (2007: $176,806).

18. DEFERRED TAX ASSETS AND LIABILITIES

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

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Trade and other receivables	(82,492)	(7,800)	(82,492)	(7,800)
Inventories	(1,068,416)	-	-	-
Other investments	252,986	228,495	252,986	228,495
Property, plant and equipment	495,024	(2,500,134)	(307,036)	(2,500,134)
Exploration and evaluation expenditure	(7,170,589)	(5,159,978)	(3,748,899)	(5,159,978)
Development expenditure	(184,003)	-	137,339	-
Blackhole deductible costs (S40-880)	1,377,468	43,825	1,377,468	43,825
Trade and other payables	42,000	20,426	42,000	20,426
Employee benefits	209,503	14,059	-	14,059
Loans and borrowings	552,370	-	430,419	-
Provisions	3,256,685	115,458	408,060	115,458
Carry forward tax losses	2,319,464	7,245,649	1,490,155	7,245,649
	-	-	-	-
Unrecognised tax losses	10,815,433	349,703	4,918,071	349,703

The Company does not recognise deferred tax assets as it is not probable that sufficient taxable amounts will be available in future periods in which to be offset.

19. INVENTORIES

Ore stocks – at cost	1,487,099	-	1,487,099	-
Ore stocks – at net realisable value	2,353,348	-	841,241	-
Gold in circuit – at net realisable value	2,793,080	-	-	-
Stores – at cost	2,219,741	-	89,980	-
	8,853,268	-	2,418,320	-

	Consolidated		Company	
	2008	2007	2008	2007
Notes	$	$	$	$

20. TRADE AND OTHER RECEIVABLES

Current				
Settlement receivable	3,373,701	-	61,935	-
GST receivable	928,704	493,214	195,522	493,214
Receivables due from subsidiaries	-	-	-	9,729
Accrued income	185,073		185,073	
Interest receivable	34,592	-	34,592	-
Prepayments	627,498	213,510	512,052	203,780
Other receivables	782,648	226,397	384,116	226,397
	5,932,216	933,121	1,373,290	933,120
Non-current				
Receivables due from subsidiaries	-	-	46,583,671	-
Restricted cash – environmental bonds	4,072,818	1,048,500	1,848,500	1,048,500
	4,072,818	1,048,500	48,432,171	1,048,500

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	7,058,204	4,465,918	1,041,707	4,465,918
Joint venture bank balances	36,538	373,741	36,538	373,741
Cash and cash equivalents in the statement of cashflows	7,094,742	4,839,659	1,078,245	4,839,659

The perceived credit risk is 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(a).

21. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of cash flows from operating activities:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Net loss for the year	(15,997,395)	(1,322,068)	(16,038,744)	(1,322,068)
Adjustments for:				
Net (gain) / loss on disposal of property, plant and equipment	(1,963,000)	(768)	(1,963,000)	(768)
Net (gain) / loss on foreign exchange translations	(4,084)	-	(4,084)	-
Depreciation and amortisation	10,699,478	142,688	2,144,110	142,688
Exploration expenditure	479,799	6,312	159,299	6,312
Provision for doubtful debts	-	25,000	-	25,000
Bad debts	-	22,383	-	22,383
Equity-settled share-based payment transactions	3,193,420	538,840	3,193,420	538,840
Impairment loss	395,489	-	13,694,580	-
Non-cash finance expense	689,148	9,237	-	9,237
Provision for obsolete stock	15,305	-	-	-
Operating (loss) / profit before changes in working capital and provisions	(2,491,840)	(578,376)	1,185,581	(578,376)
Changes in assets and liabilities				
Changes in trade and other receivables	(1,221,117)	(543,950)	(378,235)	(543,950)
Changes in inventories	(4,818,184)	-	(2,418,320)	-
Changes in prepayments	-	(81,050)	-	(71,320)
Changes in trade and other payables	8,525,335	205,033	(747,325)	205,033
Changes in loans and borrowings	-	(16,678)	-	(16,678)
Changes in provisions and employee benefits	335,545	16,484	39,861	16,484
Net cash from / (used in) operating activities	329,739	(998,537)	(2,318,438)	(988,807)

	Consolidated and Company 2008 $	2007 $
22. CAPITAL AND RESERVES		
(a) Issued and paid-up share capital		
91,580,410 (2007: 48,541,584) fully paid ordinary shares	116,467,859	48,520,595
Reconciliation of movements in issued capital		
Balance at the beginning of the financial year	48,520,595	30,963,072
Share issues:		
Pre-consolidation (adjusted to reflect consolidation)		
- placement of 11,331,825 shares at a value of $1.08 each	-	12,215,704
- issue of 3,214,286 shares at a value of $1.89 each pursuant to the acquisition of the Penfolds tenements	-	6,075,000
- rounding of 3,112 shares following 14 for 1 share consolidation on 16 October 2007	-	-
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)	(733,181)
- return of capital through in-specie distribution	(4,998,003)	-
	116,467,859	48,520,595

On 12 October 2007 shareholders approved a 14 for 1 consolidation of the Company's ordinary shares. Movements in shares in the above note that occurred prior to this date have been adjusted to reflect the post-consolidated number of shares.

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.

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$

22. CAPITAL AND RESERVES (continued)

(b) Reserves

Equity-settled benefits reserve	4,311,307	649,587	4,311,307	649,587
Assets at fair value reserve	41,750	56,874	41,750	56,874
Foreign currency transaction reserve	(41,350)	-	-	-
	4,311,707	706,461	4,353,057	706,461

Reconciliation of movements in reserves for the year

Equity-settled benefits reserve				
Balance at beginning of the year	649,587	110,747	649,587	110,747
Cost of share-based payment	3,661,720	538,840	3,661,720	538,840
Balance at end of year	4,311,307	649,587	4,311,307	649,587
Assets at fair value reserve				
Balance at beginning of year	56,874	(24,864)	56,874	(24,864)
Change in fair value of available-for-sale financial investments	(15,124)	81,738	(15,124)	81,738
Balance at end of year	41,750	56,874	41,750	56,874
Foreign currency translation reserve				
Balance at beginning of year	-	-	-	-
Foreign currency movements	(41,350)	-	-	-
Balance at end of year	(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 for basic loss per share at 31 August 2008 was based on the loss attributable to ordinary shareholders of $15,997,395 (2007:$1,322,068) and a weighted average number of ordinary shares outstanding of 74,487,458 (2007:40,031,994), calculated as follows:

	Consolidated 2008 $	Company 2007 $
Loss for the year	(15,997,395)	(1,322,068)
	Number	**Number**
Weighted average number of ordinary shares (basic – post consolidation)		
Issued ordinary shares at 1 September	48,541,584	33,995,474
Effect of shares issued during the year	25,945,874	6,036,520
Weighted average number of ordinary shares (basic) at 31 August	74,487,458	40,031,994

Diluted loss per share

The calculation of diluted loss per share at 31 August 2008 was based on the loss attributable to ordinary shareholders of $15,997,385 (2007:$1,322,068) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares of 74,487,458 (2007: 40,031,994), calculated as follows:

	Number	**Number**
Weighted average number of ordinary shares (diluted – post consolidation)		
Weighted average number of ordinary shares at 31 August (basic)	74,487,458	40,031,994
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 31 August	74,487,458	40,031,994

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

Basic and diluted EPS has been adjusted to take into effect the impact of the share consolidation.

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 32.

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Current liabilities				
Finance lease liabilities	1,006,670	7,106	651,849	7,106
Non-current liabilities				
Finance lease liabilities	837,405	-	785,724	-

Terms and debt repayment schedule

Consolidated

	Currency	Interest rate %	Year of maturity	31 August 2008 Face value	31 August 2008 Carrying amount	31 August 2007 Face value	31 August 2007 Carrying amount
Finance lease liabilities	AUD	7.65 – 9.96	2008 - 2011	2,053,633	1,844,075	7,106	7,106
Company							
Finance lease liabilities	AUD	7.65 – 9.96	2008 - 2011	1,608,829	1,437,573	7,106	7,106

Finance lease liabilities

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

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
		2008			2007	
Consolidated						
Less than one year	1,151,820	145,150	1,006,670	7,106	-	7,106
Between one and five years	901,813	64,408	837,405	-	-	-
	2,053,633	209,558	1,844,075	7,106	-	7,106
Company						
Less than one year	760,948	109,099	651,849	7,106	-	7,106
Between one and five years	847,881	62,157	785,724	-	-	-
	1,608,829	171,256	1,437,573	7,106	-	7,106

25. EMPLOYEE BENEFITS

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Current				
Provision for annual leave	627,587	41,290	86,726	41,290
Superannuation accrued	-	5,575	-	5,575
Provision for long service leave	157,484	-	-	-
	785,071	46,865	86,726	46,865
Number of employees	**Number**	**Number**	**Number**	**Number**
Number of employees at year end	142	8	5	8

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 4 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 2008 $2,242,269 has been expensed to the income statement in personnel expenses. $304,158 was reversed due to the forfeiture of 244,500 options after the resignation of an employee.

All other options remain unexercised at 31 August 2008.

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".

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

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 2008 $123,839 was expensed in personnel expenses.

All options remain unexercised at 31 August 2008.

Options – 1 February 2005

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 remain unexercised at 31 August 2008.

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.

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
	2008		2007	
Oustanding at 1 September	$1.79	2,160,717	$2.14	285,716
Forfeited during the period	$1.69	(298,071)	$1.70	(410,714)
Exercised during the period	-	-	-	-
Granted during the period	$1.39	6,448,857	$1.73	2,285,715
Outstanding at 31 August	$1.48	8,311,503	$1.79	2,160,717
Exercisable at 31 August	$1.36	6,804,360	$1.72	$1,446,431

The options outstanding at 31 August 2008 have an exercise price in the range of $0.64 to $2.80 (2007: $1.40 to $2.52) and a weighted average contractual life of 3.85 years (2007: 4.20 years).

27. PROVISIONS

		Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
Non-current					
Rehabilitation and restoration costs	(i)	10,657,978	384,858	1,360,200	384,858
Mining fleet contract		199,706	-	-	-
		10,857,684	384,858	1,360,200	384,858

(i) **Site Restoration**

At the year-end date a provision of $10,657,978 ($9,351,123 from business acquisition) 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 10 percent.

28. TRADE AND OTHER PAYABLES

		Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
Current					
Trade payables		8,329,145	331,149	2,121,295	331,149
Other payables		632,859	527,541	203,803	527,541
Accruals		10,078,881	23,444	1,688,999	23,444
Payables due to subsidiaries		-	-	-	1
Claims from shareholders	(i)	741,361	-	-	-
		19,782,246	882,134	4,014,097	882,135

(i) **Claims from shareholders**

This represents funds owing to shareholders pursuant to a capital return by Hampton Gold Mining Areas Limited (HGMA) prior to the acquisition by Dioro. The amounts are unclaimed by shareholders. Dioro holds cash should these claims eventuate.

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.

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	
		2008	2007	2008	2007
	Notes	$	$	$	$
Trade and other receivables	20	5,932,216	933,121	47,956,961	933,120
Cash and cash equivalents	21	7,094,742	4,839,659	1,078,245	4,839,659
Other assets - bonds	20	4,072,818	1,048,500	1,848,500	1,048,500
		17,099,776	6,821,280	50,883,706	6,821,279

None of the Group's receivables are past due.

An impairment loss of $13,299,091 has been made against the loan due from subsidiaries in the Company accounts.

(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:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Fixed rate instruments				
Finance lease liabilities	1,844,075	7,106	1,437,573	7,106
Variable rate instruments				
Cash and cash equivalents	7,094,742	4,839,659	1,078,245	4,839,659
Bonds – restricted cash	4,072,818	1,048,500	1,848,500	1,048,500
	11,167,560	5,888,159	2,926,745	5,888,159

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.

29. FINANCIAL INSTRUMENTS (continued)

(b) 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 2007.

	Profit or loss	
	100bp increase	**100bp decrease**
31 August 2008		
Consolidated		
Variable rate instruments	104,588	(104,588)
Company		
Variable rate instruments	29,264	(29,264)
31 August 2007		
Consolidated		
Variable rate instruments	58,882	(58,882)
Company		
Variable rate instruments	58,882	(58,882)

(c) 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 cashflows**	**6 months Or less**	**6 – 12 months**	**< 1 > 5 Years**	**> 5 years**
31 August 2008						
Consolidated						
Trade and other payables	19,782,246	(19,782,246)	(16,447,195)	-	(3,335,051)	-
Finance lease liabilities	1,844,075	(2,058,122)	(555,136)	(552,294)	(950,692)	-
	21,626,321	(21,840,368)	(17,002,331)	(552,294)	(4,285,743)	-
Company						
Trade and other payables	4,014,097	(4,014,097)	(3,857,219)	-	-	(156,878)
Finance lease liabilities	1,437,573	(1,611,672)	(383,316)	(380,474)	(847,882)	-
	5,451,670	(5,625,769)	(4,240,535)	(380,474)	(847,882)	(156,878)
31 August 2007						
Consolidated						
Trade and other payables	882,134	(882,134)	(882,134)	-	-	-
Finance lease liabilities	7,106	(7,106)	(2,132)	(2,132)	(2,842)	-
	889,240	(889,240)	(884,266)	(2,132)	(2,842)	-
Company						
Trade and other payables	882,134	(882,134)	(882,134)	-	-	-
Finance lease liabilities	7,106	(7,106)	(2,132)	(2,132)	(2,842)	-
Loans and borrowings	-	-	-	-	-	-
	889,240	(889,240)	(884,266)	(2,132)	(2,842)	-

29. FINANCIAL INSTRUMENTS (continued)

(d) 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		Company	
	2008	2007	2008	2007
	$	$	$	$
Office Rent				
Rental expenditure contracted for is payable as follows:				
Less than one year	169,237	222,180	169,237	222,180
Between one and five years	43,592	277,725	43,592	277,725
	212,829	499,905	212,829	499,905

31. CAPITAL AND OTHER COMMITMENTS

(a) Commitments for mineral exploration expenditure are scheduled as follows [(i)] :

Not later than one year	3,438,412	2,488,935	2,228,044	2,488,935

(i) These amounts include expenditure required to satisfy joint venture and exploration permit conditions (refer Note 16).

(b) Capital expenditure commitments

Plant and Equipment				
Within one year	1,649,327	-	-	-

32. RELATED PARTIES

(a) Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Short-term employees benefits	1,034,087	395,274	858,700	395,274
Post employment benefits	89,652	29,480	73,747	29,480
Share-based payments	1,747,100	517,965	1,647,580	517,965
	2,870,839	942,719	2,580,027	942,719

Individual directors and executives compensation

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.

32. RELATED PARTIES (continued)

(b) 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 beginning of period	Granted as incentive	Exercised	Sales	Expired / cancelled	** Held at end of period
2008						
David McArthur	357,143	-	-	-	-	357,143
Rhod Grivas	1,285,714	-	-	-	-	1,285,714
Mark Pitt	428,571	357,143	-	-	-	785,714
Dale Oram	-	220,000	-	-	-	220,000
Ted Grobicki	-	357,143	-	-	-	357,143
Mark O'Dea	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-
Total	**2,071,428**	**934,286**	**-**	**-**	**-**	**3,005,714**
2007						
David McArthur	-	357,143	-	-	-	357,143
Rhod Grivas	214,286	1,071,428	-	-	-	1,285,714
Mark Pitt	71,428	357,143	-	-	-	428,571
Dale Oram	-	-	-	-	-	-
Ted Grobicki	-	-	-	-	-	-
Mark O'Dea	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-
Clive Donner	-	357,143	-	-	(357,143)	-
Total	**285,714**	**2,142,857**	**-**	**-**	**(357,143)**	**2,071,428**

(i) 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 beginning of period	Purchases	Received on exercise of options	Sales	Other changes	Held at end of period
2008						
David McArthur	900,000	-	-	-	-	900,000
Rhod Grivas	42,945	36,000	-	-	-	78,945
Mark Pitt	81,992	-	-	-	-	81,992
Dale Oram	-	-	-	-	-	-
Ted Grobicki	214,286	-	-	-	357,143	571,429
Mark O'Dea	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-
Total	**1,239,223**	**36,000**	**-**	**-**	**357,143**	**1,632,366**

* Or date of appointment.
** Or date of resignation.

32. RELATED PARTIES (continued)

Movements in shares (continued)

	* Held at beginning of period	Purchases	Received on exercise of options	Sales	Other changes	** Held at end of period
2007						
David McArthur	-	911,333	-	-	(11,333)	900,000
Rhod Grivas	32,209	10,736	-	-	-	42,945
Mark Pitt	61,494	20,498	-	-	-	81,992
Dale Oram	-	-	-	-	-	-
Ted Grobicki	214,286	-	-	-	-	214,286
Clive Donner	-	-	-	-	-	-
Mark O'Dea	-	-	-	-	-	-
Ross Kestel	-	-	-	-	-	-
Total	**307,989**	**942,567**	**-**	**-**	**(11,333)**	**1,239,223**

* Or date of appointment.
** Or date of resignation.

Transactions with non-key management personnel
Company secretarial work and financial services of $ 31,250 (2007: $nil) was paid to Broadway Management Pty Ltd, a company associated with David McArthur.

33. GROUP ENTITIES

The consolidated financial statements at 31 August 2008 include the following subsidiaries:

Name	Place of incorporation	Financial year end	2008 %	2007 %
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	-
Lodestar Minerals Limited	Australia	30 June	-	100

34. SUBSEQUENT EVENTS

There has not been any matter of circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$

35. AUDITORS' REMUNERATION

Audit services				
Auditors of the Company KPMG Australia				
- audit and review of financial reports	265,107	66,741	265,107	66,741
Other services				
Auditors of the Company KPMG Australia				
Tax advice	58,775	9,350	58,775	9,350
Other assurance services – TSX listing	564,972	-	564,972	-
	623,747	9,350	623,747	9,350

36. 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 lodgment 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 2008 is as follows:

Summarised income statement and retained profits

	Consolidated			
	2008	2007		
	$	$		
Loss before tax	(15,997,395)	-		
Income tax expense	-	-		
Loss after tax	(15,997,395)	-		-
Retained earnings at beginning of year	(15,765,495)	-	-	-
Retained loss at end of year	(31,762,890)	-	-	-

36. DEED OF CROSS GUARANTEE (continued)

Balance sheet

	Consolidated 2008 $	2007 $
Current assets		
Cash and cash equivalents	7,094,742	-
Trade and other receivables	5,932,216	-
Inventories	8,853,268	-
Total current assets	21,880,226	-
Non-current assets		
Trade and other receivables	4,072,818	-
Other investments	161,682	-
Property, plant and equipment	66,133,595	-
Exploration, evaluation and development	30,037,431	-
Total non-current assets	100,405,526	-
Total assets	122,285,752	-
Current liabilities		
Trade and other payables	19,782,246	-
Loans and borrowings	1,006,670	-
Employee benefits	785,071	-
Total current liabilities	21,573,987	-
Non-current liabilities		
Loans and borrowings	837,405	-
Provisions	10,857,684	-
Total non-current liabilities	11,695,089	-
Total liabilities	33,269,076	-
Net assets	89,016,676	-
Equity		
Issued capital	116,467,859	-
Reserves	4,311,707	-
Accumulated losses	(31,762,890)	-
Total Equity	89,016,676	-

DIORO EXPLORATION NL
ABN 31 009 271 532

DIRECTORS' DECLARATION

1. In the opinion of the directors of Dioro Exploration NL:

   (a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 29 to 61, 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 2008 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) the remuneration disclosures that are contained in the Remuneration Report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

   (d) 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 36 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 2008.

Signed in accordance with a resolution of the directors.

D M McARTHUR
Director

Dated at Perth this 28th day of November 2008.

KPMG

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 2008, 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, 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.

KPMG

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 2008 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 2008. 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 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth

28 November 2008

KPMG

Comments by Auditor on Canadian GAAS – International 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

28 November 2008

DIORO EXPLORATION NL
ABN 31 009 271 532
ASX INFORMATION

Additional information included in accordance with the Listing Rules of the ASX Limited.

1. SHAREHOLDER INFORMATION

(a) Distribution of holders at 13 November 2008

			Fully paid ordinary shares
Number of Holders			6,093
Distribution is:			
1	-	1,000	2,184
1,001	-	5,000	2,532
5,001	-	10,000	836
10,001	-	100,000	805
100,001	and	Over	58
			6,415
Holding less than a marketable parcel			4,003

(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
Baker Steel Capital Managers LLP	6,165,000
New Hampton Goldfields Limited	7,685,306

(d) Shareholders

The twenty largest shareholders hold 41.13% of the total issued ordinary shares in the Company as at 13 November 2008.

(e) Unlisted 1 February 2009 Options

There are 71,428 options held by 1 holder on issue and are exercisable at $1.82 on or before 1 February 2009. The option holders do not have any voting rights.

(f) Unlisted 1 February 2009 Options

There are 142,858 options held by 2 holders on issue and are exercisable at $2.10 on or before 1 February 2009. The option holders do not have any voting rights.

(g) Unlisted 1 February 2009 Options

There are 71,428 options held by 1 holder on issue and are exercisable at $2.52 on or before 1 February 2009. The option holders do not have any voting rights.

ASX INFORMATION

1. SHAREHOLDER INFORMATION (continued)

(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 357,143 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.

(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 2,436,500 options held by 126 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.

3. AUDIT COMMITTEE

As at the date of the Directors' Report, the Company had an audit committee of the board of directors.

DIORO EXPLORATION NL

Top Twenty Shareholders at 13 November 2008

	Name	Number of shares	% of issued shares
1.	New Hampton Goldfields Limited	7,685,306	8.39
2.	National Nominees Limited	7,055,028	7.70
3.	ANZ Nominees Limited	4,680,244	5.11
4.	South Kal Mines Pty Ltd	3,743,265	4.09
5.	La Mancha Resources Australia Pty Ltd	2,571,429	2.81
6.	HSBC Custody Nominees (Australia) Limited	2,112,431	2.31
7.	Mr Vernon Rice	1,448,127	1.58
8.	Yandal Investments Pty Ltd	957,987	1.05
9.	Citicorp Nominees Pty Ltd	908,511	0.99
10.	Mr Andrew Lynton Hurwitz & Mrs Juliet Mary Hurwitz	867,659	0.95
11.	Cadogan Grove Pty Ltd	750,000	0.82
12.	HSBC Custody Nominees (Australia) Pty Limited	710,104	0.77
13.	Mr Harold Walter Daly & Mrs Maureen Hazel Daly	676,429	0.74
14.	Mr Clemens Maria Mauritius Molle	582,155	0.63
15.	Mr Brian Andrew Wallace	550,301	0.60
16.	Mr David Maxwell McArthur	519,715	0.57
17.	Northcliffe Holdings Pty Ltd	500,000	0.55
18.	Alnus Pty Ltd	455,000	0.50
19.	Woodhurst Pty Ltd	450,000	0.49
20.	STU Holdings Pty Ltd	439,557	0.48
		37,663,248	41.13