

The directors of Dominion Mining Limited submit the consolidated financial statements for the year ended 30 June 2009 and the following report made out in accordance with a resolution of the directors.

## Directors

The names and details of the directors of Dominion Mining Limited in office during the financial year and until the date of this report are as follows:

The directors were in office for the entire period.

### **Peter C Joseph OAM, BCom, MBA - Non Executive Director**

Mr Joseph has been Chairman of the board of directors since June 1980. His professional experience includes 30 years as an investment banker. Mr Joseph is Chairman of the St James Ethics Centre, the Black Dog Institute and was until May 2009 Chairman of the GPT Group Ltd (General Property Trust). Other than being on the board of GPT Management Ltd (appointed in April 2003, retired May 2009) Mr Joseph is not currently and has not over the past three years been on the board of any other listed entity.

### **Jonathan N Shellabear BSc (Hons) Geology, MBA - Managing Director and Chief Executive Officer**

Mr Shellabear who was appointed Managing Director on 1 February 2008 has extensive experience in the Australian and international mining industries, having held senior corporate roles with Portman Limited and in investment banking with NM Rothschild, Deutsche Bank and Resource Finance Corporation where he advised resource companies on a range of initiatives and transactions. Mr Shellabear is not currently and has not over the past three years been on the board of any other listed entity.

### **Ross A Coyle BA, FCPA, FCIS - Executive Director, Chief Financial Officer and Company Secretary**

Mr Coyle a qualified accountant has been with the Dominion group for over 20 years and has over 25 years experience in finance and accounting within the resources industry. He was appointed to the board on 30 April 1996 and was previously Dominion Mining Limited's General Manager, Finance and Administration. Mr Coyle is a director of Dominion Gold Operations Pty Ltd, the operator of the Challenger Gold Mine, and is a director of all of the other Dominion Mining Limited subsidiaries. Mr Coyle is not currently and has not over the past three years been on the board of any other listed entity.

### **Peter Alexander Ass Appl Geol - Non Executive Director**

Mr Alexander a geologist by profession was Managing Director and Chief Executive Officer of Dominion Mining Limited until his retirement on 31 January 2008. He was appointed as a non executive director on 1 February 2008. Mr Alexander is a director of Dominion Gold Operations Pty Ltd, the operator of the Challenger Gold Mine, and is a director of all of the other Dominion Mining Limited subsidiaries. Mr Alexander is not currently and has not over the past three years been on the board of any other listed entity.

### **John Gaskell BSc (Hons) II (i) Geology - Non Executive Director**

Mr Gaskell was appointed to the board in December 2004. He is a geologist by profession and has over 30 years experience at the highest levels of management in the international minerals industry, including spending over 5 years as a corporate advisor to a major Australian investment group on resource opportunities. Mr Gaskell is also a director of Paradigm Metals Limited. Other than being on the board of Paradigm Metals Limited (a director since it was listed in November 2003) Mr Gaskell is not currently and has not over the past three years been on the board of any other listed entity.

## Key Management Personnel - Interests in the Shares and Options of the Company

The number of shares, options and performance rights in the company held at the date of this report by each director of Dominion Mining Limited and each of the two executive officers of the consolidated entity, including their personally-related entities are set out below:

	Number of Ordinary Shares	Number of Options over Ordinary Shares	Number of Performance Rights
<b>Specified Directors</b>			
P C Joseph	9,485,727	-	-
J Gaskell	65,000	-	-
P Alexander	199,182	-	-
J N Shellabear	55,000	1,050,000	500,000
R A Coyle	55,739	240,000	-
<b>Specified Executives</b>			
A Poustie	25,000	600,000	
P Bamford	259,285	600,000	

## Directors' Meetings

As at the date of this report, Dominion Mining Limited has an audit committee, a remuneration committee, an occupational health and safety committee - (members of these committees are Mr J Gaskell - Chairman, Mr P C Joseph and Mr P Alexander) and a nomination committee - (members are Mr P C Joseph - Chairman, Mr J Gaskell and Mr P Alexander).

During the year, there were 10 directors' meetings, 3 audit committee meetings, 1 remuneration committee meeting, 3 occupational health and safety committee meetings and nil nomination committee meetings of Dominion Mining Limited held, in respect of which each director attended the following number:

	Directors' Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Occupational Health and Safety Meetings
P C Joseph	10	3	1	2
J N Shellabear	10	-	-	-
P Alexander	10	3	1	3
R A Coyle	10	-	-	-
J Gaskell	10	3	1	3

## Remuneration Report (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the company and the consolidated entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent and the consolidated entity receiving the highest remuneration.

### Details of Key Management Personnel

#### Specified Directors

Peter C Joseph	Non Executive Chairman
Jonathan N Shellabear	Managing Director
Ross A Coyle	Finance Director and Company Secretary
Peter Alexander	Non Executive Director
John Gaskell	Non Executive Director

#### Specified Executives

Tony Poustie	General Manager Exploration
Peter Bamford	General Manager Operations

There were no changes to Key Management Personnel between the reporting date and the date the financial report was authorised for issue.

### Share holdings of Key Management Personnel

2009	Fully Paid Ordinary Shares			
	Held at 1 July 2008	Received during the year on the exercise of options	Other changes during the year	Held at 30 June 2009
<b>Specified Directors</b>				
P C Joseph	11,195,014	-	(1,709,287)	9,485,727
J Gaskell	65,000	-	-	65,000
P Alexander	326,428	300,000	(261,428)	365,000
R A Coyle	49,397	150,000	(153,658)	45,739
J N Shellabear	55,000	-	-	55,000
<b>Specified Executives</b>				
A Poustie	25,000	-	-	25,000
P Bamford	259,285	-	-	259,285

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable than those the group would have adopted if dealing at arm's length.

2008	Fully Paid Ordinary Shares			
	Held at 1 July 2007	Received during the year on the exercise of options	Other changes during the year	Held at 30 June 2008
<b>Specified Directors</b>				
P C Joseph	11,195,014	-	-	11,195,014
J Gaskell	65,000	-	-	65,000
P Alexander	11,428	600,000	(285,000)	326,428
R A Coyle	34,397	200,000	(185,000)	49,397
J N Shellabear	-	-	55,000	55,000
<b>Specified Executives</b>				
A Poustie	310,000	-	(285,000)	25,000
P Bamford	247,285	100,000	(88,000)	259,285

There were no loans to Key Management Personnel during the period and there were no transactions or balances with Key Management Personnel other than those disclosed in this report.

## Remuneration Report (Audited) (continued)

### Remuneration Committee

The remuneration committee of the board of directors is responsible for determining, reviewing and making recommendations to the board on compensation arrangements for the directors, the chief executive officer and the executive team. The remuneration committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions. The committee also engages external consultants specialising in remuneration of executives and personnel in the mining industry.

### Remuneration Philosophy

The overall objective is the retention of a high quality board and executive team, to maximise value of the shareholders' investment.

Share options and performance rights may also be issued as an added inducement to executives to maximise their efforts in achieving the highest possible return for shareholders. Options are issued either at the prevailing market price at the time of issue or at a premium to the market price so that the future benefit received by the recipients of the options will be in line with the increase in value received by shareholders. Details regarding the issue of share options and performance rights are provided in this report.

### Non Executive Director Remuneration

Fees and payments to non executive directors reflect the demands made on, and the responsibilities of, the directors. Non executive directors' fees are determined within an aggregate directors' fee pool limit of \$350,000 approved by shareholders in 1990. Non executive directors are entitled to a retirement benefit calculated on years of service and capped at three times the director's annual fee after nine years of service. Non executive director remuneration is reviewed annually with the review taking into consideration the performance of the company and fees paid to non executive directors of comparable companies.

The total fee which is paid to each non executive director represents a base fee for being a director of the company plus an additional fee in recognition of the extra time commitment required for serving on board committees.

## Executive Remuneration

### Objective

The aim is to reward executives with a level and mix of remuneration commensurate with their position that reflects the performance of the company, align the interests of executives with those of the shareholders and ensure total remuneration is competitive by market standards.

### Structure

Share options and performance rights may be issued as an inducement to executives to maximise their efforts in achieving the highest possible return for shareholders. Options are issued with an exercise price either at the prevailing market price at the time of issue or at a premium to the market price so that the future benefit received by the recipients of the options will be in line with the increase in value received by shareholders. Details regarding the issue of share options and performance rights are provided in this report.

The remuneration of executives, including the managing director, is generally reviewed annually with the review taking into consideration the contribution of the individual commensurate with the performance of the business unit they have responsibility for, the overall performance of the company and comparable employment market conditions. Though there are no set specific performance targets other than for the incumbent managing director the performance criteria may include technical, financial and corporate responsibilities including health and safety components.

As appropriate, external remuneration consultants provide analysis and advice to ensure executive remuneration packages reflect relevant employment market conditions. Performance reviews were carried out in December 2008. The operating result for the past five years of the consolidated entity and earnings per share, which are indicators of the consolidated entity's performance and shareholders wealth, are set out below.

	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009
Operating Profit/(Loss)	(\$8,674,000)	\$8,995,000	\$51,746,000	\$33,378,000	\$31,132,000
Earnings Per Share	(9.78 cents)	9.11 cents	51.67 cents	32.73 cents	30.38 cents
Revenue From					
Gold Sales	\$25.166 million	\$67.879 million	\$80.732 million	\$95.076 million	\$109.943 million
Dividend Per Share	-	4 cents	10 cents	12 cents	14 cents
Closing Share Price	\$0.33	\$1.18	\$2.30	\$3.35	\$4.61
Cash and Bullion Sold	\$10.924 million	\$21.288 million	\$35.835 million	\$55.674 million	\$45.346 million

Executives are given the opportunity to receive their emoluments in a variety of forms, including cash and fringe benefits, such as motor vehicles and expense payments. It is intended that the manner of payment chosen will be the most beneficial for the recipient without creating additional cost to the company.

## Remuneration Report (Audited) (continued)

Other than for the managing director Jonathan Shellabear no component of the other executive's salary is at risk as the company has not set specific performance targets which alter the executive remuneration. Whilst the company does not have a formal cash incentive or bonus scheme for the other executives, discretionary cash bonuses, retention bonuses and options may be issued from time to time, although not specifically aligned to performance targets. Payment of retention bonuses will only be made if the key management personnel is employed by the company at a predetermined date. Refer to the section on Employment Contracts contained in this report (page 37).

Remuneration for Jonathan Shellabear consists of the following key elements:

- Fixed remuneration made up of base salary and superannuation (cash component) and non monetary benefits.
- Variable remuneration:
  - Short term incentive (STI)
  - Long Term Incentive (LTI)

The company policy is that no arrangements should be entered into to protect the value of unvested LTI'S. This policy will be monitored on an annual basis and if considered necessary will involve an independent audit.

### Variable Remuneration - Short Term Incentive (STI)

#### Objective

Short term incentives are designed to link the relative component of Jonathan Shellabear's remuneration to the overall performance of the company. The total potential STI is set at a level to provide the incentive to achieve established targets.

#### Structure

STI's will be based on a combination of internal and external targets with the targets consisting of a number of key performance indicators (KPI's). These cover both financial and non financial, corporate and individual measures of performance. On an annual basis based on performance against KPI's the remuneration committee will determine and recommend to the board the amount to be paid to Jonathan Shellabear. The STI can total 100% of his cash component of fixed remuneration.

As a result of achieving targets as determined by the board a \$75,000 cash bonus was granted to Jonathan Shellabear following a Remuneration Committee recommendation on 26 November 2008 and paid as at 31 December 2008.

### Variable Remuneration - Long Term Incentive (LTI)

#### Objective

Long term incentives are designed to reward and incentivise Jonathan Shellabear dependent on the performance of the company aligned to the creation of shareholder wealth.

#### Structure

LTI's were granted to Jonathan Shellabear during the 2008 financial year by way of share options and performance rights and approved at a meeting of shareholders held on 24 April 2008.

The 1,050,000 share options granted during 2008 will vest in three equal tranches over a 3 year period. The exercise price of Tranche 1 is 10% above the weighted average price of the company's shares on the ASX for the 5 trading day period immediately prior to the meeting held on 24 April 2008. The exercise price of Tranche 2 is 10% above the exercise price of Tranche 1 and the exercise price of Tranche 3 is 10% above the exercise price of Tranche 2.

Jonathan Shellabear will only derive a benefit from the issue of the share options if there is an increase in the price of the company's shares. If he ceases employment for reasons other than retrenchment or because of death prior to the vesting of the share options, the share options are forfeited.

The 500,000 performance rights were granted during 2008, and exercise of which are subject to the achievement of performance hurdles. The performance rights were granted for no consideration and may only be exercised if the performance hurdles are met. The maturity date of the performance rights is 1 February 2011. Shares will be issued for nil consideration on exercise of performance rights.

#### Performance Hurdles

The company uses a relative total shareholder return (TSR) as the performance hurdle for the LTI plan measured against a group of selected peers (Comparator Group). The comparator group will comprise companies within the S&P/ASX Gold Index and selected by the Board at the time it meets to consider the final entitlement. Relative TSR was selected as the LTI performance hurdle as it ensures an alignment between comparative shareholder return and reward for Jonathan Shellabear.

Performance rights will become exercisable as at 1 February 2011 so long as the performance hurdles are satisfied by the company's TSR over the period exceeding a growth rate of 5% per annum compounded and the ranking of the company is at or above the 50th percentile of the comparator group. At the 50th percentile Jonathan Shellabear will be entitled to 50% of the total shares available under the performance rights, increasing proportionately to 100% at the 75th percentile.

## Employment Contracts

Remuneration and other terms of employment for the executive directors and the two executive officers are formalised in service agreements. These do not have a fixed term and do not have guaranteed salary increases.

The agreements allow the company to terminate the employment with 12 months notice for both of the executive directors or provide payment (based on annual salary package) in lieu of notice. In the case of redundancy both are entitled to 24 months payment of annual salary package. The executive directors may resign by giving six months notice.

The agreements allow the company to terminate the employment with 12 months notice for both of the executive officers or provide payment (based on annual salary package) in lieu of notice. In the case of redundancy both are entitled to 12 months payment of annual salary package. The executive officers may resign by giving three months notice.

On termination the executive directors and executive officers are entitled to payment of accrued annual and long service leave.

Other than the managing director, the other executive director and both of the executives are entitled to a retention bonus of 15-25% of annual salary as at 1 January 2009 and a further retention bonus of 20-30% of annual salary as at 1 January 2010. Payment of the bonus is subject to these key management personnel being employed by the company at the specified dates.

## Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emoluments of each director of Dominion Mining Limited and each of the two executive officers of the company and the consolidated entity receiving the highest emoluments for the years ended 30 June 2009 and 30 June 2008 are set out in the following tables.

### Directors of the Consolidated Entity

2009	Short Term		Post Employment		Share Based Payments		Total	% Performance Related
	Cash Salaries and Fees \$	Other \$	Bonus Payments <sup>9</sup> \$	Superannuation \$	Retirement Benefit \$	Share Options/ Performance Rights \$		
P C Joseph	96,331	-	-	8,669	15,000 <sup>1</sup>	-	120,000	-
J Gaskell*	-	-	-	68,250	31,613 <sup>1</sup>	-	99,863	-
J Shellabear	350,161	37,134 <sup>2</sup>	75,000	50,014	-	939,381 <sup>3</sup>	1,451,690	70%
P Alexander	46,215	-	-	22,035	24,449 <sup>4</sup>	-	92,699	-
R A Coyle	206,701	89,881 <sup>5</sup>	53,250	99,988	650,000 <sup>6</sup>	6,366 <sup>7</sup>	1,106,186	13% <sup>8</sup>
<b>TOTAL</b>	<b>699,408</b>	<b>127,015</b>	<b>128,250</b>	<b>248,956</b>	<b>721,062</b>	<b>945,747</b>	<b>2,870,438</b>	<b>49%<sup>8</sup></b>

\*John Gaskell elected to have the total of his director's fees paid into his superannuation fund.

- 1 Retirement benefit of \$15,000 and \$31,613 relates to accrual for the year as non executive directors are entitled to a retirement benefit calculated on years of service and capped at three times the director's annual fee after nine years of service. Refer to Note 15 of the Financial Statements.
- 2 The estimated cost relating to the utilisation from time to time of company owned motor vehicle.
- 3 For 1,050,000 share options at \$613,012 and 500,000 performance rights at \$326,369 (65% of total remuneration) relating to fair value at grant date determined under Binomial option pricing model for option valuation and Monte-Carlo simulation model for performance rights valuation. Grant date for the options was 24 April 2008 and for the performance rights the vesting period as required by Australian Accounting Standard for the purpose of valuation commenced on 1 February 2008.
- 4 Retirement benefit of \$24,449 relates to accrual for the year as nonexecutive directors are entitled to a retirement benefit calculated on years of service and capped at three times the director's annual fee after nine years of service. Refer to Note 15 of the Financial Statements.
- 5 The estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$25,756) and estimated accrued portion of retention bonus (\$64,125).
- 6 Relates to benefit payable on retirement in recognition of the years of service and contribution to the company as a full time employee including over 13 years as an executive director.
- 7 Value of share options (1% of remuneration net of retirement benefit) relating to fair value at grant date of 1 December 2005 determined under Binomial option pricing model.
- 8 Calculated net of retirement benefits.
- 9 Bonus payments relates to Short Term Incentive of \$75,000 paid to Jonathan Shellabear as at 31 December 2008 for achieving pre set targets established by the board and a payment to Ross Coyle of \$53,250 consisting of a discretionary cash payment of \$5,000 paid in December 2008, which was in recognition of the ongoing financial performance of the Company and a retention bonus of \$48,250 paid in January 2009 as per his contract of employment.

## Remuneration Report (Audited) (continued)

2008	Short Term		Post Employment		Share Based Payments			
	Cash Salaries and fees \$	Other \$	Bonus Payments <sup>11</sup> \$	Superannuation \$	Retirement Benefit \$	Share Options Performance Rights \$	Total \$	% Performance Related
P C Joseph	88,991	-	-	8,008	-	-	96,999	-
J Gaskell	-	-	-	60,500	28,358 <sup>1</sup>	-	88,858	-
J Shellabear	135,419	3,168 <sup>2</sup>	-	20,833	-	399,397 <sup>3</sup>	558,817	71%
P Alexander	310,605 <sup>4</sup>	43,365 <sup>5</sup>	160,000	76,171	636,169 <sup>6</sup>	37,860 <sup>7</sup>	1,264,170	42% <sup>10</sup>
R A Coyle <sup>3</sup>	175,756	68,974 <sup>8</sup>	140,000	104,295	-	25,240 <sup>9</sup>	514,265	32%
<b>TOTAL</b>	<b>710,771</b>	<b>115,507</b>	<b>300,000</b>	<b>269,807</b>	<b>664,527</b>	<b>462,497</b>	<b>2,523,109</b>	<b>46%<sup>10</sup></b>

- 1 Retirement benefit of \$28,358 relates to accrual for the year as non executive directors are entitled to a retirement benefit calculated on years of service and capped at three times the director's annual fee after nine years of service. Refer to Note 15 of the Financial Statements.
- 2 The estimated cost relating to the utilisation from time to time of company owned motor vehicle.
- 3 For 1,050,000 share options at \$265,273 and 500,000 performance rights at \$134,124 (71% of total remuneration) relating to fair value at grant date determined under Binomial option pricing model for option valuation and Monte-Carlo simulation model for performance rights valuation. Grant date for the options was 24 April 2008 and for the performance rights the vesting period as required by Australian Accounting Standard for the purpose of valuation commenced on 1 February 2008.
- 4 Includes payout on retirement of accrued annual leave and long service leave entitlements of \$161,908.
- 5 The estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$10,562) and other sundry non cash benefits (\$32,803).
- 6 Retirement benefit of \$636,169 relates to accrual of \$8,169 from 1 February 2008, as non executive directors are entitled to a retirement benefit calculated on years of service and capped at three times the director's annual fee after nine years of service. Refer to Note 15 of the Financial Statements. The balance of \$628,000 relates to benefit paid on retirement in recognition of years of service to the company as full time employee including over 10 years as Managing Director.
- 7 Value of share options \$37,860 (8% of remuneration net of retirement benefit and payment of accrued annual leave and long service leave) relating to fair value at grant date of 1 December 2005 determined under Binomial option pricing model.
- 8 The estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$20,094), other sundry non cash benefits (\$25,880) and estimated accrued portion of retention bonus (\$23,000).
- 9 Value of share options \$25,240 (5% of remuneration) relating to fair value at grant date of 1 December 2005 determined under Binomial option pricing model.
- 10 Calculated net of retirement benefits and payment of accrued annual leave and long service leave.
- 11 Bonus payments were discretionary cash payments granted and paid in December 2007 and were in recognition of the ongoing financial performance of the Company.

## Remuneration Report (Audited) (continued)

### Executives of the Consolidated Entity

2009	Short Term		Post Employment		Share Based Payments	Total \$	% Performance Related
	Cash Salaries \$	Other \$	Bonus Payments <sup>5</sup> \$	Superannuation \$	Share Options \$		
A Poustie	120,738	85,681 <sup>1</sup>	27,500	100,000	326,641 <sup>2</sup>	660,560	54%
P Bamford	205,685	61,297 <sup>3</sup>	36,250	100,000	326,641 <sup>4</sup>	729,873	50%
<b>TOTAL</b>	<b>326,423</b>	<b>146,978</b>	<b>63,750</b>	<b>200,000</b>	<b>653,282</b>	<b>1,390,433</b>	<b>52%</b>

- 1 Salary sacrifice for purchase of motor vehicle under a novated lease (\$26,478), the estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$24,703) and estimated accrued portion of retention bonus (\$34,500).
- 2 Fair value at grant date of unlisted share options \$326,641 (49% of total remuneration) determined under Binomial option pricing model. This consisted of 330,000 options with grant date of 18 January 2008 (fair value \$186,877) 120,000 options with grant date 4 June 2008 (fair value of \$72,683) and 150,000 options with grant date 1 January 2009 (fair value of \$67,081.)
- 3 Estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$18,547) and estimated accrued portion of retention bonus (\$42,750).
- 4 Fair value at grant date of unlisted share options \$326,641 (45% of total remuneration) determined under Binomial option pricing model. This consisted of 330,000 options with grant date of 18 January 2008 (fair value \$186,877) 120,000 options with grant date 4 June 2008 (fair value of \$72,683) and 150,000 options with grant date 1 January 2009 (fair value of \$67,081).
- 5 Bonus payments were discretionary cash payments granted and paid in December 2008 and were in recognition of the ongoing financial performance of the Company and retention bonuses paid in January 2009 as per employment contracts.

2008	Short Term		Post Employment		Share Based Payments	Total \$	% Performance Related
	Cash Salaries \$	Other \$	Bonus Payments <sup>5</sup> \$	Superannuation \$	Share Options \$		
A Poustie	89,089	78,931 <sup>1</sup>	21,127	100,000	155,610 <sup>2</sup>	444,757	40%
P Bamford	175,744	53,137 <sup>3</sup>	28,226	100,000	155,610 <sup>4</sup>	512,717	36%
<b>TOTAL</b>	<b>264,833</b>	<b>132,068</b>	<b>49,353</b>	<b>200,000</b>	<b>311,220</b>	<b>957,474</b>	<b>38%</b>

- 1 Salary sacrifice for purchase of motor vehicle under a novated lease (\$16,780), the estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$29,919), other sundry non cash benefits (\$20,232) and estimated accrued portion of retention bonus (\$12,000).
- 2 Fair value at grant date of unlisted share options \$155,610 (35% of total remuneration) determined under Binomial option pricing model. This consisted of 330,000 options with grant date of 18 January 2008 (fair value \$150,210) and 120,000 options with grant date 4 June 2008 (notional value of \$5,400).
- 3 Estimated cost relating to the utilisation from time to time of company owned motor vehicle (\$22,292) other sundry non cash benefits (\$16,845) and estimated accrued portion of retention bonus (\$14,000).
- 4 Fair value at grant date of unlisted share options \$155,610 (30% of total remuneration) determined under Binomial option pricing model. This consisted of 330,000 options with grant date of 18 January 2008 (fair value \$150,210) and 120,000 options with grant date 4 June 2008 (fair value of \$5,400).
- 5 Bonus payments were discretionary cash payments granted as at 31 December 2007 and paid on that date, were in recognition of the ongoing financial performance of the Company.

## Remuneration Report (Audited) (continued)

### Options and Performance Rights Provided As Remuneration

When exercisable, each option and performance right is convertible into one ordinary share of Dominion Mining Limited.

### Directors of the Consolidated Entity

No director was granted options or performance rights during the 2009 financial year.

1,050,000 options and 500,000 performance rights were granted to the managing director during the 2008 financial year. The grant of the options and performance rights was approved at a meeting of shareholders held on 24 April 2008.

### June 2008

Name	Number of options on issue at year end	Grant date	Fair value per option			
			at grant date	Exercise price	Vesting date	Expiry date
J N Shellabear	350,000	24 April 2008	\$1.27	\$3.60	4 June 2009	5 June 2012
J N Shellabear	350,000	24 April 2008	\$1.22	\$3.96	4 June 2010	5 June 2012
J N Shellabear	350,000	24 April 2008	\$1.16	\$4.36	4 June 2011	5 June 2012

The options comprise three equal tranches and were issued for nil consideration. One third will vest and be capable of being exercised on each anniversary of the issue date, until all the options have vested. The expiry date for the options is 4 years after the date of their issue.

The exercise price of Tranche 1 is 10% above the weighted average price of the company's shares on the ASX for the 5 trading day period immediately prior to the meeting held on 24 April 2008. The exercise price of Tranche 2 is 10% above the exercise price of Tranche 1 and the exercise price of Tranche 3 is 10% above the exercise price of Tranche 2. Options were issued at this price so that the future benefit received by the recipients of the options will be in line with the increase in value received by shareholders.

### Performance Rights

The 500,000 performance rights issued for nil consideration and subject to the achievement of the performance hurdles, are exercisable after 1 February 2011. Performance rights will lapse if the performance hurdles are not met. The fair value of the performance rights at grant date was \$980,000 (\$1.96 per performance right).

The performance rights will become exercisable in Tranches if the board resolves that the following performance hurdles are satisfied as at 1 February 2011 and provided that the company's TSR grows in each year between grant of the performance rights and 1 February 2011 by more than five percent (5%) compounded each year. The base TSR approved by the board equates to \$3.83 per share:

- (1) if the company's TSR is equal to or exceeds the TSR of 50% or more of the comparator group, the holder will be entitled to exercise 250,000 performance rights; and
- (2) if the company's TSR exceeds the TSR of more than 50% or more but less than 75% of the comparator group, the holder will be entitled to exercise 10,000 performance rights for every additional one percent (1%) of comparator group whose TSR is exceeded by the company; and
- (3) if the company's TSR is equal to or exceeds the TSR of 75% or more of the comparator group, the holder will be entitled to exercise an additional 250,000 performance rights.

### Executives of the Consolidated Entity

During the financial year 150,000 options, were granted to each of the executives as disclosed below. The options were issued for nil consideration with the exercise price being the weighted average of the prices at which Dominion Mining Limited ordinary shares were traded on the Australian Stock Exchange (ASX) during the 5 day period prior to 1 January 2009. Options were not issued at a discount so that the future benefit received by the recipients of the options will be in line with the increase in value received by shareholders. This is consistent with the Executive Remuneration Structure outlined on Page 35 of this report.

### June 2009

Name	Number of options granted during the year	Grant date	Fair value per option			
			at grant date	Exercise price	Vesting date	Expiry date
A Poustie	150,000	1 January 2009	\$0.97	\$3.58	1 January 2010	1 January 2011
P Bamford	150,000	1 January 2009	\$0.97	\$3.58	1 January 2010	1 January 2011

## Remuneration Report (Audited) (continued)

June 2008

Name	Number of options granted during the year	Grant date	Fair value per option at grant date	Exercise price	Vesting date	Expiry date
A Poustie	110,000	18 January 2008	\$1.67	\$5.00	20 December 2008	19 December 2011
A Poustie	110,000	18 January 2008	\$1.69	\$5.50	20 December 2009	19 December 2011
A Poustie	110,000	18 January 2008	\$1.66	\$6.05	20 December 2010	19 December 2011
A Poustie	40,000	4 June 2008	\$1.22	\$3.60	4 June 2009	5 June 2012
A Poustie	40,000	4 June 2008	\$1.27	\$3.96	4 June 2010	5 June 2012
A Poustie	40,000	4 June 2008	\$1.25	\$4.36	4 June 2011	5 June 2012
P Bamford	110,000	18 January 2008	\$1.67	\$5.00	20 December 2008	19 December 2011
P Bamford	110,000	18 January 2008	\$1.69	\$5.50	20 December 2009	19 December 2011
P Bamford	110,000	18 January 2008	\$1.66	\$6.05	20 December 2010	19 December 2011
P Bamford	40,000	4 June 2008	\$1.22	\$3.60	4 June 2009	5 June 2012
P Bamford	40,000	4 June 2008	\$1.27	\$3.96	4 June 2010	5 June 2012
P Bamford	40,000	4 June 2008	\$1.25	\$4.36	4 June 2011	5 June 2012

## Option Holdings of Key Management Personnel at Balance Date

June 2009

Key Management Personnel	Held at 1 July 2008	Granted during the year as remuneration	Exercised	Held at 30 June 2009	Vested and exercisable at 30 June 2009	% of options vested
<b>Specified Directors</b>						
P C Joseph	-	-	-	-	-	-
J Gaskell	-	-	-	-	-	-
J N Shellabear	1,050,000	-	-	1,050,000	350,000	33%
P Alexander	300,000	-	300,000	-	-	-
R A Coyle	400,000	-	150,000	250,000	250,000	100%
<b>Specified Executives</b>						
A Poustie	450,000	150,000	-	600,000	150,000	25%
P Bamford	450,000	150,000	-	600,000	150,000	25%
<b>TOTAL</b>	<b>2,650,000</b>	<b>300,000</b>	<b>450,000</b>	<b>2,500,000</b>	<b>900,000</b>	<b>36%</b>

June 2009

Key Management Personnel	Value of Options Granted During The Year	Value of Options Exercised During The Year
<b>Specified Directors</b>		
P C Joseph	-	-
J Gaskell	-	-
J N Shellabear	-	-
P Alexander	-	\$669,000
R A Coyle	-	\$540,000
<b>Specified Executives</b>		
A Poustie	\$145,200	-
P Bamford	\$145,200	-
<b>TOTAL</b>	<b>\$290,400</b>	<b>\$1,209,000</b>

End of Remuneration Report (Audited)

## Share Options

As at the date of this report there were 8,550,000 and at balance date, 8,563,000 unissued ordinary shares under options. (2008:8,303,000 at the date of the report and 8,773,000 at balance date). 13,000 options have been exercised and no options issued since balance date. The unlisted options have been granted to various employees of the consolidated entity under the Dominion Employee Share Option Plan. 600,000 options were issued, 525,000 options were exercised and 285,000 options were cancelled during the current financial year.

The options granted under the plan are for no consideration and are exercisable at a fixed price at the vesting dates over a 2 or 4 year period from the grant date. The options will lapse if not exercised by the exercise date.

The options cannot be transferred and will not be quoted on the Australian Stock Exchange. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Refer to Note 23 of the Financial Statements for further details of the options outstanding.

## Shares Issued as a Result of the Exercise of Options

During the financial year, 525,000 shares were issued following the exercise of:

35,000 options at an exercise price of \$1.61,  
40,000 options at an exercise price of \$2.31 cents,  
150,000 options at an exercise price of \$1.04 cents, and  
300,000 options at an exercise price of \$1.19.

Since balance date 13,000 shares were issued following the exercise of:

3,000 options at an exercise price of \$3.60, and  
10,000 options at an exercise price of \$1.04.

## Shares on Issue

As at the balance date there were 102,996,351 ordinary fully paid shares on issue and at the date of this report there were 103,009,351 ordinary fully paid shares on issue.

## Nature of Operations and Principal Activities

The principal activities of the consolidated entity during the year involved the operation of the Challenger Gold Project and mineral exploration in Western Australia and the Gawler Craton region of South Australia.

## Review of Operations

### Results

The net amount of the consolidated operating profit for the year ended 30 June 2009 after provision for income tax was \$31,132,000 (2008: profit of \$33,378,000).

The result was after taking into account: \$5,050,000 of exploration expenditure, \$3,963,000 attributable to administration costs, \$1,952,000 relating to the negative mark to market of gold forward sale contracts, \$4,939,000 which represents the notional value as determined by a binomial option pricing valuation model, of options and Monte-Carlo simulation model, of performance rights issued to employees and expensed through the profit and loss as required by Australian Accounting Standards and an income tax expense of \$4,547,000.

### Financial Position

Sales revenue increased by 15% to \$112,608,000 with \$109,943,000 attributable to gold sales (2008: \$97,643,000 with \$95,076,000 attributable to gold sales). Revenue from gold sales was achieved from the sale of 97,443 ounces of gold reflecting an average price received of \$1,128 per ounce.

As at 30 June 2009, the consolidated entity had cash and bullion sold of \$45,346,000 (2008: \$55,674,000) comprising cash of \$42,354,000 and bullion sold (treated as a receivable in the balance sheet) of \$2,992,000.

The weighted average share price over the financial year was \$3.77 with a closing high at the end of March 2009 of \$5.60 and a closing low of \$2.33 at the end of October 2008. The trend of the company's share price generally reflects market conditions, movements in the USD gold price and the operating performance of the Challenger mine. The closing share price at the end of June 2009 was \$4.61.

## Challenger Gold Project (Dominion Gold Operations Pty Limited 100%)

### Operations at Challenger commenced in October 2002.

Production for the financial year ended 30 June 2009 was 98,755 ounces at an average site cash operating cost of \$438 per ounce. Operating costs per ounce increased by 19% over the previous year and was primarily a function of grade due to an increase in lower grade M2 ore being processed. This was partially due to a greater emphasis on mine development of the M1 in preparation for the plant expansion to a processing capacity of around 530,000 tonnes per annum which is scheduled to be completed by the end of the 2009 calendar year.

## Review of Operations (Continued)

The decision to increase the throughput capacity of the plant was made following the completion of a feasibility study in March 2009 which estimated a capital cost for the expansion of \$4.82 million with increased production to around 120,000 ounces per annum from January 2010. The expansion will require the installation of a second ball mill identical to the existing mill and installation of a thickener to more efficiently and economically utilise the increased volumes of process water that will be required.

Construction of a 730 metre deep ventilation shaft commenced during the year and is scheduled to be complete for commissioning during December 2009. This shaft the cost of which is estimated at \$10.5 million will provide ventilation for mining to at least 1.2 km below surface which is the depth of current resources.

Underground drilling continued to demonstrate the continuity of high grade mineralisation in future mining levels of the Challenger shoots. Resources increased by 26% from 30 June 2008 to 1,461,140 ounces (including 719,590 ounces that are additional to Reserves). After taking account of the full year production, reserves totalled 702,570 ounces as at June 30 2009, reflecting an increase of 73,465 ounces over the previous 12 months. These reserves include estimates for the M3 and Challenger West Shoots which, together with the M1 and M2 Shoots, increase the average reserve ounces per vertical metre (ovm) to 1,780 ounces.

### Exploration

The Challenger Deeps surface drilling programme, designed to evaluate depth extensions of the Challenger Shoot system, continued during the year and demonstrated continuity of the M1, M2 and M3 Shoots. The 26% increase in the gold resource inventory to 1,461,140 ounces equates to \$19.00 per ounce of exploration discovery costs and takes into account the resource depletion relative to the annual production of 98,755 ounces.

Underground exploration has targeted the M3 Shoot and the Lower M1 (Footwall) Target, with results from the M3 demonstrating continuity of this high grade structure. Results from the Lower M1 (Footwall) Target defined a narrow, high grade structure.

Resource estimate calculated for Barton West mineral sands project located in the Eucla Basin district of South Australia of 171.7 million tonnes grading 2.8% HM.

In Western Australia, there was ongoing exploration in particular at the Cundeelee Project and Kukerin with no significant results returned.

## Likely Developments and Expected Results

### Challenger Gold Project (Dominion Gold Operations Pty Limited 100%)

Production for the first half of the next financial year is anticipated to be 40-45,000 ounces at cash costs in the mid \$500's per ounce.

Following the completion of the plant expansion anticipated for early December 2009, production in the second half is expected to increase to around 55-60,000 ounces at cash costs in the mid \$400's per ounce.

### Exploration

The main focus will continue to be at the Challenger Gold Project where activity will target both new resource definition and the conversion of existing resources to reserves.

Elsewhere in South Australia, drilling will target copper-gold mineralisation at the Labyrinth Project. Further evaluation of the heavy mineral sands resources at Barton West is also planned.

In Western Australia gold will be the main target within the Cundeelee, Yalla Burra, Blue Dam and Kukerin Projects and copper-gold mineralisation will be targeted within the Wongan Hills Project.

## Risk Management and Internal Controls

Procedures and systems of internal control which outline and monitor, amongst other things, workplace health and safety standards, environmental standards, employee and community relations and risk management decisions are in place.

So that the board is aware of the current status of Dominion Mining Limited and its controlled entities and to enable informed decisions to be made, the board regularly reviews operating and financial information.

The board is of the view that it is crucial for all directors and executives to be a part of this process, and as such the board has not established a separate risk management committee.

Where appropriate, competent external advice is obtained by management to audit proposals prior to presentation to and decision by the board.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Implementation of board approved operating plans and budgets and board monitoring of the progress both of a financial and non-financial nature against these budgets.
- Regular reporting on specific business risks, including such matters as occupational health and safety, mine operational parameters including monitoring and independent audit of ground conditions, cash investment criteria and cash flow management.
- The establishment of a gold hedge risk management policy which establishes the criteria for selling forward against future gold production.
- The requirement for the managing director and finance director to certify the integrity of the financial statements and the effectiveness of internal control systems.

## Significant Changes in the State of Affairs

Total assets have increased by \$22,680,000 over the year to \$146,543,000. The majority of this increase related to Challenger mine development costs, capital expenditure on plant and equipment and resource/reserve evaluation expenditure incurred over the financial year and capitalisation of \$10,623,000 of the payment to Resolute Resources Pty Ltd for the acquisition of the Challenger Gold Production Royalty.

Cash and bullion decreased by \$10,328,000 following dividends paid of \$14,381,000 and payment of \$11,812,000 for the acquisition of the Challenger Gold Production Royalty.

Total liabilities increased marginally by \$328,000 over the year to \$19,586,000. This was due principally to an increase in derivatives of \$1,952,000 which relates to the unrealised mark to market value of gold forward sale contracts and an increase in provisions of \$1,685,000 relating primarily to employee entitlements. These were offset by a reduction of trade and other payables of \$3,054,000.

In the opinion of the directors, there were no other significant changes in the state of affairs of Dominion Mining Limited and its controlled entities that occurred during the year not otherwise disclosed in this report or the consolidated financial statements.

## Dividends

On 20 February 2009 the directors declared an interim unfranked dividend of 6 cents per share. The record date for the dividend was 17 March 2009 with the payment date 31 March 2009. Total amount paid was \$6,180,000.

On 27 August 2009 directors declared a final unfranked dividend of 8 cents per share. The record date for the dividend was 16 September 2009 with the dividend to be paid on 30 September 2009. Total payment will be \$8,240,000.

## Events Subsequent to Balance Date

On 20 July 2009 a zero cost collar diesel hedge based on Singapore gas oil 0.5% sulphur was entered into. The call option strike is A\$0.7550/litre with a put option strike of A\$0.6224/litre. The hedge which covers a 23 month period commencing August 2009 is for 3,500 barrels (556,500 litres) per month, approximately 74% of monthly diesel usage at the Challenger mine site.

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of Dominion Mining Limited and its controlled entities, the results of those operations or the state of affairs of Dominion Mining Limited and its controlled entities in subsequent years not otherwise disclosed in this report or the consolidated financial statements.

## Directors' and Officers' Indemnity and Insurance

During the year, Dominion Mining Limited has paid premiums in respect of directors' and executive officers' liability insurance contracts.

These policies indemnify persons who are directors or executive officers of Dominion Mining Limited and its controlled entities against certain losses, which could arise if a claim was made against them. There have been no claims made at the date of this report. The premium has not been determined on an individual entity, director or officer basis. Dominion Mining Limited is prohibited by a confidentiality agreement within the contract for insurance from disclosing any further details of the insurance.

No other agreements to indemnify directors, executive officers or auditors have been entered into, nor have any payments in relation to indemnification been made, during or since the year by Dominion Mining Limited.

## Environmental Regulation and Performance

The consolidated entity from time to time is required to enter into rehabilitation performance bonds over its mining and exploration tenements. The bonds are in favour of the departments in the various states and territories of Australia responsible for overseeing the rehabilitation of areas in which mining and exploration work is conducted. The bonds require that at the conclusion of the mining and/or exploration activities specific rehabilitation work be performed to minimise the environmental impact of those activities. The liability for the rehabilitation work is generally transferred with any change in ownership.

There have been no known breaches by the consolidated entity of any bond conditions.

In addition rehabilitation work is carried out on an ongoing basis during the course of the operations to an extremely high standard.

## Corporate Structure

Dominion Mining Limited is a company limited by shares that is incorporated and domiciled in Australia. Dominion Mining Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

## Auditor Independence and Non Audit Services

During the year the auditors of the consolidated entity Ernst & Young preserved their independence as required under Section 307C of the Corporations Act 2001 and did not perform any services other than that as required under statutory regulations.

The directors received the Auditors' Independent Declaration from the auditor of Dominion Mining Limited as disclosed on page 88 of this report.

## Rounding of Amounts

Dominion Mining Limited is an entity to which Australian Securities and Investments Commission Class Order 98/100 applies. Pursuant to this Class Order, amounts reported in this report and the financial statements have been rounded to the nearest thousand dollars, except where not permitted to be rounded under the Corporations Act 2001.



**Jonathan N Shellabear**  
Managing Director  
29 September 2009



**Peter C Joseph**  
Chairman  
29 September 2009