



ANNUAL REPORT
For the year ended 31 December **2007**

Australia Oriental Minerals NL

ACN 010 026 708

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CORPORATE DIRECTORY



Directors	Mr Patrick J D Elliott	- Chairman, Director
	Mr Chan Kim Fan	- Executive Director (appointed 12 June 2007)
	Mr Norman Ip Ka Cheung	- Non Executive Director
	Mr James A Walls	- Non Executive Director
	Dato' Mohd Ajib Anuar	- Non Executive Director
	Mr Choo Mun Keong	- Non Executive Director (appointed 12 June 2007)
Company Secretary	Mr Andrew Bursill	
Registered Office	Suite 206, 1 Katherine Street Chatswood NSW 2067	
Bankers	National Australia Bank 255 George Street Sydney NSW 2000	
Solicitor	Addisons Lawyers Level 12 60 Carrington Street Sydney NSW 2000	
Auditor	DFK – Richard Hill Level 11 32 Martin Place Sydney NSW 2000	
Share Registry	Registries Limited Level 7 207 Kent Street Sydney NSW 2000	
ASX Code	AOM	

CHAIRMAN'S LETTER

Dear Fellow Shareholder

The past year has been one of consolidation following the exploration disappointments of the previous 18 months.

Our objective remains to become a significant and profitable tin, gold and base metals producer. Our views on the outlook for the tin price have been borne out with the tin price currently around US\$20,000/tonne compared to US\$14,000/tonne last year. Unfortunately, this has had the reverse effect of making acquisition of tin assets on reasonable terms more difficult.

In order to provide the necessary funding for exploration and development opportunities within Australia and overseas as well as continuing activities on our existing tenements the Company made a Renounceable Rights Issue. This was completed in October 2007 and raised \$3.36 million (before costs). This issue has placed the Company on a better financial footing. The underwriting support of Malaysia Smelting Corporation Berhad, a major shareholder of the Company, was essential to ensuring the success of this fund raising.

We have rationalised our exploration portfolio with the introduction of farm-in parties on Kiawarra (EL 6269) and part of the Emmaville tenements (EL6389).

On 4 April 2008 AOM, along with its joint venture partner, SmartTrans Holdings Limited ("SmartTrans") reached agreement with Newcrest Operations Limited ("Newcrest") to farm-in to the Connors Arch project (EPM 10006 and EPM 12546), with the new joint venture being called the Broadsound Joint Venture.

Under the new joint venture agreement, Newcrest has agreed to spend \$10,000,000 over the next five years to earn a 60% interest in the new joint venture. At that time, AOM interest in the joint venture will have reduced to 16%, from its current level of 40%.

The Connors Range Joint Venture (Midas 76.88%; SmartTrans 13.12% and AOM 10%) which comprises the Waitara area (EPM 11134 and EPM 12361) is to undertake a further drilling program to test a central molybdenum soil geochemical anomaly that coincides with a distinct magnetic "low" interpreted by Midas to be the core of the porphyry intrusion at depth. The results from this drilling are expected around mid June.

The Marlborough Fault tenements (EPMs 14500, 14501 and 14502) are held in Joint Venture with SmartTrans who are undertaking evaluation work and also seeking a joint venture partner.

We have been actively seeking new opportunities through the efforts of Mr Chan Kim Fan, our Executive Director with the support of Straits Resource Management Private Limited, a wholly owned subsidiary of The Straits Trading Company Limited, your Company's major shareholder.

We have reviewed a number of possible opportunities but, so far, have not been successful in concluding any new involvements on acceptable terms. Nevertheless, we are optimistic that this work will be successful over the coming year, especially as the current financial market turbulence reduces the funding options for many of the other "junior" resource companies. With AOM, the support of our major shareholders, Malaysia Smelting Corporation Berhad and The Straits Trading Company Limited is a significant competitive strength.

Conclusion

I would like to thank all employees of Australia Oriental Minerals NL and consultants for their efforts and contributions during the year.

I would also like to make special mention of Che Wan Lim, who resigned as a Director during the year, for his substantial efforts during his tenure as Managing Director of the Company.

The Company can look forward to continuing work on the Connors Range, Mount Mackenzie and also Marlborough Fault Joint Ventures following the granting of the two remaining tenements, EPM 14500 and EPM 14501, during the year.

The Company with the co-operation of its major shareholder Malaysia Smelting Corporation Berhad will continue to actively seek new exploration and development opportunities as well as possible joint ventures to participate in Australia and overseas.

Finally, I would like to thank my fellow Directors and all shareholders for their continued support during the past year.



Patrick J D Elliott
Chairman

DIRECTORS' REPORT



The Directors of Australia Oriental Minerals NL ("AOM") submit herewith the Financial Report ended 31 December 2007.

Directors

The following persons were directors of AOM during the whole and part of the year and up to the date of this report:

P J D Elliott
J A Walls
Dato' Mohd Ajib Anuar
Norman Ip Ka Cheung
Dato' Mohd Anuar Sidek (resigned 25 May 2007)
C W Lim (resigned 25 May 2007)
Chan Kim Fan (appointed 12 June 2007)
Choo Mun Keong (appointed 12 June 2007)

Principal activities

The principal activities of the Company during the year were exploration and evaluation of its tenements principally in the areas of gold, tin and base metals.

Dividends

No dividends have been paid or proposed during the year or up to the date of this report (2006: nil).

Review of operations

Change of Financial Year End

The current financial year of the Company will be in respect of the 12 months from 1 January 2007 to 31 December 2007. The comparatives figures are for the 18 month period from 1 July 2005 to 31 December 2006.

Financial Position

The net loss of the Economic Entity for the 12 months ending 31 December 2007 was \$331,961 (18 months ending 31 December 2006 loss: \$1,697,323).

The net assets of the economic entity have risen to positive \$4,209,742 (18 months ended 31 December 2006: positive \$1,317,177) as a result of the rights issue that took place in during October 2007.

Exploration activities

New South Wales

Emmaville (EL6384, EL6431)

During the year, the Company completed 261 metres of reconnaissance drilling in a number of targets to the west of the Emmaville Township.

Grades of up to 0.17% Sn in the felsic volcanics bedrock demonstrate that the sheeted vein system extends westward past Emmaville from the Great Britain area immediately east of Emmaville. The drilling showed that the Vegetable Creek Deep Lead has been mined extensively in the past, with openings met in EMRC02. Remnant of a very high grade alluvium in the floor of this opening, assaying up to 2.88% Sn confirms similar grades recorded from early mining. There appears to be little economic potential in either the alluvial or sheeted vein mineralization within western part of either EL6384 or EL6431, the alluvial being mostly mined out and the overburden cover over the low grade sheeted vein mineralization is too thick.

DIRECTORS' REPORT

Torrington (EL6389)

YTC Resources Ltd (formerly Big Sky Holdings Pty Ltd) continues to explore at Torrington and have now earned a 70% interest in EL6389.

YTC completed gradient array IP survey to detect cassiterite ore shoots beneath an aplite carapace around the historical Harts, Dutchmans and Curnows mines, near the town of Torrington. These mines were the largest on the Mole granite which exploited high grade 'bung' tin lodes with recorded grades of up to 10% Sn. The IP survey successfully mapped existing tin lodes, and also highlighted a number of new 'bung look-alike' drill targets which are blind to surface.

Kiawarra (EL6269)

In the previous year, the Company completed gold-base metal exploration consisting of a rock chip program on the area extending from the historical Wallah Wallah silver mine southward to the Colandel gold mine, stream sediment sampling to identify the presence of both gold and the associated trace elements, and stream sediment heavy mineral sampling of trap areas searching for gold, tin and tungsten in particular.

The exploration completed identified three rock chip, four heavy mineral and ten stream sediment subanomalies, for a range of elements. These sub-anomalies are grouped together into two main anomalies (viz. 1&3, and 2). Anomalies 1&3 appear to have potential for gold-silver-base metal mineralisation whereas Anomaly 2 is probably reflective of tin-tungsten vein/sheeted vein mineralisation.

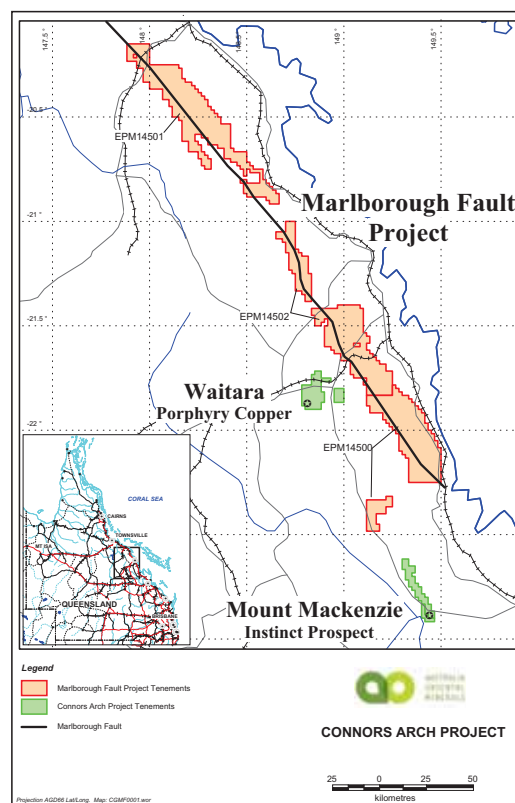
Exploration to be carried out at Kiawarra will concentrate on the prospectivity of Anomalies 1&3, which encompass the old Wallah Wallah Silver Mine. The work program will consist of an electrical geophysical survey, using the off-set pole-dipole induced polarisation ("IP") method over the Wallah Wallah mine area and immediate surrounds, recording chargeability and resistivity. RC and/or diamond drilling of targets identified will follow.

Tingha (EL6242)

A review of the exploration data and potential of this licence was carried out. No further work was recommended and the licence was surrendered for cancellation.

Queensland

There are now seven active exploration licences in the Connors Arch project which are prospective for porphyry-style copper-gold and copper-molybdenum deposits, and epithermal gold deposits. Two tenements contained within this group comprise the Connors Range Joint Venture (at Waitara) in which the Company holds approximately 10% in each. In two of the remaining five tenements, the Company's interest is 40% and SmartTrans Holdings Limited ("SmartTrans") is earning 51% in the remaining three tenements (Marlborough Fault Project).





Connors Range Joint Venture – Waitara (EPM11134, EPM12361)

This is a joint venture between AOM (10%), SmartTrans and Midas Resources Limited (“Midas”) in the northern Lachlan-New England Fold Belt. The property is considered highly prospective for epithermal and porphyry style gold and base metals mineralisation.

Midas, the operator of this project, has reported during the year as follows:-

Geochemical BLEG and soil and chip sampling have been completed over the copper-molybdenum anomaly. Results of the chip samples generally confirm the soil anomaly, with values up to 312 ppm Molybdenum (Mo) coinciding with the centre of the anomaly.

The peak Mo anomaly is located within a broad 3km x 1km coincident Cu-Mo soil anomaly. However, the peak Mo anomaly has not actually been penetrated by any of the earlier drill holes, which are all vertical. Drill testing of this central core of relatively high grade copper and molybdenum mineralization is being planned in the current year.

Mount Mackenzie Joint Venture – Instinct Prospect (EPM10006, EPM12546)

This is a joint venture between AOM (40%) and SmartTrans (60%). This prospect, which comprises two tenements EPM 10006 and EPM12546, has the potential to contain porphyry-style mineralisation related to high level, advanced argillic alteration associated with gold mineralisation.

During the year, a comprehensive analysis and re-interpretation of the 3D relationship between the geology, geophysical signature, alteration pattern and mineralisation in this project was undertaken.

The analysis identified the presence of several anomalies within the prospect. Matching these anomalies with the drilling pattern produced the following results:

- The gravity model correlates well with the geology of the prospect.
- Known mineralisation at Mount Mackenzie, which is already defined by drilling, coincides with a small gravity high anomaly.
- Several other large anomalies are evident and these have not been tested by drilling.

These anomalies are all considered to constitute viable drill targets.

SmartTrans are continuing to seek potential farm-in partners in relation to the tenements from major Australian exploration companies.

Marlborough Fault Project (EPM14500, EPM14501, EPM14502)

This is a new project in the Connors Arch Joint Venture that comprises three tenements, EPM 14500, EPM14501 and EPM14502.

Work by the Company in 1997 had identified the presence of a previously unrecognised extensive strike-slip transform fault (the “Marlborough Fault”) on the Eastern side of the Connors Arch. This structure runs for approximately 250 kilometres in a NNW direction along the Great Dividing Range between St Lawrence and Bowen in Queensland.

The fault is of such a scale that it almost certainly forms a major boundary in the crust and has periodically acted as a conduit for magmas and fluids. Branches of the fault host the Normanby, Mount Hector and Marengo gold fields.

There is evidence that this fault system, with its associated ENE trending cross faults and granitoid intrusions, has the potential to develop large porphyry-style deposits in dilational fault irregularities and fault intersections.

There has been no modern exploration on the tenements since the late 1980s due to delay in granting the tenements and native title restrictions (recently resolved). The Company’s initial analysis identified three “plumbing systems” on the fault and these will be the primary focus of exploration activity to be carried out by SmartTrans.

Under the terms of the Connors Arch Joint Venture, SmartTrans is committed to spend a total of \$250,000 proportionately over the three tenements in the first twelve months after they are granted. SmartTrans can then earn 51% equity by expenditure of a further \$250,000 in the second year.

A number of major mining companies have been assessing the Mount Mackenzie and Marlborough Fault Projects and the joint venture partners expect to conclude one or more fully funded joint ventures to comprehensively explore these Projects.

DIRECTORS' REPORT

Partial Relinquishment of Exploration Tenements

As required by regulations, partial relinquishment of EPM 11134 at the Connors Range joint venture prospect has occurred during the year.

Future Activities

The Company is continuing to seek additional exploration and early stage production opportunities.

Significant changes in the state of affairs

On 15 October 2007, the Company successfully completed a two for one renounceable rights issue with the total amount of new capital raised by the Company from the Rights Issue to \$3,364,742 before costs of the issue. A total of 420,592,860 shares were issued as a result of the Rights Issue.

The funds received will be used by the Company to fund exploration and development opportunities within Australia and overseas as well as continuing activities on its existing tenements.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the 31 December 2007 that has significantly affected, or may significantly affect

- (i) the Group's operations in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

During the coming financial year, the company will continue to concentrate its resources on the exploration for tin and other minerals in its exploration tenements in Queensland and New South Wales.

Environmental regulation

There are no significant environmental regulations applying to the Company.

Information on directors

	Experience and expertise	Other current directorships	Former directorships in last 3 years	Interests in shares and options
P J D Elliott <i>(Non-executive Independent Chairman)</i>	Patrick Elliott holds Bachelor of Commerce and Master of Business Administration degrees. He has over 30 years of experience in investment, financial and industrial management having previously been with Consolidated Goldfields Australia Limited, Morgan Grenfell Australia and Natcorp Investments Limited. He is also a director of several other Australian public companies involved in resources development. Mr Elliott was appointed to the Board on 9 November 1998.	Argonaut Resources NL, MIL Resources Limited, Crossland Uranium Mines Limited, SAPEX Limited, Global Geoscience Limited.	Eastern Star Gas Limited, Heritage Gold NZ Limited and Sundance Resources Ltd	170,001 directly and 4,866,695 indirectly held ordinary shares in AOM 2,000,000 indirectly held options in AOM



	Experience and expertise	Other current directorships	Former directorships in last 3 years	Interests in shares and options
Chan Kim Fan <i>(Executive Director) – appointed 12 June 2007</i>	<p>Mr. Chan is the Mining Consultant in the Strategic Planning and Investment Division of Straits Resource Management Private Limited (SRM), a wholly owned subsidiary of The Straits Trading Company Limited. He has over 30 years experience in the tin business and is currently involved in project valuations and due diligence studies focussing on tin, gold and coal projects. He has held various positions within the Malaysia Mining Corporation Berhad (MMC) group of companies involved in mine management, project valuations and implementations and due diligence covering various mineral commodities locally and overseas. Prior to his appointment at SRM, he was head of Pernas Charter Management Sdn Bhd, a subsidiary of MMC which manages the exploration and mining activities within the MMC Group. Mr Chan is a graduate from the Camborne School of Mines (ACSM), England and is a member of the Institution of Engineers, Malaysia (MIEM).</p>	None	None	None - ordinary shares in AOM None - options in AOM
Mr Norman Ip Ka Cheung <i>(Non-executive Non-independent Director)</i>	<p>Mr. Norman Ip Ka Cheung a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales, has been a non-executive and non-independent director of Malaysia Smelting Corporation Berhad since 1993. He also serves as the President and Chief Executive Officer of The Straits Trading Company Limited, the holding company of MSC, which is listed in Singapore. Apart from tin mining and smelting, The Straits Trading Group's core activities include investments in other metals and minerals resources, hotel investment and management, property operations as well as financial investments. Mr Ip was appointed a Director on 22 April 2003.</p>	None	None	424,194,438 indirectly held ordinary shares in AOM 2,000,000 indirectly held options in AOM
Mr James A Walls <i>(Non-executive Independent Director)</i>	<p>James Walls holds a Bachelor of Science degree in Geophysical Engineering (University of Tulsa, Oklahoma USA) and is a Member of the Society of Exploration Geophysicists. Mr Walls has had over 40 years experience in oil and mineral exploration holding various executive and chief executive positions. He was appointed a Director of the Company in 1981.</p>	Universal Resources Limited	None	510,000 directly and 2,565,381 indirectly held shares in AOM 2,000,000 indirectly held options in AOM

DIRECTORS' REPORT

	Experience and expertise	Other current directorships	Former directorships in last 3 years	Interests in shares and options
Dato' Mohd Ajib Anuar <i>(Non-Executive Non-independent Director)</i>	<p>Dato' Mohd Ajib Anuar is the Group Chief Executive Officer of Malaysia Smelting Corporation Berhad (MSC). He has a professional qualification of the Association of Chartered Certified Accountants, United Kingdom. He also serves as the Managing Director of The Straits Trading Group's resource management unit, Straits Resources Management Private Limited. He has more than 35 years experience in the minerals and metals resource industry. He is currently the President of the Malaysian Chamber of Mines, Chairman of the Kuala Lumpur Tin Market, a Director of ITRI Innovation Ltd., United Kingdom and Chairman of the Malaysian Tin Industry (Research and Development) Board. He was appointed a Director on 24 March 2003.</p>	None	None	2,000,000 options in AOM
C W Lim <i>(Managing Director) – resigned 25 May 2007</i>	<p>Mr. Lim is very experienced in the tin business and also in the management and Board direction of major minerals companies. In particular, he has been responsible for the operation of 12 tin dredges and the largest open cut tin mine in Malaysia. He was a director of Ashton Mining, Malaysia Smelting Corporation, Tronoh Mines Malaysia and 16 other companies. He was also an Alternate Director for Plutonic Resources Ltd.</p>	None	None	4,381,235 ordinary shares in AOM 5,000,000 options in AOM
Dato' Mohd Anuar Sidek <i>(Non-executive Non-independent Director) – resigned 25 May 2007</i>	<p>Dato' Mohd Anuar Sidek holds a Bachelor of Science Degree in Engineering of Mines (West Virginia University, West Virginia, USA) and was the President Director of PT Koba Tin from 2002 to August 2007. PT Koba Tin is operating in Indonesia, principally in tin mining, since 1971 with annual production of up to 22,000 tonnes per year. Malaysia Smelting Corporation Berhad holds a 75% interest in PT Koba Tin with the remaining shares being held by the Indonesian state-owned company, PT Timah Tbk. Prior to his appointment at PT Koba Tin, Dato' Anuar was the CEO of Malaysian public listed Tronoh Mines Malaysia Berhad as well as the General Manager of Pernas Charter Management which manages the exploration and mining activities within the group of Malaysia Mining Corporation Berhad.</p>	None	None	2,000,000 options in AOM



	Experience and expertise	Other current directorships	Former directorships in last 3 years	Interests in shares and options
Choo Mun Keong <i>(Non- Executive Director) – appointed 12 June 2007</i>	<p>Mr.Choo has 38 years experience in exploration and mining geology in South East Asia and internationally. Apart from geology, he has been involved in due diligence and mergers and acquisitions since 1987.</p> <p>He is currently head of Strategic Planning and Investments / Consulting Geologist of Straits Resource Management Private Limited, a wholly owned subsidiary of the The Straits Trading Company Limited. The business focus is on tin, gold, nickel and coal. His previous experience includes 7 years as Chief Geologist of Pernas Charter Management Sdn Bhd (general managers for the Malaysia Mining Corporation Group of companies) during which he managed and directed geological work at mines, evaluation of ore reserves, and exploration projects. He was also the South East Asia consultant and representative for Anglo American Pacific Ltd for 2 years, responsible for identification and valuation of suitable projects for acquisitions.</p> <p>Mr Choo holds a BSc (Hons) in Geology from the University of Malaya and is a Chartered Engineer (UK). He is also a member of the Institute of Materials, Minerals and Mining (MIMMM) and has served as Vice President of the Geological Society of Malaysia and Chairman of the Institution of Mining and Metallurgy (Malaysian Section).</p>	None	None	None - ordinary shares in AOM None - options in AOM

Company Secretary

The Company Secretary is Mr Andrew Bursill - B.Agr. Ec. (University of Sydney), CA. Mr Bursill was appointed to the position of Company Secretary in 2004. In addition to his appointment as Company Secretary of Australia Oriental Minerals NL, Mr Bursill is the Company Secretary for Loop Mobile Limited and SAPEX Limited and was previously the Company Secretary for Prince Hill Wines Limited (formerly Simon Gilbert Wines Ltd) and Cheviot Bridge Limited (formerly Winepros Limited). Mr Bursill is a member of the Institute of Chartered Accountants in Australia.

Directors' Meetings

The number of Directors' meetings (and circulating resolutions) held and attended by each of the Directors of the Company during the financial year were:

	Held whilst a Director	Attended
P J D Elliott	8	4
C W Lim	3	2
Chan Kim Fan	5	5
Choo Mun Keong	5	4
J A Walls	8	6
Dato' Mohd Ajib Anuar	8	6
Norman Ip Ka Cheung	8	5
Dato' Mohd Anuar Sidek	3	1

Due to the change and reduction in scale of the company's operations, audit committee matters were incorporated into board meetings during the year and no separate audit committee meetings were held. The directors will continue to review the necessity for separate meetings on an annual basis in line with the company's operations.

DIRECTORS' REPORT

Remuneration Report

The remuneration report is set out under the following headings:

- A Principles used to determine the nature and amount of remuneration**
- B Details of remuneration**
- C Service agreements**
- D Share based payments**
- E Additional information**

The information provided under headings A-D includes remuneration disclosures that are required under AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by *Corporations Act 2001* and *Corporations Regulations 2001* which have not been audited.

A Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that executive reward satisfies the following criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management

The remuneration structure for Directors, secretaries and senior managers is based on the following factors:

- experience of the individual concerned
- the overall performance of the market in which the company operates
- the overall performance of the Company

B Details of remuneration - audited

Details of the nature and amount of each element of the remuneration of the key management personnel (as defined AASB 124 *Related Party Disclosures*) of Australia Oriental Minerals NL are set out in the following tables. Key management personnel of Australia Oriental Minerals NL and the consolidated Group include the directors and the following executive officer:

- | | |
|--------------------------|---|
| • P J D Elliott | Non-executive Chairman |
| • Chan Kim Fan | Executive Director (appointed 12 June 2007) |
| • J A Walls | Non-executive Director |
| • Dato' Mohd Ajib Anuar | Non-executive Director |
| • Norman Ip Ka Cheung | Non-executive Director |
| • Dato' Mohd Anuar Sidek | Non-executive Director (resigned 25 May 2007) |
| • Choo Mun Keong | Non-executive Director (appointed 12 June 2007) |
| • Che Wan Lim | Managing Director (resigned 25 May 2007) |
| • A W Bursill | Company Secretary |



2007 (12 months)	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		Total
	Cash and Salary Fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Shares*	Options**	
Non-executive directors								
PJD Elliott	16,000	-	-	2,160	-	-	-	18,160
JA Walls	16,000	-	-	-	-	-	-	16,000
Dato' Mohd Ajib Anuar	16,000	-	-	-	-	-	-	16,000
Norman Ip Ka Cheung	16,000	-	-	-	-	-	-	16,000
Dato' Mohd Anuar Sidek	6,667	-	-	-	-	-	-	6,667
Choo Mun Keong	9,333	-	-	-	-	-	-	9,333
Total Non-Exe. Directors	80,000	-	-	2,160	-	-	-	82,160
Executive directors								
CW Lim	8,600	-	-	-	-	5,000	-	13,600
Chan Kim Fan	26,400	-	-	-	-	-	-	26,400
Total Executive Directors	35,000	-	-	-	-	5,000	-	40,000
Other Key management personnel								
AW Bursill ***	-	-	-	-	-	-	-	-
Total	115,000	-	-	2,160	-	5,000	-	122,160

2006 (18 months)	PRIMARY			POST-EMPLOYMENT		SHARE-BASED		Total
	Cash and Salary Fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Shares*	Options**	
Non-executive directors								
PJD Elliott	24,000	-	-	-	-	-	6,500	30,500
JA Walls	24,000	-	-	-	-	-	6,500	30,500
Dato' Mohd Ajib Anuar	24,000	-	-	-	-	-	6,500	30,500
Norman Ip Ka Cheung	24,000	-	-	-	-	-	6,500	30,500
Dato' Mohd Anuar Sidek	24,000	-	-	-	-	-	6,500	30,500
Total Non-Exe. directors	120,000	-	-	-	-	-	32,500	152,500
Executive directors								
CW Lim	258,400	-	-	16,452	-	35,200	16,250	326,302
Other Key management personnel								
AW Bursill ***	-	-	-	-	-	-	13,000	13,000
Total	378,400	-	-	16,452	-	35,200	61,750	491,802

* Pursuant to the consulting agreement dated 25 February 2004 between Che Wan Lim and the Company, some of the salary due and payable by the Company to Che Wan Lim may be paid by the issue and allotment of ordinary shares to Mr Lim or his nominee. The issue price of the shares is based on the weighted-average price at which the Company's shares trade on the Australian Stock Exchange during the 5 days immediately before the shares are approved for issue by the Directors of the Company. The issue of these shares is subject to shareholder approval.

** On 12 April 2005, a meeting of shareholders approved the issue and allotment of options to Directors. These options were not issued to Directors until 6 July 2005, and as such do not form part of the remuneration for the year ended 30 June 2005. As a result of the issue of options to Directors on 6 July 2005, the Directors agreed to waive all Directors fees owing up to the end of the prior financial year end, 30 June 2005.

*** AW Bursill, Company Secretary and Chief Financial Officer, is an associate of Franks & Associates Pty Ltd which provides accounting and company secretarial services to Australia Oriental Minerals NL (AOM). The contract between AOM and Franks & Associates is based on normal commercial terms. A total of \$107,120 (18 months ending 31 December 2006: \$179,287) was received by Franks and Associates in relation to this contract for the year. Further information is contained in Note 17b.

DIRECTORS' REPORT

C Services agreements – audited

Che Wan Lim (resigned 25 May 2007)

The following service agreement was in place during the financial year:

- \$600 per day worked;
- \$200 per day worked paid by the issue of fully paid AOM shares.

Chan Kim Fan (appointed 12 June 2007)

The following service agreement was in place from May 2007 :

- \$800 per day worked;
- All travelling and other out of pocket expenses incurred in the course of work for the Company will be reimbursed at cost and a laptop is provided for use in the performance of work;

D Share- based payments – audited

On 12 April 2005, a meeting of shareholders approved the issue and allotment of options to Directors and Company Secretary to form part of their remuneration. The share options were granted on 6 July 2005 as follows:

	No. Options Exercise price \$0.05 Expiry 30 June 2008	Value (\$)
Directors		
P J D Elliott (Chairman)	2,000,000	6,500
Che Wan Lim (Managing Director) – resigned 25 May 2007	5,000,000	16,250
J A Walls (Non-executive Director)	2,000,000	6,500
Dato' Mohd Ajib Anuar (Non-executive Director)	2,000,000	6,500
Norman Ip Ka Cheung (Non-executive Director)*	2,000,000	6,500
Dato' Mohd Anuar Sidek (Non-executive Director)	2,000,000	6,500
Choo Mun Keong (Non-executive Director)	-	-
Chan Kim Fan (Executive Director)	-	-
Other key management personnel		
Andrew Bursill (Company Secretary)	4,000,000	13,000
Total	19,000,000	61,750

*The 2,000,000 options which were originally reserved for Mr. Norman Ip Ka Cheung, were granted to Sword Investments Private Limited ("Sword"), a wholly owned subsidiary of The Straits Trading Company Limited ("STC"), a company listed on the Singapore Exchange Securities Trading Limited, and parent company of AOM. Mr. Ip is a director of STC and Sword.

There are currently no other options on issue other than those included in the table above and no other options were granted to key management personnel in the current financial year.

No options have been exercised during the financial year.

Options granted carry no dividend or voting rights.

The value of the options at grant date of \$0.00325 was independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

When exercisable the option is convertible into one ordinary share of Australia Oriental Minerals NL.



E Additional information – unaudited

Loans to directors

The Company has made no loans to directors during the current or previous financial year.

Share options granted to directors and the most highly remunerated officers

Options issued over unissued shares during the year are set out in the table included in section D of the remuneration report where details of options granted can also be found.

Insurance of Directors

During the year, the Company did not enter into a Directors and Officers insurance policy.

Non-audit services

The Company may decide to employ the auditor (DFK - Richard Hill) on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Company and/or the Economic Entity are important.

Although no non-audit services were provided by the auditor for the year ended 31 December 2007 (2006: nil), should there be a need to use such services, the Directors will satisfy themselves that the provision of non-audit services will be compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and will not compromise the auditor independence requirements of the Act.

Details of the amounts paid to the auditor for audit and non-audit services provided during the year are set-out below.

	2007 12 months \$	2006 18 months \$
Audit services		
DFK – Richard Hill - Audit and review of financial reports	21,250	23,100
Non-audit services		
DFK – Richard Hill	-	-
Total	21,250	23,100

A copy of the auditors’ independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

Interest in Contracts

No Directors have any interests in contracts with Australia Oriental Minerals NL.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Other Matters

Following the 1992 decision of the High Court of Australia in Mabo vs Queensland (No. 2) and the enactment of the Native Title Act (1993) (the Act) by the Commonwealth of Australia, claims of Native Title over some of the Economic Entity’s tenements have been made and may be made.

This report is made in accordance with a resolution of the directors.

Chan Kim Fan
Executive Director
3 March 2008

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australia Oriental Minerals NL is responsible for the corporate governance of the Company. The Board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange (“ASX”) Corporate Governance Council. However in view of the Company’s current size and extent of nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead. Where the Company’s framework is different to the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange (“ASX”) Corporate Governance Council, it has been noted.

A summary of the current corporate governance practices as adopted by the Board are as follows:

The Board of Directors

The board carries out its responsibilities according to the following mandate:

- The Board should comprise at least three directors, with at least two-thirds being non-executive directors;
- The Chairman of the board should be a non-executive director;
- The directors should possess a broad range of skills, qualifications and experience;
- The board should at least meet on a quarterly basis; and
- All available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

The primary responsibilities of the board include:

- The approval of the annual and half-yearly financial report;
- The establishment of the long term goals of the consolidated entity and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis;
- Ensuring that the consolidated entity has implemented adequate internal controls together with appropriate monitoring of compliance activities; and
- Ensuring that the consolidated entity is able to pay its debts as and when they fall due.

The Company discloses the curriculum vitae of each director in its Annual Report.

The Chairperson of the Company is Patrick Elliott and the Chief Executive Officer is Chan Kim Fan, therefore as required under best practice, the Chairperson is not the same as the Chief Executive Officer.

The Company’s executive management comprises the Chief Executive Officer and the Chief Financial Officer (Andrew Bursill), to whom the Board delegates responsibilities to as outlined in their contracts and as expected for these executive positions.

Due to the Company’s current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The majority of the Board should be independent. Presently the Board consists of one executive director (Chan Kim Fan) and five non-executive directors (Dato Mohd Ajib Anuar, Norman Ip Ka Cheung, Choo Mun Keong, James Walls and Patrick Elliott). As Chan Kim Fan, Dato’ Mohd Ajib Anuar, Norman Ip Ka Cheung and Choo Mun Keong are associates of a substantial shareholder, Chan Kim Fan, Dato’ Mohd Ajib Anuar, Norman Ip Ka Cheung and Choo Mun Keong are not considered independent. This is a departure from Recommendation 2.1 of Principles of Good Corporate Governance and Best Practice Recommendations.
- Due to the size of the Company there is no Remuneration Committee or Nomination Committee. This is a departure from Recommendations 2.4 and 9.2 of Principles of Good Corporate Governance and Best Practice Recommendations.



Independent Professional Advice

With the prior approval of Chairman, each director has the right to seek independent legal and other professional advice at the consolidated entity's expense concerning any aspect of the consolidated entity's operations or undertaking in order to fulfill their duties and responsibilities as directors.

Ethical Standards

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:

- Comply with the law
- Act in the best interests of the Company
- Be responsible and accountable for their actions, and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Trading Policy

The company's policy regarding directors and employees trading in its securities, is set by the Board of Directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

The Company has set the following windows for trading in the company's securities by the directors and employees, being thirty days following:

- The release to the Australia Stock Exchange of the company's preliminary full year financial statements
- The release to the Australian Stock Exchange of the company's half year financial statements
- The date on which the company holds its annual general meeting.

Audit & Finance Committee

Due to the size and nature of the Company, the Board does not have an audit and finance committee, which is a departure from Recommendations 4.2, 4.3 and 4.4 of the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ("ASX").

The Board is aware of the Principles of Good Corporate Governance and Best Practice Recommendations, and will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead.

Continuous Disclosure

The Board and Company Secretary have been appointed as the persons responsible for communications with the Australian Stock Exchange (ASX). These persons are also responsible for ensuring the compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX.

The Board and the Company Secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meeting. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed. Due to the size of the Company, all communications are prepared and administered in-house.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee / Nomination Committee

Due to the size and nature of the Company, the Board has not yet established a remuneration committee / nomination committee, which is a departure from Recommendations 2.4 and 9.2 of the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange (“ASX”).

The Board is aware of the Principles of Good Corporate Governance and Best Practice Recommendations, and will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead.

Risk Management

The Board is responsible for the consolidated entity’s system of internal controls. The Board constantly monitors the operation and financial aspects of the consolidated entity’s activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the consolidated entity.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the consolidated entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Company obtains statements from its chief executive officer and chief financial officer 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 are in accordance with the relevant accounting standards. Furthermore, the Board of Directors does, in its role, state to shareholders in the Company’s accounts that they are true and fair, in all material respects
- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements policies adopted by the board
- the company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board believes the Company’s risk management and internal compliance and control procedures are operating efficiently and effectively in all material aspects appropriate for a company of Australia Oriental Minerals NL size and nature.

Code of Conduct

As part of the Board’s commitment to the highest standard of conduct, the consolidated entity adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

AUDITORS' INDEPENDENCE DECLARATION



DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

Director:
RICHARD L.S. HILL
B.Com, FCA

Associate Director:

DAVID G. SHARP
B.Com, A.C.A

Telephone: (612) 9221 0444
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AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Australian Oriental Mineral NL for the year ended 31 Dec 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

DFK – Richard Hill Pty Ltd

A handwritten signature in black ink, appearing to read 'Richard L.S. Hill'.

Richard L.S.Hill
3 March 2008

INCOME STATEMENT

For the year ended 31 December 2007

	Notes	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue from continuing operations	5	51,250	42,047	51,250	42,047
Employee benefits expense		(123,159)	(252,315)	(123,159)	(252,315)
Depreciation expenses		(8,566)	(16,965)	(8,566)	(16,965)
Write-off of exploration assets	11	-	(964,152)	-	(964,152)
Other expenses		(40,578)	(152,079)	(40,578)	(152,079)
Professional fees		(164,608)	(240,320)	(164,608)	(240,320)
Corporate expenses		(28,372)	(104,094)	(28,372)	(104,094)
Finance costs		(17,928)	(9,445)	(17,928)	(9,445)
Total Expenses		(383,211)	(1,739,370)	(383,211)	(1,739,370)
Profit (loss) before income tax		(331,961)	(1,697,323)	(331,961)	(1,697,323)
Income tax expense	6	-	-	-	-
Profit (loss) for the year		(331,961)	(1,697,323)	(331,961)	(1,697,323)
Profit (loss) attributable to members of Australia Oriental Minerals NL		(331,961)	(1,697,323)	(331,961)	(1,697,323)
Earnings per shares for profit attributable to the ordinary equity holders of the entity (cents per share)		(0.11)	(0.82)	(0.11)	(0.82)
Basic earnings per share (cents per share)	24	(0.11)	(0.82)	(0.11)	(0.82)

The dilutive earnings per share have not been calculated as it would not be materially different from the ordinary earnings per share.

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 31 December 2007



	Notes	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Current assets					
Cash and cash equivalents	7	2,675,436	230,210	2,675,436	230,210
Trade and other receivables	8	38,717	2,624	38,717	2,624
Total current assets		2,714,153	232,834	2,714,153	232,834
Non-current assets					
Deposits	9	115,000	15,000	115,000	15,000
Property, plant and equipment	10	18,422	78,837	18,422	78,837
Other assets	11	1,653,458	1,622,638	1,653,458	1,622,638
Total non-current assets		1,786,880	1,716,475	1,786,880	1,716,475
Total assets		4,501,033	1,949,309	4,501,033	1,949,309
Current liabilities					
Trade and other payables	12	181,291	224,912	181,291	224,912
Interest bearing liabilities	13	-	210,401	-	210,401
Provisions	14	30,000	30,000	30,000	30,000
Total current liabilities		211,291	465,313	211,291	465,313
Non-current liabilities					
Interest bearing liabilities	13	-	26,819	-	26,819
Provisions	14	80,000	140,000	80,000	140,000
Total non-current liabilities		80,000	166,819	80,000	166,819
Total liabilities		291,291	632,132	291,291	632,132
Net assets		4,209,742	1,317,177	4,209,742	1,317,177
Equity					
Parent entity interest					
Contributed equity	15	38,709,018	35,484,492	38,709,018	35,484,492
Reserves	16	61,750	61,750	61,750	61,750
Retained profits	16	(34,561,026)	(34,229,065)	(34,561,026)	(34,229,065)
Total equity		4,209,742	1,317,177	4,209,742	1,317,177

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

Consolidated	Ordinary Shares \$	Share Based Payments Reserves \$	Accumulated losses \$	Total \$
Balance at 31 December 2005	31,163,335	-	(32,531,742)	(1,368,407)
Loss for the year	-	-	(1,697,323)	(1,697,323)
Issue of shares	4,321,157	-	-	4,321,157
Capital raising costs	-	-	-	-
Share based payment	-	61,750	-	61,750
Balance at 31 December 2006	35,484,492	61,750	(34,229,065)	1,317,177
Loss for the year	-	-	(331,961)	(331,961)
Issue of shares	38,800	-	-	38,800
Rights Issue	3,364,743	-	-	3,364,743
Capital raising costs	(179,017)	-	-	(179,017)
Share based payments	-	-	-	-
Balance at 31 December 2007	38,709,018	61,750	(34,561,026)	4,209,742

Parent	Ordinary Shares \$	Share Based Payments Reserves \$	Accumulated losses \$	Total \$
Balance at 31 December 2005	31,163,335	-	(32,531,742)	(1,368,407)
Loss for the year	-	-	(1,697,323)	(1,697,323)
Issue of shares	4,321,157	-	-	4,321,157
Capital raising costs	-	-	-	-
Share based payment	-	61,750	-	61,750
Balance at 31 December 2006	35,484,492	61,750	(34,229,065)	1,317,177
Loss for the year	-	-	(331,961)	(331,961)
Issue of shares	38,800	-	-	38,800
Rights Issue	3,364,743	-	-	3,364,743
Capital raising costs	(179,017)	-	-	(179,017)
Share based payments	-	-	-	-
Balance at 31 December 2007	38,709,018	61,750	(34,561,026)	4,209,742

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		-	-	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(370,731)	(1,059,658)	(370,731)	(1,059,658)
Interest received		14,909	42,047	14,909	42,047
Interest paid		(18,219)	(16,576)	(18,219)	(16,576)
Taxes (paid) received		20,683	96,333	20,683	96,333
Net cash inflow (outflow) from operating activities	21	(353,358)	(937,854)	(353,358)	(937,854)
Cash flows from investing activities					
Payments for property, plant and equipment		-	(13,295)	-	(13,295)
Proceeds from sale of property, plant and equipment		41,591	1,000	41,591	1,000
Payments for exploration expenditure capitalised		(191,513)	(754,173)	(191,513)	(754,173)
Net cash inflow (outflow) from investing activities		(149,922)	(766,468)	(149,922)	(766,468)
Cash flows from financing activities					
Proceeds from issues of shares		3,364,742	1,745,420	3,364,742	1,745,420
Payment for cost of acquiring shares		(179,016)	(34,892)	(179,016)	(34,892)
Proceeds from related party borrowings		200,000	332,987	200,000	332,987
Repayment of related party borrowings		(400,000)	(232,987)	(400,000)	(232,987)
Repayment of unrelated borrowings		(37,220)	(12,933)	(37,220)	(12,933)
Net cash inflow (outflow) from financing activities		2,948,506	1,797,595	2,948,506	1,797,595
Net increase in cash held		2,445,226	93,273	2,445,226	93,273
Cash at the beginning of the reporting period		230,210	136,937	230,210	136,937
Cash at the end of the reporting period	7	2,675,436	230,210	2,675,436	230,210

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

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Note I Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Australia Oriental Minerals NL as an individual entity and consolidated entity consisting of Australia Oriental Minerals NL and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

Change of Financial Year End

The Directors resolved to change the financial year end of the Company from 30 June to 31 December.

As a result, the current financial year of the Company is in respect of the 12 month period from 1 January 2007 to 31 December 2007. The comparatives presented are for the 18 month period from 1 July 2005 to 31 December 2006.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Australia Oriental Minerals NL comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities, (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Australia Oriental Minerals NL ("**Australia Oriental Minerals**", "**Company**" or "**parent entity**") as at 31 December 2007 and the results of all controlled entities for the year then ended. Australia Oriental Minerals NL and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

During the year ending 30 June 2005, a Deed of Administration was entered into between the Directors of Telminex NL, a wholly owned subsidiary of Australia Oriental Minerals, and the Administrator of Telminex NL on behalf of the creditors of that Company. Under that Deed of Administration all control of the affairs of Telminex NL, and its wholly owned subsidiary, EOE (No.75) Pty Ltd, passed to the Deed Administrator. The Deed Administrator has advised that all assets and liabilities of Telminex NL and its subsidiary will be extinguished prior to the termination of the Deed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

The Administrators of Telminex NL have advised that they are in the process of calling a final creditors meeting and paying a final dividend to creditors of Telminex, with an expectation of those matters being completed and the subsequent retirement of the Administrators by 30 June 2008. Upon retirement of the Administrators, the Directors of AOM intend to liquidate Telminex NL, with the financial impact to AOM limited to payment of the liquidators fees, and expected not to exceed \$4,000.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(a)).

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australia Oriental Minerals NL.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. There are not currently any associates within the group.

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the entity has passed control of the goods or other assets to the buyer.

(ii) Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

(iii) Interest Income

Interest income is recognised as it accrues.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.



Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Australia Oriental Minerals and its' wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the Income Taxation Consolidation regime.

(f) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is measured as the fair value of the assets given up, shares or options issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where shares or options are issued in an acquisition, the value of the shares or options is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill or assigned to the value of the mining rights. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Cash and Cash Equivalents

For cashflow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(i) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) which are aligned with each area of interest in the case of exploration assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

(j) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. At the reporting date the only financial assets held were as follows:

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets.

(k) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Freehold Land	0%
Office equipment	5–33%

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee entitlements

(i) Retirement benefit obligation

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(iii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Share based payments

Share-based compensation benefits are provided to certain directors as a component of remuneration.

The fair value of options granted to directors is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become



unconditionally entitled to the options. Where there are no vesting conditions, the fair value of the options granted is recognised immediately in the income statement.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(n) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. Borrowing costs include interest on bank overdrafts, bank fees and charges.

(o) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Contributed equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit/(loss) after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2 Financial risk management

Market risk

The Group has no exposure to foreign exchange risk

Credit risk

The Group has no significant concentrations of credit risk.

Liquidity risk

Prudent liquidity risk management ensures the Group maintains sufficient cash flows to meet its requirements.

Cash flow and fair value interest rate risk

As the Company has no significant variable rate interest-bearing assets or liabilities, the Group's income, expenses and operating cash flows are not materially exposed to changes in market interest rates.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated in note 1. As at 31 December 2007, the Group did not have any intangible assets and as such impairment testing was not applicable for the year.

Note 4 Segment Information

The entity only operates in one business segment, the exploration of mineral resources, and one geographical segment, Australia.



Note 5 Revenue

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Sales revenue	12,000	-	12,000	-
Interest income	39,250	42,047	39,250	42,047
	51,250	42,047	51,250	42,047

Note 6 Income tax expense

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$

(a) Numerical reconciliation of income tax expense to prima facie tax payable

Loss before tax	(331,961)	(1,697,323)	(331,961)	(1,697,323)
Tax at the Australian rate of 30%	(99,588)	(509,197)	(99,588)	(509,197)
Add tax effect of:				
Provision for asset diminution	-	289,245	-	289,245
Less tax effect of:				
Income tax benefit not brought to account	99,588	219,952	99,588	219,952
	-	-	-	-

Note 7 Current assets – Cash and cash equivalents

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash at bank and in hand	175,436	29,206	175,436	29,206
Deposits at call/ Term Deposits	2,500,000	201,004	2,500,000	201,004
Balances per statements of cash flow	2,675,436	230,210	2,675,436	230,210

The cash at bank are bearing floating interest rates with a weighted average interest rate for the 12 months ending 31 December 2007 of 5.89% per annum (2006: 3.8%). The term deposit rates at balance date are 7.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

Note 8 Current assets – Trade and other receivables

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade receivables	13,200	-	13,200	-
Other receivables	1,176	2,624	1,176	2,624
Interest receivables	24,341	-	24,341	-
	38,717	2,624	38,717	2,624

Note 9 Non-Current assets – Deposits

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Security deposits on mining tenements	115,000	15,000	115,000	15,000
	115,000	15,000	115,000	15,000

Note 10 Non-current assets – Property, plant and equipment

(a) Land	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
At beginning of period				
Cost	15,500	15,500	15,500	15,500
Accumulated depreciation	-	-	-	-
Net book amount	15,500	15,500	15,500	15,500
Period ended				
Opening net book amount	15,500	15,500	15,500	15,500
Amounts written-off during the year	-	-	-	-
Closing net book amount	15,500	15,500	15,500	15,500
At end of period				
Cost	15,500	15,500	15,500	15,500
Accumulated depreciation	-	-	-	-
Net book amount	15,500	15,500	15,500	15,500



(b) Plant & equipment	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
At beginning of period				
Cost or fair value	103,209	40,761	103,209	40,761
Accumulated depreciation	(39,872)	(22,907)	(39,872)	(22,907)
Net book amount	63,337	17,854	63,337	17,854
Period ended				
Opening net book amount	63,337	17,854	63,337	17,854
Additions	2,991	63,448	2,991	63,448
Disposals	(52,011)	(1,000)	(52,011)	(1,000)
Write offs	(2,829)	-	(2,829)	-
Depreciation	(8,566)	(16,965)	(8,566)	(16,965)
Closing net book amount	2,922	63,337	2,922	63,337
At end of period				
Cost or fair value	2,991	103,209	2,991	103,209
Accumulated depreciation	(69)	(39,872)	(69)	(39,872)
Net book amount	2,922	63,337	2,922	63,337
Total property, plant and equipment	18,422	78,837	18,422	78,837

Note 11 Non-current assets – Other assets

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Exploration expenditure at beginning of period	1,622,638	1,862,617	1,622,638	1,862,617
Reclassification of expenditure *	(30,000)	-	(30,000)	-
Expenditure on exploration & evaluation costs	60,820	724,173	60,820	724,173
Write-off of exploration and evaluation costs	-	(964,152)	-	(964,152)
Exploration expenditure at end of period	1,653,458	1,622,638	1,653,458	1,622,638

* The reclassification of expenditure was due to the identification of deposits paid in the prior year.

Exploration activities at Tingha, Emmaville and Connors Arch were significantly reduced during the 18 months ending 31 December 2006. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, capitalised costs associated with these exploration activities have been written off to the income statement. Exploration activities were commenced at Kiawarra. These costs have been capitalised. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

For the year ended 31 December 2007 there were no exploration costs written off to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

Note 12 Current liabilities – Trade and other payables

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade payables	-	23,752	-	23,752
Accruals	179,891	165,960	179,891	165,960
Other payables	1,400	35,200	1,400	35,200
	181,291	224,912	181,291	224,912

Note 13 Current and Non-current liabilities – Interest bearing liabilities

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Current				
Lease Liabilities (Note 19)	-	10,401	-	10,401
Related party loan	-	200,000	-	200,000
Current provisions	-	210,401	-	210,401
(b) Non-current				
Lease liabilities	-	26,819	-	26,819
Non-current provisions	-	26,819	-	26,819

Interest rate risk

The entity is not exposed to variable interest rates. Lease liabilities carry a fixed interest rate of 8.36% per annum. Related party loan interest rate is 8.00% per annum. At 31 December 2007 both lease and related party loan are fully paid.

Note 14 Current and Non-current liabilities - Provisions

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Current				
Agreed payments to DMR	30,000	30,000	30,000	30,000
Current provisions	30,000	30,000	30,000	30,000
(b) Non-current				
Mining restoration	50,000	50,000	50,000	50,000
Agreed payments to DMR	30,000	90,000	30,000	90,000
Non-current provisions	80,000	140,000	80,000	140,000



Note 15 Contributed Equity

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Share capital				
Ordinary shares – fully paid	38,709,018	35,484,492	38,709,018	35,484,492

		Shares	Issue price	\$
(b) Movements in share capital				
Date	Issues of ordinary shares during the year			
01/01/2007	Opening balance	207,527,912		35,484,492
15/10/2007	Renounceable Rights Issue 2 for 1	420,592,860	0.008	3,364,743
15/10/2007	Cost of capital raising			(179,017)
	Issued for no consideration:			
25/5/2007	Shares issued to Director (CW Lim)	2,768,518		38,800
31/12/2007	Total	630,889,290		38,709,018

(c) Ordinary shares

All shares currently on issue are fully paid up. Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up if the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to options currently on issue can be found in the Director's Report on page 14.

Note 16 Reserves and retained profit

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Reserves - Share based payments				
Balance at 1 January 2007	61,750	-	61,750	-
Options expense	-	61,750	-	61,750
Balance at 31 December 2007	61,750	61,750	61,750	61,750
(b) Retained losses				
Balance at 1 January 2007	(34,229,065)	(32,531,742)	(34,229,065)	(32,531,742)
Net loss for the year	(331,961)	(1,697,323)	(331,961)	(1,697,323)
Balance at 31 December 2007	(34,561,026)	(34,229,065)	(34,561,026)	(34,229,065)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

Note 17 Key management personnel disclosures

(a) Directors

The following persons were directors of AOM during the financial year:

- P J D Elliott Non-executive Chairman
- Che Wan Lim Managing Director (resigned 25 May 2007)
- Chan Kim Fan Executive Director (appointed 12 June 2007)
- J A Walls Non-executive Director
- Dato Mohd Ajib Anuar Non-executive Director
- Norman Ip Ka Cheung Non-executive Director
- Dato' Mohd Anuar Sidek Non-executive Director (resigned 25 May 2007)
- Choo Mun Keong Non-executive Director (appointed 12 June 2007)

Information in relation to emoluments received by the Directors is contained within the Remuneration Report set-out on pages 12 to 15.

(b) Other key management personnel

Franks & Associates Pty Ltd

AW Bursill, Company Secretary, is also an associate of Franks & Associates Pty Ltd who provides accounting and company secretary services to AOM. The contract between AOM and Franks & Associates is based on normal commercial terms.

	2007 12 months \$	2006 18 months \$
Amounts recognised as expense		
Company secretarial and accounting	96,515	179,287
Amount recognised in equity		
Company secretarial (Rights Issue)	10,605	-
Total	107,120	179,287

Note 18 Exploration commitments & contingent liabilities

In order to maintain the exploration, prospecting and mining tenements the companies are committed to meeting conditions under which permits were granted and also meeting commitments under the option agreements entered into by the company.

Region	Mining Department Commitments		Total potential commitment
	Granted tenements ⁽¹⁾	NSW DMR commitments ⁽²⁾	
Queensland	\$718,928	-	\$718,928
New South Wales	\$194,393	\$300,000	\$494,393
Total	\$908,998	\$300,000	\$1,213,321

⁽¹⁾ All expenditure obligations on granted tenements in Queensland are being met by joint venture parties. As a result, AOM's interest in these joint ventures is diluting.

⁽²⁾ On 4 November 2005, AOM reached agreement with the New South Wales Department of Mineral Resources to provide financial assistance to the ongoing upgrading, maintenance and monitoring of basic rehabilitation of the Ardllethan mine site. AOM has agreed to make an annual contribution of \$30,000 per year for a maximum of 5 years. This portion of the commitment has been expensed in the accounts of AOM. In addition, should AOM undertake development of a project within NSW, the annual contribution will be increased to \$100,000 per year for 3 years.



Note 19 Commitments

Finance Lease

AOM leases a motor vehicle under a finance lease arrangement with a carrying amount of \$nil at 31 December 2007 (2006: \$41,806) which expires in February 2008. Under the terms of the lease, the company AOM must purchase the vehicle at the end of the lease term for \$25,000. The weighted average interest rate implicit in the lease is 8.36% per annum. (2006: 8.36%). In March 2007, the motor vehicle was sold and outstanding lease was fully paid.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$

Commitments in relation to finance leases are payable as follows:

Within 1 year	-	14,529	-	14,529
Later than one year but not later than five	-	27,422	-	27,422
Minimum lease payments	-	41,951	-	41,951
Future finance charges	-	(4,731)	-	(4,731)
Total lease liabilities	-	37,220	-	37,220

Note 20 Related party transactions

The names of each person holding the office of Director of Australia Oriental Minerals NL during the financial year were:

- P J D Elliott Non-executive Chairman
- Che Wan Lim Managing Director (resigned 25 May 2007)
- Chan Kim Fan Executive Director (appointed 12 June 2007)
- J A Walls Non-executive Director
- Dato Mohd Ajib Anuar Non-executive Director
- Norman Ip Ka Cheung Non-executive Director
- Dato' Mohd Anuar Sidek Non-executive Director (resigned 25 May 2007)
- Choo Mun Keong Non-executive Director (appointed 12 June 2007)

The Directors did not have the benefits of a Directors and Officers liability insurance policy for the period covered. During the year, the Company entered into the following transactions with related parties:

Advances from Related Companies – Malaysia Smelting Corporation Berhad (“MSC”)

On 12 December 2006, the Company received an advance from MSC in the amount of \$200,000 as a working capital loan. This loan is repayable after 12 months. The interest rate charged on the loan is 8% per annum, with interest being due and payable at the end of the 12 month period.

During the year, the Company received advances from MSC in the amount of \$200,000. These advances brought the total owing to MSC to \$400,000.

The advance of \$200,000 received from MSC was provided as a working capital loan and was repayable on demand. Interest is charged on the loan at the rate of 8% per annum. The loan and all accrued interest were repaid on 29 October 2007. During the year ended 31 December 2007 interest paid to MSC on all advances was \$17,205. At 31 December 2007 there were no loans outstanding to MSC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

Sword Investments Pte Limited – Subscription for Zero-Coupon Converting Notes

During the 18 month period ending 31 December 2006, Sword subscribed to the Company's issue of converting notes in the amount of \$187,500 on terms identical to those of other non-related parties. These notes were converted in ordinary shares at the rate of \$0.015 per share in accordance with the terms of the notes, being terms identical to those of other non-related parties.

Interest of 22 April 2006 Convertible Notes

During the 18 month ending 31 December 2006, the Company incurred a further \$25,713 of interest on Convertible Notes with a face value of \$342,850 entered into by the Company with MSC on 22 April 2003. The total interest accrued on these convertible notes over the life of the notes is \$66,597. The notes and the associated accrued interest were converted into ordinary shares at the rate of \$0.05 per share during July 2005.

Acceptance of Liabilities owing to Malaysia Smelting Corporation Berhad

As part of the Deed of Company Arrangement entered into by the Company, AOM agreed not to contest the presumption that all amounts owing to Malaysia Smelting Corporation Berhad ("MSC") by the AOM wholly owned group incorporating Telminex NL and EOE (No. 75) Pty Limited were due and payable by AOM.

This resulted in the acceptance of further liabilities by the Company totalling \$941,310 that had been previously expensed in the accounts of Telminex NL. This amount was converted into ordinary shares at the rate of \$0.05 per share during July 2005.

Renounceable Rights Issue October 2007

Australia Oriental Minerals NL conducted a 2 for 1 renounceable Rights Issue at 0.8 cents per share, underwritten by MSC.

MSC and related entities contributed a total of \$2,424,921 to the Rights Issue. An underwriting fee of \$134,590 was paid to MSC.

Straits Resources Management Pty Limited ("SRM")

SRM is a wholly owned subsidiary of Straits Trading Company Limited, a major shareholder of AOM. During the year, AOM and SRM entered an agreement for the provision of management and technical services by SRM. The principle terms of the agreement are as follows:

- Term of agreement: 1 July 2007 to 30 June 2008 with extension by mutual agreement
- Remuneration: retainer of \$10,000 per month plus additional charges at \$400 to \$600 per day depending on seniority of staff



Note 21 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Profit/(Loss) for the year	(331,961)	(1,697,323)	(331,961)	(1,697,323)
Non-cash flows in operating profit				
- Depreciation	8,566	16,965	8,566	16,965
- Loss on sale of fixed assets	13,249	-	13,249	-
- Charges to provisions	(36,340)	-	(36,340)	-
- Exploration costs expensed in profit and loss	(3,554)	-	(3,554)	-
- Asset write-off	-	964,152	-	964,152
- Non-cash share-based payments	5,000	61,750	5,000	61,750
- Shares to be issued	-	13,600	-	13,600
- Expenses paid through issue of equity as part of July 2005 recapitalisation	-	1,567,779	-	1,567,779
Changes in assets and liabilities				
- Decrease / (Increase) in trade debtors and other receivables	247	37,612	247	37,612
- Decrease / (Increase) in inventories	-	-	-	-
- Increase / (Decrease) in trade creditors and accruals (net of Provisions)	(8,565)	(1,902,389)	(8,565)	(1,902,389)
Cash flow from operations	353,358	(937,854)	353,358	(937,854)

Note 22 Subsidiaries

On 26 August 2004, the Directors of Telminex NL, a wholly owned subsidiary of Australia Oriental Minerals NL, appointed Messrs Philip Patrick Carter and Martin Russell Brown as Administrators to that Company.

Telminex NL was the entity within the Economic Entity that operated the Ardlethan Tin mine, and owned, either directly or through its wholly owned subsidiary EOE (No. 75) Pty Ltd. That includes all of the mining leases and operating assets associated with the operation of the Ardlethan Tin Mine.

As a result of the appointment of the Administrators, the powers of the Directors of Telminex NL are suspended in favour of the Administrators. On 7 October 2004, the Company, the Administrators and the creditors of Telminex NL entered into a Deed of Company Arrangement. This deed results in the extinguishment of all liabilities, both actual and contingent, as at 26 August 2004 of Telminex NL. The Administrators are now in the process of finalising the affairs of the administration.

During the year the administrators advised that they have sold all of the equity in EOE (No.75) Pty Ltd. The proceeds from this sale will be used by the administrator to partially settle the outstanding debts of Telminex NL.

The Administrators of Telminex NL have advised that they are in the process of calling a final creditors meeting and paying a final dividend to creditors of Telminex, with an expectation of those matters being completed and the subsequent retirement of the Administrators by 30 June 2008. Upon retirement of the Administrators, the Directors of AOM intend to liquidate Telminex NL, with the financial impact to AOM limited to payment of the liquidators fees, and expected not to exceed \$4,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

	Country of Incorporation	Percentage Owned	
		2007	2006
Parent Entity: Australia Oriental Minerals NL	Australia		
Subsidiaries of Australia Oriental Minerals NL			
- Telminex NL	Australia	100%	100%
- EOE (No 75) Pty Ltd	Australia	-	100%

Note 23 Retirement benefit obligations

AOM make defined contribution payments on behalf of employees. Its legal and constructive obligation is limited to these contributions.

Amounts recognised in income statement	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Defined contribution superannuation payments	2,314	17,059	2,314	17,059

Note 24 Earnings per share

(a) Basic Earnings per share

	Consolidated	
	2007 Cents	2006 Cents
Profit from continuing operations attributable to the ordinary equity holders of the company	(0.11)	(0.82)
Profit from discontinued operation	-	-
Profit attributable to ordinary equity holders of the Company	(0.11)	(0.82)

(b) Diluted earnings per share

Options issued to shareholders and related parties are considered to be potential ordinary shares and have been considered in the determination of diluted earnings per share. There are no options in the money and as such they do not have a material dilutive effect on earnings per share, therefore diluted earnings per share is not different from basic earnings per share. Details relating to the options are set out in the Director's Report on page 14.

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2007 \$	2006 \$
Basic earning per share		
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company	(331,961)	(1,697,323)
Profit / (loss) from discontinued operations	-	-
Profit / (loss) attributable to ordinary equity holders of the Company	(331,961)	(1,697,323)



(d) Weighted average number of shares used as the denominator

	Consolidated	
	2007 Number	2006 Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	297,355,847	206,163,781

Note 25 Share-based payments

2007 - Consolidated and parent entity Consolidated								
Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
6/7/2005	30/6/2008	0.05	19,000,000	-	-	-	19,000,000	19,000,000
Balance at 31 December 2007			19,000,000	-	-	-	19,000,000	19,000,000

2006 - Consolidated and parent entity Consolidated								
Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
6/7/2005	30/6/2008	0.05	-	19,000,000	-	-	19,000,000	19,000,000
22/4/2003	22/4/2006	1.20	685,700	-	-	685,700	-	-
Balance at 31 December 2006			685,700	19,000,000	-	685,700	19,000,000	19,000,000

Fair value of options granted

The assessed fair value at grant date of options granted during the 18 months ended 31 December 2006 was 0.00325 per option. The fair value at grant date is independently determined using a modified Binomial option pricing model. The modified Binomial model is adjusted for the inability to exercise the options prior to vesting and the ability to exercise the options after vesting.

The model inputs for options granted during the year ended 31 December 2006 included:

- a) options are granted for no consideration, have a three year life, and 50% of each tranche vests and is exercisable after each of the first two anniversaries of the date of grant
- b) exercise price: \$0.05
- c) grant date: 6 July 2005
- d) expiry date: 30 June 2008
- e) share price at grant date: \$0.05
- f) expected price volatility of the company's shares: 60% - 80%
- g) expected dividend yield: 0%
- h) risk-free interest rate: 5.33%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

Under Mr Lim's existing contract, a total of \$1,400 of shares is due to be issued to Mr Lim at 31 December 2007.

	No. Options Exercise price \$0.05 Expiry 30 June 2008	Value (\$)
Directors		
P J D Elliott (Chairman)	2,000,000	6,500
C W Lim (Managing Director)	5,000,000	16,250
J A Walls (Non-executive Director)	2,000,000	6,500
Dato' Mohd Ajib Anuar (Non-executive Director)	2,000,000	6,500
Norman Ip Ka Cheung (Non-executive Director)*	2,000,000	6,500
Dato' Mohd Anuar Sidek (Non-executive Director)	2,000,000	6,500
Other key management personnel		
Andrew Bursill (Company Secretary)	4,000,000	13,000
Total	19,000,000	61,750

*The 2,000,000 options which were originally reserved for Mr. Norman Ip Ka Cheung, were granted to Sword Investments Private Limited ("Sword"), a wholly owned subsidiary of The Straits Trading Company Limited ("STC"), a company listed on the Singapore Exchange Securities Trading Limited, and parent company of AOM. Mr. Ip is a director of STC and Sword.

Note 26 Subsequent Events

Except for the matters discussed below, no matters or circumstances have arisen since 31 December 2007 that significantly affected or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Note 27 Going Concern/Economic Dependency

The operations of Australia Oriental Minerals NL and its subsidiaries have not yet reached a stage that permits profitable operations. The Company is reliant on the support of its ultimate parent entity, the Straits Trading Corporation Limited, for ongoing funds to allow the company to remain a going concern until such time as the Company achieves profitable operations in its own right.

DIRECTORS' DECLARATION



In the directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 42 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Chan Kim Fan
Executive Director

3 March 2008

INDEPENDENT AUDIT REPORT



DFK - Richard Hill

CHARTERED ACCOUNTANTS &
BUSINESS ADVISERS

Director:
RICHARD L.S. HILL
B.Com. FCA

Associate Director:

DAVID G. SHARP
B.Com. A.C.A.

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Independent audit report to the members

Of Australian Oriental Mineral NL

Report on the Financial Report

We have audited the accompanying financial report of Australian Oriental Mineral NL, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended that date a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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 designing, implementing 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.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Australian Oriental Mineral NL on, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Australian Oriental Mineral NL is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

DKF – RICHARD HILL PTY LTD

Richard Hill
Partner
Sydney 3 March 2008

SECURITIES INFORMATION

as at 20 March 2008

a) Distribution of Shareholders

Holding ranges	Holders	Total Number of Shares	%
1 – 1,000	548	197,921	0.031
1,001 – 5,000	499	1,359,311	0.215
5,001 – 10,000	245	1,896,794	0.301
10,001 – 100,000	438	15,419,671	2.444
100,001 and over	167	612,155,593	97.009
	1,897	631,029,290	100.000

b) The number of shareholders with less than a marketable parcel as at 20 March 2008 is 1,583.

c) Substantial shareholders

Substantial shareholder notices lodged with the Company is:

Shareholder	Number of Shares Held	% of Total Holdings
The Straits Trading Company Limited	424,194,438	67.24
Abdul Malik Abdul Kadir	39,999,999	6.34

d) The shareholding of the 20 largest ordinary shareholders is 557,667,521 shares, representing 88.37% of issued shares.

Name	Number of ordinary shares held	%
Malaysia Smelting Corporation Berhad	309,816,939	49.097
Sword Investments Private Ltd	114,377,499	18.126
Abdul Malik Abdul Kadir	39,999,999	6.339
Bestfield Limited	16,999,998	2.694
Ajava Holdings Pty Ltd	13,333,332	2.113
Mr Robert Steenholdt	10,185,000	1.614
Baron Nominees Pty Limited	9,613,683	1.523
Mr Che Wan Lim	6,140,000	0.973
Bfd Partnership	5,000,000	0.792
Glencora Pty Ltd	4,500,000	0.713
Liberty Management Pty Ltd	3,845,303	0.609
Mr Harold Gordon Shore	3,775,900	0.598
Pacific Gold Resources Limited	3,477,333	0.551
Mrs Liliana Teofilova	3,193,269	0.506
Buxbas Pty Limited	2,433,858	0.386
Ms Mooi Fah Lee	2,388,600	0.379
Dr Andrew Stocky	2,371,431	0.376
Quevy Holdings Pty Ltd	2,305,377	0.365
Mr John Rudd	2,000,000	0.317
Mr Peter J Reynolds & Mrs Rose A Reynolds	1,910,000	0.303
Top 20 Sub Total	557,667,521	88.374



e) Options and convertible note holders

All Options on issue as at 20 March 2008 are unlisted.

Options

Name	June 2008 Options ⁽¹⁾	
	Number of ordinary shares held	%
Panstyn Investments Pty Ltd	2,000,000	10.53
Che Wan Lim	5,000,000	26.32
Australian Consolidated Exploration Pty Ltd	2,000,000	10.53
Dato' Mohd Ajib Anuar	2,000,000	10.53
Sword Investments Pte Ltd	2,000,000	10.53
Dato' Mohd Anuar Sidek	2,000,000	10.53
BFD Partnership	4,000,000	21.03
Total	19,000,000	100.00

⁽¹⁾ Options to acquire 1 ordinary share before 30 June 2008 at price of \$0.05 each.

Area of current tenements held by Australia Oriental Minerals NL

Tenement Number	Current Area (sub-blocks / units)*	Remarks	
Queensland			
EPM 10006	43	Mt Mackenzie	AOM:40%
EPM 11134	35	Waitara	AOM:10%
EPM 12361	4	Waitara	AOM:10%
EPM 12546	8	Mt Mackenzie	AOM:40%
EPM 14500	350		
EPM 14501	441		
EPM 14502	397		
New South Wales			
EL 6269	19	Kiawarra	
EL 6389	9	Emmaville	
EL 6384	6	Emmaville	
EL 6431	14	Emmaville	

* 1 unit (NSW) = 1 sub-block (Qld.) = 1' latitude x 1' longitude = approx. 3 sq. km.

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