



ANNUAL REPORT
For the year ended 31 December **2008**

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
	Mr Norman Ip Ka Cheung	- Non Executive Director
	Mr James A Walls	- Non Executive Director (passed away 30 September 2008)
	Dato' Seri Dr Mohd Ajib Anuar	- Non Executive Director
	Mr Choo Mun Keong	- Non Executive Director
	Mr Geoffrey Andrews	- Non Executive Director (appointed 28 January 2009)

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

DIRECTOR'S REPORT

The Directors of Australia Oriental Minerals NL ("AOM") submit herewith the Financial Report ended 31 December 2008.

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 (passed away 30 September 2008)
Dato' Seri Dr Mohd Ajib Anuar
Norman Ip Ka Cheung
Chan Kim Fan
Choo Mun Keong
G Andrews (Appointed 28 January 2009)

Principal activities

The principal activities of the Group 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 (2007: nil).

Review of operations

Financial Position

The net loss of the Economic Entity for the 12 months ended 31 December 2008 was \$781,645 (12 months ended 31 December 2007 \$331,961).

The net assets of the economic entity have risen to positive \$4,484,269 (12 months ended 31 December 2007: positive \$4,209,742).

Exploration activities

The Group continued its joint venture exploration activities in both New South Wales and Queensland.

New South Wales

A new joint venture agreement was signed with Silver Mines Limited in relation to the Group's Kiawarra prospect (EL 6269) and an expansion of the joint venture agreement with YTC Resources Limited was negotiated in relation to the Group's Emmaville prospect (EL 6389).

Queensland

Connors Range Joint Venture – Waitara (EPM11134, EPM12361)

This is a joint venture between AOM, SmartTrans Holdings Limited and Midas Resources Limited ("Midas").

During the year, the Group made an election to contribute to the project to maintain its interest at 10%. Results from the drill program carried out by Midas at Waitara Porphyry Cu Mo prospect earlier in 2008 and the recent soil sampling and RC drilling were disappointing. In December 2008, Midas advised of its withdrawal from the project, increasing the Group's interest in the project to 45.92% while SmartTrans, the other joint venture partner, holds 54.08%.

DIRECTOR'S REPORT



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

The Group and its joint venture partner, SmartTrans, reached agreement with Newcrest Operations Limited ("Newcrest") to farm-in to the Connors Arch project with the new joint venture being called the Broadsound Joint Venture.

Under the 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%. Newcrest will manage the new joint venture and has committed to spend \$1,500,000 during the first 18 months and may then elect to spend a further \$8,500,000 in the following 3.5 years to earn its 60% equity. No equity will be earned prior to completion of this expenditure. The drilling program that was recently completed by Newcrest focussed on a relatively small zone that comprises less than ten percent of the project area (Figure 1). This mineralization may appear to be locally closed off by this drilling but further high-sulphidation systems occur within this tenement that will require evaluation in due course.

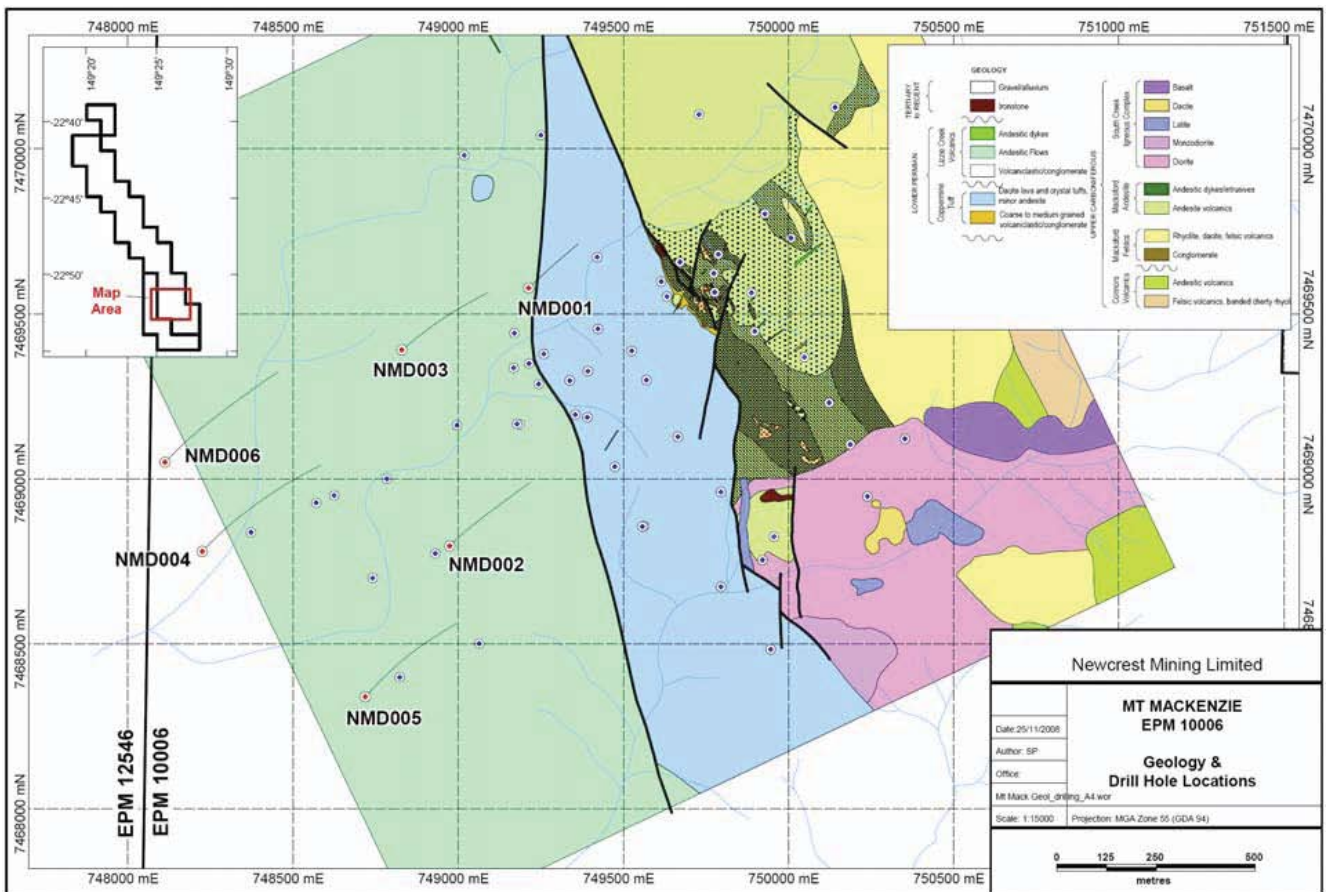


Figure 1 - Drill hole locations.

Exploration Tenements

An EPM application was made to the south and west of EPM 10006 and EPM 12546 comprising 65 sub-blocks. As required by regulations, partial relinquishments of EPM 10006, EPM 12361, EPM 11134 and EPM 14502 have occurred during the year.

DIRECTOR'S REPORT

Asiatic Coal Pte Limited

During the year, the Group acquired a 30% interest in Asiatic Coal Pte Limited ("ACPL") for US\$6.75 million with the consideration being funded out of existing cash resources and a loan of AU\$5 million from the Group's major shareholder, Malaysia Smelting Corporation Berhad ("MSC").

ACPL has rights in a mining concession of approximately 4,005 hectares located in the Central Kalimantan Province, Indonesia. The mining concession is located in an area of well known Indonesian coal basins and within the known region of Anthracite/High Bituminous coal in Kalimantan.

The drilling program to delineate a resource in accordance with the JORC code over the central mining concession was completed in December 2008 with a total of 130 holes being drilled.

During the year, exploratory drilling programs were also commenced in the two adjoining blocks (over which ACPL has an option to acquire) with the aim to provide preliminary indications of coal mineralisation. It is anticipated that further drilling will be conducted over the areas where coal mineralisation is present to delineate a resource in accordance with JORC code.

Preliminary excavation work commenced during the quarter on the mining concession area with overburden removal and development and testing of bulk sampling stockpiles.

PT Asiatic Coal Nusantara ("PT ACN"), a subsidiary of ACPL, has commenced negotiations in relation to the marketing of the coal.

The information in this report that relates to Exploration Results (with the exception of the information under the section Asiatic Coal Pte Limited) is based on information compiled by Phillip Kimber, who is a Member of the Australasian Institute of Mining and Metallurgy. Phillip Kimber has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kimber consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Significant changes in the state of affairs

During the year, the Group:

- (a) acquired a 30% interest in Asiatic Coal Pte Limited ("ACPL") for US\$6.75 million with the consideration being funded out of existing cash resources and a loan of AU\$5 million from the Group's major shareholder, Malaysia Smelting Corporation Berhad ("MSC").
- (b) placed out 94,493,393 shares at 1c per share to Golden Success Network Sdn Bhd ("GSN"), raising a total of \$944,933.93 before issue costs. The number of shares on issue at 31 December 2008 is 725,522,683 (2007 : 630,889,290 shares)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the 31 December 2008 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 Group 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 Group.



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>	<p>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.</p>	<p>Argonaut Resources NL, MIL Resources Limited, Crossland Uranium Mines Limited, Global Geoscience Limited, Platsearch NL and Silver City Mining Limited</p>	<p>Heritage Gold NZ Limited and Sundance Resources Ltd</p>	<p>170,001 directly and 4,866,695 indirectly held ordinary shares in AOM</p> <p>5,000,000 indirectly held options in AOM</p>
Chan Kim Fan <i>(Executive Director)</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 33 years experience in the tin business and is involved in project valuations and due diligence studies focussing on tin, gold, nickel 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). Mr Chan was appointed a Director on 28 May 2007.</p>	<p>None</p>	<p>None</p>	<p>None - ordinary shares in AOM</p> <p>10,000,000 options in AOM</p>
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, is the Chairman of the Malaysian listed company, Malaysia Smelting Corporation Berhad (MSC), which enjoys a reputation as the world's leading custom smelter and is renowned as one of the world's largest integrated producers of tin metal. He also serves as the President and Group 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>	<p>None</p>	<p>None</p>	<p>None</p>

DIRECTOR'S REPORT

	Experience and expertise	Other current directorships	Former directorships in last 3 years	Interests in shares and options
<p>Mr James A Walls <i>(Non-executive Independent Director) – passed away on 30 September 2008</i></p>	<p>Jim was a founding Director of the Group, having served on the Board since 1981. During his time as a Director, Jim made a significant contribution to the Group, and his extensive knowledge and expertise in relation to the mining industry will be missed by all that worked with him.</p>	None	Universal Resources Limited	<p>510,000 directly and 2,565,381 indirectly held shares in AOM</p> <p>5,000,000 indirectly held options in AOM</p>
<p>Dato' Seri Dr Mohd Ajib Anuar <i>(Non-Executive Non-independent Director)</i></p>	<p>Dato' Seri Dr Mohd Ajib Anuar is the Group Chief Executive Officer and Executive Director 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 Resource Management Private Limited. He has more than 36 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>	Beaconsfield Gold NL	None	5,000,000 options in AOM
<p>Choo Mun Keong <i>(Non-Executive Director)</i></p>	<p>Mr. Choo has 39 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. 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, base metals 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. He was appointed a Director on 28 May 2007.</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>	Beaconsfield Gold NL	None	<p>None - ordinary shares in AOM</p> <p>5,000,000 - options in AOM</p>



	Experience and expertise	Other current directorships	Former directorships in last 3 years	Interests in shares and options
Geoffrey Andrews <i>(Non-executive Director) – appointed 28 January 2009</i>	<p>Mr Andrews holds a Bachelor of Engineering degree in Mining Engineering from the University of New South Wales. He has 40 years experience in exploration and project planning, evaluation and development in Australian coal, minerals and petroleum industries as well in strategic and business planning, commercial and regulatory matters.</p> <p>He has held executive positions with Esso Australia Limited and Exxon Coal and Minerals Australia Limited and is presently Director and Principal of Andrews Consulting Group, a specialist consultant to the coal and minerals industry and their service suppliers.</p>	None	None	None

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	10	9
Chan Kim Fan	10	10
Choo Mun Keong	10	9
J A Walls	9	7
Dato' Seri Dr Mohd Ajib Anuar	10	9
Norman Ip Ka Cheung	10	9

Due to the change and reduction in scale of the Group'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 Group's operations.

DIRECTOR'S 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 Group'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 Group operates
- the overall performance of the Group

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
- J A Walls Non-executive Director (passed away 30 September 2008)
- Dato' Seri Dr Mohd Ajib Anuar Non-executive Director
- Norman Ip Ka Cheung Non-executive Director
- Choo Mun Keong Non-executive Director
- G Andrews Non-executive Director (Appointed 28 January 2009)
- A W Bursill Company Secretary



2008 (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	-	-	1,440	-	-	13,500	30,940
JA Walls	12,000	-	-	-	-	-	13,500	25,500
Dato' Seri Dr Mohd Ajib Anuar	16,000	-	-	-	-	-	13,500	29,500
Norman Ip Ka Cheung	16,000	-	-	-	-	-	13,500	29,500
Choo Mun Keong	16,000	-	-	-	-	-	13,500	29,500
G Andrews	-	-	-	-	-	-	-	-
Total Non-Exe. Directors	76,000	-	-	1,440	-	-	67,500	144,940
Executive directors								
Chan Kim Fan	50,400	-	-	-	-	-	27,000	77,400
Total Executive Directors	50,400	-	-	-	-	-	27,000	77,400
Other Key management personnel								
AW Bursill ***	-	-	-	-	-	-	21,600	21,600
Total	126,400	-	-	1,440	-	-	116,100	243,940

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' Seri Dr 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

* 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.

DIRECTOR'S REPORT

** On 31 October 2008, a meeting of shareholders approved the issue and allotment of options to Directors and key management personnel.

*** 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 \$120,486 (12 months ended 31 December 2007: \$107,120) was received by Franks and Associates in relation to this contract for the year. Further information is contained in Note 19b.

C Services agreements – audited

Chan Kim Fan

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

On 31 October 2008, 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 28 November 2008 as follows:

	No. Options Exercise price \$0.003 Expiry 31 Dec 2013	Value (\$)
Directors		
Chan Kim Fan (Executive Director)	10,000,000	27,000
P J D Elliott (Chairman)	5,000,000	13,500
J A Walls (Non-executive Director)	5,000,000	13,500
Dato' Seri Dr Mohd Ajib Anuar (Non-executive Director)	5,000,000	13,500
Norman Ip Ka Cheung (Non-executive Director)*	5,000,000	13,500
Choo Mun Keong (Non-executive Director)	5,000,000	29,200
G Andrews (Non-executive Director)	-	-
Other key management personnel		
Andrew Bursill (Company Secretary)	8,000,000	21,600
Total	43,000,000	116,100

*The 5,000,000 options for Mr. Norman Ip Ka Cheung, were granted to 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.

Options granted carry no dividend or voting rights.

The value of the options at grant date of \$0.0027 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 Group did not enter into a Directors and Officers insurance policy.

Non-audit services

The Group 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 Group and/or the Economic Entity are important.

Although no non-audit services were provided by the auditor for the year ended 31 December 2008 (2007: 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.

	2008 12 months \$	2007 12 months \$
Audit services		
DFK – Richard Hill - Audit and review of financial reports	34,038	21,250
Non-audit services		
DFK – Richard Hill	-	-
Total	34,038	21,250

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

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 Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group 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
31 March 2009

CORPORATE GOVERNANCE STATEMENT

The board of directors of Australia Oriental Minerals NL is responsible for the corporate governance of the Group. The board monitors the business affairs of the Group 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 Group’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 Group in the years ahead. Where the Group’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:

Principle I: Lay solid foundations for management and oversight

Recommendation 1.1 – Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

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

The Group’s executive management comprises the Executive Director (Chan Kim Fan) 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.

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives

The objective of the Group’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 Group operates
- the overall performance of the Group

Recommendation 1.3 – Companies should disclose the process for evaluating the performance of senior executives

Given the limited number of senior executives (2), their performance is constantly reviewed by the board as part of the ordinary course of meetings of the directors.

There have been no departures from Principle I during the year ended 31 December 2008.



Principle 2: Structure the board to add value

Recommendation 2.1 – A majority of the board should be independent directors

Recommendation 2.2 – The chair should be an independent director

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

Recommendation 2.4 – The board should establish a nomination committee

Recommendation 2.5 – The Group should disclose the process for evaluating the performance of the board, its committees and individual directors

Recommendation 2.6 – The Group should provide the information indicated in the Guide to reporting on Principle 2

- The skills, experience and expertise relevant to the position of director and period of office held by each director is disclosed within the directors' report of the Group's Annual Report.
- Presently the board consists of one executive director (Chan Kim Fan) and five non-executive directors (Dato' Seri Dr Mohd Ajib Anuar, Norman Ip Ka Cheung, Choo Mun Keong, Patrick Elliott and Geoff Andrews). As Chan Kim Fan, Dato' Seri Dr Mohd Ajib Anuar, Norman Ip Ka Cheung and Choo Mun Keong are associates of a substantial shareholder, they are not considered independent.
- 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.
- The Group does not presently have a nomination committee. Due to the size and nature of the activities of the Group, the nomination of new directors is conducted by the board by way of ongoing review and discussion in relation to experience deficiencies that may exist within the existing board structure.
- The performance of the board is reviewed as part of the ordinary course of meetings of the directors.

There have been the following departures from Principle 2 during the year ended 31 December 2008:

Recommendation 2.1 – Due to the Group's share structure and business relationship with its ultimate parent, the board does not have a majority of independent directors.

Recommendation 2.4 – Due to the size of the Group's operations, nomination of new directors is considered by the full board and therefore the Group does not have a nomination committee.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1 – The Group should establish a code of conduct and disclose the code

The board endeavours to ensure that the directors, officers and employees of the Group 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 Group
- Be responsible and accountable for their actions, and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Recommendation 3.2 – The Group should establish a policy concerning trading in Group securities and disclose a summary of that policy

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

- The release to the Australia Stock Exchange of the Group's preliminary full year financial statements
- The release to the Australian Stock Exchange of the Group's half year financial statements

CORPORATE GOVERNANCE STATEMENT

- The date on which the Group holds its annual general meeting.

Recommendation 3.3 – The Group should provide the information indicated in the Guide to reporting on Principle 3

There have been no departures from Principle 3 during the year ended 31 December 2008.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – The board should establish an audit committee

Recommendation 4.2 – The audit committee should be structured so that it: (i) consists only of non-executive directors, (ii) consists of a majority of non-executive directors; (iii) is chaired by an independent chair, who is not the chair of the board; and (iv) has at least three members.

Recommendation 4.3 – The audit committee should have a formal charter

Recommendation 4.4 – The Group should provide the information indicated in the Guide to reporting on Principle 4

There have been the following departures from Principle 4 during the year ended 31 December 2008:

Recommendations 4.1, 4.2, 4.3 – Due to the Group's size nature of operations, limited to joint venture operations where the Group is not an active partner, the board is actively involved in ongoing operational and financial review. As a result the functions ordinarily undertaken by an audit committee are undertaken by the board of directors of the Group.

Principle 5: Make timely and balance disclosure

Recommendation 5.1 – The Group should put in place mechanisms designed to ensure compliance with the ASX Listing Rule requirements.

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.

Recommendation 5.2 – The Group should provide the information indicated in the Guide to reporting on Principle 5

There have been no departures from Principle 5 during the year ended 31 December 2008.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – The Group should design a communications policy for promoting effective communication with shareholders.

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. Due to the size of the Group, all communications are prepared and administered in-house.

The Group provides an update on its activities on a quarterly basis as required under the ASX Listing Rules.

Recommendation 6.2 – The Group should provide the information indicated in the Guide to reporting on Principle 6

There have been no departures from Principle 6 during the year ended 31 December 2008.

Principle 7: Recognise and manage risk

Recommendation 7.1 – The Group should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

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 Group obtains statements from its chief executive officer and chief financial officer that:

- the Group's financial reports present a true and fair view in all material respects, of the Group'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 Group'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 Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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

Recommendation 7.2 – The Group should require management to design and implement a risk management and internal control system to manage the Group's material business risks.

Recommendation 7.3 – The Group should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4 – The Group should provide the information indicated in the Guide to reporting on Principle 7

There have been no departures from Principle 7 during the year ended 31 December 2008.

The Group has received an update from management as to the effectiveness of the Group's management of its material business risks.

The board has received assurance from the chief executive officer and chief financial officer under Recommendation 7.3.

Principle 8: Remunerate fairly and responsible

Recommendation 8.1 – The board should establish a remuneration committee

Recommendation 8.2 – The Group should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Recommendation 8.3 – The Group should provide the information indicated in the Guide to reporting on Principle 8

The Group does not have any scheme for retirement benefits, other than superannuation, for any directors.

There have been the following departures from Principle 8 during the year ended 31 December 2008:

Recommendations 8.1 – Due to the Group's size, nature of operations, and limited executive team, the board is actively involved in ongoing remuneration policy. As a result the functions ordinarily undertaken by a remuneration committee are undertaken by the board of directors of the Group.

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
Facsimile: (612) 9221 5935
Email: rhill@dfkrichardhill.com.au
www.dfkrichardhill.com.au

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Australia Oriental Minerals NL for the year ended 31 Dec 2008, 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
31 March 2009

INCOME STATEMENTS

For the year ended 31 December 2008



	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	5	117,151	51,250	117,151	51,250
Employee benefits expense		(77,440)	(123,159)	(77,440)	(123,159)
Depreciation expense		(831)	(8,566)	(831)	(8,566)
Impairment expense	11	(24,292)	-	(24,292)	-
Other expenses		(52,027)	(40,578)	(52,027)	(40,578)
Consulting expense		(361,247)	(164,608)	(361,247)	(164,608)
Corporate expenses		(41,359)	(28,372)	(41,359)	(28,372)
Finance costs		(198,263)	(17,928)	(198,263)	(17,928)
Share based payments		(116,100)	-	(116,100)	-
Share of losses of associates		(27,237)	-	(27,237)	-
Total Expenses		(781,645)	(383,211)	(781,645)	(383,211)
Profit (loss) before income tax		(781,645)	(331,961)	(781,645)	(331,961)
Income tax expense	6	-	-	-	-
Profit (loss) for the year		(781,645)	(331,961)	(781,645)	(331,961)
Profit (loss) attributable to members of Australia Oriental Minerals NL		(781,645)	(331,961)	(781,645)	(331,961)
Earnings per shares for profit attributable to the ordinary equity holders of the entity (cents per share)		(0.11)	(0.11)	(0.11)	(0.11)
Basic earnings per share (cents per share)	25	(0.11)	(0.11)	(0.11)	(0.11)

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 SHEETS

As at 31 December 2008

	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Current assets					
Cash and cash equivalents	7	567,691	2,675,436	567,691	2,675,436
Trade and other receivables	8	17,992	38,717	17,992	38,717
Total current assets		585,683	2,714,153	585,683	2,714,153
Non-current assets					
Trade and other receivables	9	115,000	115,000	115,000	115,000
Property, plant and equipment	10	17,591	18,422	17,591	18,422
Other non-current assets	11	1,749,577	1,653,458	1,749,577	1,653,458
Investments accounted for using the equity method	12	7,542,889	-	7,542,889	-
Total non-current assets		9,425,057	1,786,880	9,425,057	1,786,880
Total assets		10,010,740	4,501,033	10,010,740	4,501,033
Current liabilities					
Trade and other payables	13	5,446,471	181,291	5,446,471	181,291
Provisions	14	30,000	30,000	30,000	30,000
Total current liabilities		5,476,471	211,291	5,476,471	211,291
Non-current liabilities					
Trade and other payables	15	-	-	-	-
Provisions	14	50,000	80,000	50,000	80,000
Total non-current liabilities		50,000	80,000	50,000	80,000
Total liabilities		5,526,471	291,291	5,526,471	291,291
Net assets		4,484,269	4,209,742	4,484,269	4,209,742
Equity					
Parent entity interest					
Issued Capital	16	39,649,090	38,709,018	39,649,090	38,709,018
Reserves	17	177,850	61,750	177,850	61,750
Retained profits (losses)	18	(35,342,671)	(34,561,026)	(35,342,671)	(34,561,026)
Total equity		4,484,269	4,209,742	4,484,269	4,209,742

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008



Consolidated	Ordinary Shares \$	Share Based Payments Reserves \$	Accumulated losses \$	Total \$
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	-	(34,561,026)	4,209,742
Loss for the year	-	-	(781,645)	(781,645)
Issue of shares	946,334	-	-	946,334
Capital raising costs	(6,262)	-	-	(6,262)
Share based payments	-	116,100	-	116,100
Balance at 31 December 2008	39,649,090	177,850	(35,342,671)	4,484,269

Parent	Ordinary Shares \$	Share Based Payments Reserves \$	Accumulated losses \$	Total \$
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	-	(34,561,026)	4,209,742
Loss for the year	-	-	(781,645)	(781,645)
Issue of shares	946,334	-	-	946,334
Capital raising costs	(6,262)	-	-	(6,262)
Share based payments	-	116,100	-	116,100
Balance at 31 December 2008	39,649,090	177,850	(35,342,671)	4,484,269

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

CASH FLOW STATEMENTS

For the year ended 31 December 2008

	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
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)		(495,098)	(370,731)	(495,098)	(370,731)
Interest received		141,492	14,909	141,492	14,909
Interest paid		-	(18,219)	-	(18,219)
Taxes (paid) received		-	20,683	-	20,683
Net cash inflow (outflow) from operating activities	22	(353,606)	(353,358)	(353,606)	(353,358)
Cash flows from investing activities					
Payments for property, plant and equipment		(2,991)	-	(2,991)	-
Proceeds from sale of property, plant and equipment		454	41,591	454	41,591
Payment for investment		(7,570,126)		(7,570,126)	
Payments for exploration expenditure capitalised		(120,148)	(191,513)	(120,148)	(191,513)
Net cash inflow (outflow) from investing activities		(7,692,811)	(149,922)	(7,692,811)	(149,922)
Cash flows from financing activities					
Proceeds from issues of shares		944,934	3,364,742	944,934	3,364,742
Payment for cost of acquiring shares		(6,262)	(179,016)	(6,262)	(179,016)
Proceeds from borrowings		5,000,000	200,000	5,000,000	200,000
Repayment of borrowings		-	(437,220)	-	(437,220)
Net cash inflow (outflow) from financing activities		5,938,672	2,948,506	5,938,672	2,948,506
Net increase in cash held		(2,107,745)	2,445,226	(2,107,745)	2,445,226
Cash at the beginning of the reporting period		2,675,436	230,210	2,675,436	230,210
Cash at the end of the reporting period	7	567,691	2,675,436	567,691	2,675,436

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 2008



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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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.

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 3.

(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 2008 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 ended 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.

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 2009. 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 is currently one associate where the company hold an interest of 30% in Asiatic Coal Pte Limited.

(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 at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in these goods.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 short-term 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. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 Group, 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.

(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.



(s) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

(t) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(u) Rounding of amounts

The Group is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest dollar.

Note 2 Financial risk management

a. Financial Risk Management Policies

The group’s financial instruments consist mainly of deposits with banks and accounts payable.

The group does not presently have any bills, lease, preference share, or derivatives.

i. Treasury Risk Management

Due to the size and nature of the group’s operations, and the group’s limited exposure to treasury products, the group does not consider treasury risk to be a main risk of the group.

ii. Financial Risk Exposure and Management

The main risks the group is exposed to through its financial instruments are liquidity risk, credit risk, price risk and foreign exchange risk.

Due to the size and nature of the group’s operations, the group does not consider interest rate risk, price risk or foreign currency risks to be a main risk of the group.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate access to funds on deposit is maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There is no material amounts of the collateral held as security 31 December 2008.

Credit risk is managed on a group basis and reviewed regularly. It arises from exposure to the investment held in Asiatic Coal Pte Ltd as well as through and deposits with financial institutions.

The Group does not have any significant trade receivables at the 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

Price risk

The value of group's main asset, a 30% equity interest in Asiatic Coal Pte Limited, is supported by expected cashflows arising from future mining operations. The expected cash inflows are dependent on the future price of coal sales, which are subject to market fluctuations.

Foreign Exchange Risk

The value of group's main asset, a 30% equity interest in Asiatic Coal Pte Limited, is supported by expected cashflows arising from future mining operations. The majority of these expected cashflows are denominated in USD.

Whilst ACPL is in pre-production phase, the group's valuation of the investment will not be impacted by a change in USD/AUD exchange rates unless an impairment charge against the investment is required.

b. Financial Instruments

i. Derivative Financial Instruments

As at the date of this report, the group does not have any derivative financial instruments.

ii. Trade and sundry payables

Trade and sundry payables are expected to be paid as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Less than 6 months	163,646	-	163,646	-

iii. Net Fair Values

The Net fair values of all assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Financial assets where the carrying amount exceeds net fair values have not been written down as the as the consolidated group intends to hold these assets to maturity.

iv. Sensitivity Analysis

Price Risk

The group has performed sensitivity analysis relating to its exposure to price risk. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Price Risk Sensitivity Analysis

The value of group's main asset, a 30% equity interest in Asiatic Coal Pte Limited, is supported by expected cashflows arising from future mining operations. The expected cash inflows are dependent on the future price of coal sales, which are subject to market fluctuations.

As ACPL has not commenced mining operations, the price risk is limited to the valuation of the group's investment in ACPL. A 30% decrease in coal prices will result in a reduction in the carrying value of the investment in ACPL by approximately AU\$1.5 million. An increase in coal prices will have no impact on the carrying value of the investment in ACPL as the investment will remain valued at cost.

This price sensitivity analysis has been performed on the assumption that all other variables remain unchanged.



Financial Assets and Liabilities - Consolidated (\$)

	Floating Interest Rate		Fixed Interest 1 Year Maturity		Non-Interest Bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Financial Assets:								
Cash at bank	567,691	175,436	-	-	-	-	567,691	175,436
Term Deposits	-	2,500,000	-	-	-	-	-	2,500,000
Receivables	-	-	-	-	13,200	14,376	13,200	14,376
Total Financial Assets	567,691	2,675,436	-	-	13,200	14,376	580,891	2,689,812
Financial Liabilities:								
Trade creditors	-	-	-	-	163,646	-	163,646	-
Sundry creditors and accruals	-	-	-	-	282,825	181,291	282,825	181,291
Related party loan	5,000,000	-	-	-	-	-	5,000,000	-
Total Financial Liabilities	5,000,000	-	-	-	446,471	181,291	5,446,471	181,291

Financial Assets and Liabilities - Parent (\$)

	Floating Interest Rate		Fixed Interest 1 Year Maturity		Non-Interest Bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Financial Assets:								
Cash at bank	567,691	175,436	-	-	-	-	567,691	175,436
Term Deposits	-	2,500,000	-	-	-	-	-	2,500,000
Receivables	-	-	-	-	13,200	14,376	13,200	14,376
Total Financial Assets	567,691	2,675,436	-	-	13,200	14,376	580,891	2,689,812
Financial Liabilities:								
Trade creditors	-	-	-	-	163,646	-	163,646	-
Sundry creditors and accruals	-	-	-	-	282,825	181,291	282,825	181,291
Related party loan	5,000,000	-	-	-	-	-	5,000,000	-
Total Financial Liabilities	5,000,000	-	-	-	446,471	181,291	5,446,471	181,291

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

Estimated impairment of investments

The Group tests annually whether investments have suffered any impairment in accordance with the accounting policy stated in note 1. The Group investment in ACPL was reviewed using a discounted cashflow analysis of forecast cashflows. Based on this analysis, no impairment of the investment was required.

Note 4 Segment Information

Primary segment

The primary segment of the consolidated entity is the business segment. The consolidated entity operates in one business segment being the exploration for mineral resources.

Secondary segment

The secondary segment of the consolidated entity is the geographic segment. The consolidated entity operates in two geographic areas being Australia and Indonesia.

31 December 2008	Australia	Indonesia	TOTAL
	\$	\$	\$
Revenue	-	-	-
Assets	2,467,851	7,542,889	10,010,740
Liabilities	5,526,471	-	5,526,471

31 December 2007	Australia	Indonesia	TOTAL
	\$	\$	\$
Revenue	-	-	-
Assets	4,501,033	-	4,501,033
Liabilities	291,291	-	291,291

Note 5 Revenue

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales revenue	-	12,000	-	12,000
Interest income	117,151	39,250	117,151	39,250
	117,151	51,250	117,151	51,250



Note 6 Income tax expense

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Losses before tax	(781,645)	(331,961)	(781,645)	(331,961)
Tax at the Australian rate of 30%	(234,493)	(99,588)	(234,493)	(99,588)
Tax effect of amount which are not deductible (taxable) in calculating taxable income	52,025	2,163	52,025	2,163
Tax effect of Income tax benefit not brought to account	182,468	108,707	182,468	99,588
	-	-	-	-
Tax effect on equity raising costs debited to equity	-	(11,282)	-	(11,282)
	-	-	-	-

Note 7 Current assets – Cash and cash equivalents

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash at bank and in hand	567,691	175,436	567,691	175,436
Deposits at call/ Term Deposits	-	2,500,000	-	2,500,000
Balances per statements of cash flow	567,691	2,675,436	567,691	2,675,436

The cash at bank are bearing floating interest rates with a weighted average interest rate for the 12 months ended 31 December 2008 of 5.81% per annum (2007 5.89%). The term deposit rates were at 7.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

Note 8 Current assets – Trade and other receivables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade receivables	13,200	13,200	13,200	13,200
Other receivables	4,792	1,176	4,792	1,176
Interest receivables	-	24,341	-	24,341
	17,992	38,717	17,992	38,717

Note 9 Non-Current assets – Trade and other receivables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Security deposits on mining tenements	115,000	115,000	115,500	115,000
	115,000	115,000	115,500	115,000

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
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
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
Net book amount	15,500	15,500	15,500	15,500

(b) Plant & equipment	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
At beginning 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
Period ended				
Opening net book amount	2,922	63,337	2,922	63,337
Additions	-	2,991	-	2,991
Disposals	-	(52,011)	-	(52,011)
Write offs	-	(2,829)	-	(2,829)
Depreciation	(831)	(8,566)	(831)	(8,566)
Closing net book amount	2,091	2,922	2,091	2,922
At end of period				
Cost or fair value	2,991	2,991	2,991	2,991
Accumulated depreciation	(900)	(69)	(900)	(69)
Net book amount	2,091	2,922	2,091	2,922
Total property, plant and equipment	17,591	18,422	17,591	18,422

Note 11 Non-current assets – Other non-current assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Exploration expenditure at beginning of period	1,653,458	1,622,638	1,653,458	1,622,638
Reclassification of expenditure *	-	(30,000)	-	(30,000)
Expenditure on exploration & evaluation costs	120,411	60,820	120,411	60,820
Write-off of exploration and evaluation costs	(24,292)	-	(24,292)	-
Exploration expenditure at end of period	1,749,577	1,653,458	1,749,577	1,653,458

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

For the year ended 31 December 2008, only exploration costs at Tingha has been relinquished. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

Note 12 Non-current assets – Investment accounted for using the equity method

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Investments in associate	7,570,126	-	7,570,126	-
Equity accounted loss for associate	(27,237)	-	(27,237)	-
	7,542,889	-	7,542,889	-

During the year, the Group acquired a 30% interest in Asiatic Coal Pte Limited (“ACPL”). The results of ACPL are equity accounted in the Groups results.

Note 13 Current liabilities – Trade and other payables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade payables	163,646	-	163,646	-
Accruals	282,825	179,891	282,825	179,891
Other payables	-	1,400	-	1,400
Related party loan	5,000,000	-	5,000,000	-
	5,446,471	181,291	5,446,471	181,291

Malaysia Smelting Corporation Berhad advanced \$5 million loan at an interest rate of 8.00% per annum. The loan is repayable in March 2009.

Note 14 Current and Non-current liabilities - Provisions

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
(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	-	30,000
Non-current provisions	50,000	80,000	50,000	80,000



Note 15 Non-current liabilities – Related Party Loan

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Other payables	-	-	-	-
	-	-	-	-

Note 16 Contributed Equity

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) Share capital				
Ordinary shares – fully paid	39,649,090	38,709,018	39,649,090	38,709,018

		Shares	Issue price	\$
(b) Movements in share capital				
Date	Issues of ordinary shares during the year			
01/01/2008	Opening balance	630,889,290		38,709,018
11/2/2008	Issue of shares	140,000	0.01	1,400
27/5/2008	Issue of shares	94,493,393	0.01	944,934
	Less: capital raising costs			(6,262)
31/12/2008	Total	725,522,683		39,649,090

(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 Group 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 9 to 10.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

Note 17 Reserves

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Reserves - Share based payments				
Balance at 1 January 2008	61,750	61,750	61,750	61,750
Options expense [Directors' Options]	116,100	-	116,100	-
Balance at 31 December 2008	177,850	61,750	177,850	61,750

Note 18 Retained profit (losses)

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at 1 January 2008	(34,561,026)	(34,229,065)	(34,561,026)	(34,229,065)
Net loss for the year	(781,645)	(331,961)	(781,645)	(331,961)
Balance at 31 December 2008	(35,342,671)	(34,561,026)	(35,342,671)	(34,561,026)

Note 19 Key Management personnel disclosures

(a) Directors

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

- P J D Elliott Non-executive Chairman
- Chan Kim Fan Executive Director
- J A Walls Non-executive Director (passed away 30 September 2008)
- Dato' Seri Dr Mohd Ajib Anuar Non-executive Director
- Norman Ip Ka Cheung Non-executive Director
- Choo Mun Keong Non-executive Director
- G Andrews Non-executive Director (appointed on the 28 January 2009)

Information in relation to emoluments received by the Directors is contained within the Remuneration Report set-out on pages 8 to 11.

(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.



	2008 12 months \$	2007 12 months \$
Amounts recognised as expense		
Company secretarial and accounting	114,473	107,120
Amount recognised in equity		
Company secretarial (Joint Venture)	6,013	-
Total	120,486	107,120

Note 20 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 Group.

Region	Mining Department Commitments		Total potential commitment
	Granted tenements ⁽¹⁾	NSW DMR commitments ⁽²⁾	
Queensland	-	-	-
New South Wales	\$36,113	-	\$36,113
Total	\$36,113	-	\$36,113

⁽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 Ardlethan 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.

However, no mining is planned within NSW.

Note 21 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
- Chan Kim Fan Executive Director
- J A Walls Non-executive Director (passed away 30 September 2008)
- Dato' Seri Dr Mohd Ajib Anuar Non-executive Director
- Norman Ip Ka Cheung Non-executive Director
- Choo Mun Keong Non-executive Director
- G Andrews Non-executive Director (appointed on the 28 January 2009)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

On 10 July 2008, the Group received an advance from MSC in the amount of \$5,000,000 as a loan to assist in the investment in Asiatic Coal Pte Limited. The interest rate charged on the loan is 8% per annum.

During the year ended 31 December 2008 interest accrued to MSC was \$198,262.24.

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 ended 31 December 2007, AOM and SRM entered an agreement for the provision of management and technical services by SRM. This agreement was renewed during this year. The principle terms of the agreement are as follows:

Original Agreement

- Term of original 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

Renewal

- Term of original agreement: 1 July 2008 to 30 June 2009 with extension by mutual agreement
- Remuneration: retainer of \$11,000 per month plus additional charges at \$400 to \$600 per day depending on seniority of staff

During the year consulting fees were paid to Straits Resources Management totalling \$156,000 (2007 : \$60,000) being provision for management and technical services.



Note 22 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Profit/(Loss) for the year	(781,645)	(331,961)	(781,645)	(331,961)
Non-cash flows in operating profit				
- Depreciation	831	8,566	831	8,566
- Loss on sale of fixed assets	-	13,249	-	13,249
- Profit on sale of fixed assets	(454)	-	(454)	-
- Charges to provisions	-	(36,340)	-	(36,340)
- Exploration costs expensed in profit and loss	24,292	(3,554)	24,292	(3,554)
- Non-cash share-based payments	116,100	5,000	116,100	5,000
- Equity accounted loss for associates	27,237	-	27,237	-
- 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	20,725	247	20,725	247
- Increase / (Decrease) in trade creditors and accruals (net of Provisions)	239,308	(8,565)	239,308	(8,565)
Cash flow from operations	(353,606)	353,358	(353,606)	353,358

Note 23 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 ended 31 December 2007 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 in the next year. 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 2008

	Country of Incorporation	Percentage Owned	
		2008	2007
Parent Entity: Australia Oriental Minerals NL	Australia		
Subsidiaries of Australia Oriental Minerals NL			
- Telminex NL	Australia	100%	100%

Note 24 Retirement benefit obligations

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

	Consolidated		Parent	
	2008	2007	2008	2007
Amounts recognised in income statement	\$	\$	\$	\$
Defined contribution superannuation payments	1,440	2,314	1,440	2,314

Note 25 Earnings per share

(a) Basic Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
Profit from continuing operations attributable to the ordinary equity holders of the Group	(0.11)	(0.11)
Profit from discontinued operation	-	-
Profit attributable to ordinary equity holders of the Group	(0.11)	(0.11)

(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 8 to 11.

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

	Consolidated	
	2008	2007
	\$	\$
Basic earning per share		
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the Group	(781,645)	(331,961)
Profit / (loss) from discontinued operations	-	-
Profit / (loss) attributable to ordinary equity holders of the Group	(781,645)	(331,961)



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

	Consolidated	
	2008 Number	2007 Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	687,450,714	297,355,847

Note 26 Share-based payments

2008 - 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)	-	-
28/11/2008	31/12/2013	0.03	-	43,000,000	-	-	43,000,000	43,000,000
Balance at 31 December 2008			19,000,000	43,000,000	-	(19,000,000)	43,000,000	43,000,000

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

2008

Fair value of options granted

The assessed fair value at grant date of options granted during the 12 months ended 31 December 2008 was \$0.0027 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 2008 included:

- a) options are granted for no consideration, have a five 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: \$0.03
- c) grant date: 28 November 2008
- d) expiry date: 31 December 2013
- e) share price at grant date: \$0.011
- f) expected price volatility of the Group's shares: 100%
- g) expected dividend yield: 0%
- h) risk-free interest rate: 5%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

	No. Options Exercise price \$0.03 Expiry 31 Dec 2013	Value (\$)
Directors		
Chan Kim Fan (Executive Director)	10,000,000	27,000
P J D Elliott (Chairman)	5,000,000	13,500
Choo Mun Keong (Non-executive Director)	5,000,000	13,500
Dato' Seri Dr Mohd Ajib Anuar (Non-executive Director)	5,000,000	13,500
Norman Ip Ka Cheung (Non-executive Director)*	5,000,000	13,500
J A Walls (Non-executive Director)	5,000,000	13,500
Other key management personnel		
Andrew Bursill (Company Secretary)	8,000,000	21,600
Total	43,000,000	116,100

*The 5,000,000 options for Mr. Norman Ip Ka Cheung, were granted to 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.

2007

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:

- 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
- exercise price: \$0.05
- grant date: 6 July 2005
- expiry date: 30 June 2008
- share price at grant date: \$0.05
- expected price volatility of the Group's shares: 60% - 80%
- expected dividend yield: 0%
- risk-free interest rate: 5.33%



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' Seri Dr 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. Norman Ip is a Director of STC and Sword.

Note 27 Subsequent Events

No matters or circumstances have arisen since 31 December 2008 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 28 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 Group is reliant on the support of its parent entity, MSC, for ongoing funds to allow the Group to remain a going concern until such time as the Group achieves profitable operations in its own right.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 44 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 2008 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 Executive Director 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

31 March 2009

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

Telephone: (612) 9221 0444
Facsimile: (612) 9221 5935
Email: rhill@dfkrichardhill.com.au
www.dfkrichardhill.com.au

Independent audit report to the members

Of Australia Oriental Minerals NL

Report on the Financial Report

We have audited the accompanying financial report of Australia Oriental Minerals NL, which comprises the balance sheet as at 31 December 2008, 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 judgment, 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.

INDEPENDENT AUDIT REPORT (CONTINUED)

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 Australia Oriental Minerals 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 Australia Oriental Minerals 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 2008 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 31 March 2009

SECURITIES INFORMATION

as at 8 April 2009

a) Distribution of Shareholders

Holding ranges	Holders	Total Number of Shares	%
1 – 1,000	550	198,015	0.027
1,001 – 5,000	488	1,319,968	0.182
5,001 – 10,000	228	1,766,991	0.244
10,001 – 100,000	416	15,319,230	2.111
100,001 and over	187	706,945,112	97.436
	1,869	725,522,683	100.000

b) The number of shareholders with less than a marketable parcel as at 8 April 2009 is 1,639.

c) Substantial shareholders

Substantial shareholder notices lodged with the Company is:

Shareholder	Number of Shares Held	% of Total Holdings
The Cairns PTE. LTD	424,194,438	58.47

d) The shareholding of the 20 largest ordinary shareholders is 642,681,567 shares, representing 88.58% of issued shares.

Name	Number of ordinary shares held	%
MALAYSIA SMELTING CORPORATION BERHAD	309,816,939	42.703
THE STRAITS TRADING COMPANY LIMITED	114,377,499	15.765
GOLDEN SUCCESS NETWORK SDN BHD	94,493,393	13.024
MR ABDUL MALIK ABDUL KADIR	39,999,999	5.513
BESTFIELD COMPANY	16,999,998	2.343
AJAVA HOLDINGS PTY LTD	13,333,332	1.838
BARON NOMINEES PTY LIMITED	8,000,001	1.103
MR DE MIN ZHANG	6,300,661	0.868
MR CHEWAN LIM	6,140,000	0.846
MS SARAH JANE LOUISE FRANKS & BJ RETAIL PTY LTD <BFD PARTNERSHIP A/C>	5,000,000	0.689
GLENCORA PTY LTD <PHILLIP UNIT A/C>	4,500,000	0.620
MR HAROLD GORDON SHORE	3,890,900	0.536
PACIFIC GOLD RESOURCES LIMITED	3,477,333	0.479
MRS LILIANA TEOFILOVA	3,193,269	0.440
MS HELEN MERYN SEALES	2,698,575	0.372
BUXBAS PTY LIMITED	2,433,858	0.335
QUEVY HOLDINGS PTY LTD	2,305,377	0.318
MR JOHN RUDD	2,000,000	0.276
MR PETER J REYNOLDS & MRS ROSE A REYNOLDS <PJ&RA REYNOLDS FUND NO 2 A/C>	1,910,000	0.263
MRS PENELOPE JEAN ADAMS	1,810,433	0.250
Top 20 Sub Total	642,681,567	88.582

e) Options and convertible note holders

All Options on issue as at 31 December 2008 are unlisted.

Options

Name	June 2013 Options ⁽¹⁾	
	Number of ordinary shares held	%
Chan Kim Fan	10,000,000	23.26%
P J D Elliot	5,000,000	11.63%
Choo Mun Keong	5,000,000	11.63%
Dato' Seri Dr Mohd Ajib Anuar	5,000,000	11.63%
Norman Ip Ka Cheung	5,000,000	11.63%
J A Walls	5,000,000	11.63%
Andrew Bursill	8,000,000	18.60%
Total	43,000,000	100.00%

⁽¹⁾ Options to acquire 1 ordinary share before 31 December 2013 at price of \$0.03 each.

Area of current tenements held by Australia Oriental Minerals NL

Tenement Number	Current Area (sub-blocks / units)*	Remarks
Queensland		
EPM 10006	35	Broadsound JV:AOM:40%, SMA 60% (Newcrest earning 60%)
EPM 12546	8	Broadsound JV:AOM:40%, SMA 60% (Newcrest earning 60%)
EPM 11134	17	Connors Arch JV:AOM 45.92%, SMA 54.08%
EPM 12361	2	Connors Arch JV:AOM 45.92%, SMA 54.08%
EPM 14500	350	Marlborough Fault JV:AOM 100% (SMA earning 51%)
EPM 14501	441	Marlborough Fault JV:AOM 100% (SMA earning 51%)
EPM 14502	198	Marlborough Fault JV:AOM 100% (SMA earning 51%)
New South Wales		
EL 6384	6	Emmaville
EL 6431	14	Emmaville
EL 6389	9	Emmaville (JV:AOM 100%;YTC earning 80%)
EL 6269	19	Kiawarra (Joint Venture with SVL)

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

