

Consolidated Financial Statements of

QUEENSLAND MINERALS LTD.

(an exploration stage Company)

For the Years ended December 31, 2007 and 2006

Financial Statements

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AUDITORS' REPORT

To the shareholders of Queensland Minerals Ltd.

We have audited the consolidated balance sheet of Queensland Minerals Ltd. (an exploration stage Company) as at December 31, 2007 and the consolidated statements of operations and comprehensive loss, deficit, contributed surplus, cash flows and deferred exploration expenses for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 6, 2007.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal, Canada
April 23, 2008

Queensland Minerals Ltd.
 (an exploration stage Company)
Consolidated Balance Sheets

	December 31, 2007	December 31, 2006
	\$	\$
ASSETS		
Current assets		
Cash	391,969	109,307
Receivables	310,891	30,820
Prepaid expenses	8,905	-
	<u>711,765</u>	<u>140,127</u>
Asset-backed commercial paper (note 4)	6,493,117	-
Capital assets (note 5)	179,593	-
Deferred exploration expenses (note 6)	4,305,146	634,443
	<u>11,689,621</u>	<u>774,570</u>
LIABILITIES		
Current liabilities		
Bank loan (note 7)	2,313,730	-
Accounts payable and accrued liabilities	807,596	414,506
Due to Reunion Gold Corporation (note 11)	36,105	42,899
	<u>3,157,431</u>	<u>457,405</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	12,347,676	2,478,182
Contributed surplus	4,505,332	242,579
Deficit	(8,320,818)	(2,403,596)
	<u>8,532,190</u>	<u>317,165</u>
	<u>11,689,621</u>	<u>774,570</u>

Nature and continuance of operations (note 1)

Commitments (note 10)

Subsequent events (note 14)

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

(s) James A. Crombie
 James A. Crombie, Director

(s) Anthony Walsh
 Anthony Walsh, Director

Queensland Minerals Ltd.

(an exploration stage Company)

Consolidated Operations and Comprehensive Loss

	Year ended December 31, 2007	Year ended December 31, 2006
	\$	\$
Expenses		
Administration	536,723	204,075
Depreciation	41,610	-
Stock-based compensation cost	1,257,316	-
	<u>1,835,649</u>	<u>204,075</u>
Other items		
Interest income	(184,880)	-
Interest expense	16,740	-
Loss (gain) on foreign exchange	22,535	(11,839)
Impairment charge on asset-backed commercial paper (note 4)	2,425,000	-
Net loss and comprehensive loss	<u>(4,115,044)</u>	<u>(192,236)</u>
Basic and diluted loss per common share	<u>(0.11)</u>	<u>(0.01)</u>
Basic and diluted weighted average number of common shares outstanding	<u>37,403,013</u>	<u>18,416,895</u>

The accompanying notes are an integral part of the consolidated financial statements.

Queensland Minerals Ltd.
 (an exploration stage Company)
Consolidated Deficit and Contributed Surplus

	Year ended December 31, 2007	Year ended December 31, 2006
	\$	\$
DEFICIT		
Balance, beginning of year	(2,403,596)	(1,841,448)
Common share issue expenses	(1,802,178)	(369,912)
Net loss	(4,115,044)	(192,236)
Balance, end of year	<u>(8,320,818)</u>	<u>(2,403,596)</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	242,579	242,579
Stock-based compensation cost	1,257,316	-
Share purchase warrants (note 8)	2,611,890	-
Broker warrants (note 8)	501,393	-
Exercise of warrants	(107,846)	-
Balance, end of year	<u>4,505,332</u>	<u>242,579</u>

The accompanying notes are an integral part of the consolidated financial statements.

Queensland Minerals Ltd.
(an exploration stage Company)
Consolidated Cash Flows

	Year ended December 31, 2007	Year ended December 31, 2006
	\$	\$
OPERATING ACTIVITIES		
Net loss	(4,115,044)	(192,236)
Non-cash items		
Depreciation	41,610	-
Stock-based compensation cost	1,257,316	-
Impairment charge on asset-backed commercial paper	2,425,000	-
Loss (gain) on foreign exchange	22,535	(11,839)
Changes in non-cash working capital items	(186,718)	(25,763)
Cash flows used in operating activities	(555,301)	(229,838)
INVESTING ACTIVITIES		
Asset-backed commercial paper	(8,918,117)	-
Capital assets	(221,203)	-
Expenditures on mineral properties	(3,096,960)	(183,537)
Cash flows used in investing activities	(12,236,280)	(183,537)
FINANCING ACTIVITIES		
Bank loan	2,313,730	-
Common shares and warrants	12,003,500	520,000
Common share issue expenses	(1,609,425)	(61,271)
Exercise of warrants	366,438	-
Cash flows provided by financing activities	13,074,243	458,729
Net increase in cash	282,662	45,354
Cash, beginning of year	109,307	63,953
Cash, end of year	391,969	109,307
Interest paid	16,740	-
Changes in other non-cash items		
Accounts receivable and accounts payable related to exploration projects	592,678	13,589
Accounts payable related to common share issue expenses	(308,641)	308,641
Shares issued upon extension of a Mining Lease Option	3,600	2,400
Shares issued as settlement of amounts due to related parties	-	336,614
Shares issued as settlement of a convertible note	-	56,566
Issuance of broker warrants	501,393	-
Exercise of warrants	107,846	-

The accompanying notes are an integral part of the consolidated financial statements.

Queensland Minerals Ltd.
 (an exploration stage Company)
Consolidated Deferred Exploration Expenses

	Year ended December 31, 2007	Year ended December 31, 2006
	\$	\$
Balance, beginning of year	634,443	426,974
Administration	579,255	41,264
Drilling and assaying	1,717,060	9,733
EPM renewal, rent and option payments	49,857	41,508
Field supplies, vehicle and base operating costs	507,699	55,135
Geology	311,278	197
Salaries	505,554	59,632
	3,670,703	207,469
Balance, end of year	4,305,146	634,443

The accompanying notes are an integral part of the consolidated financial statements.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2007 and 2006

1. GOVERNING STATUTES, NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of British Columbia on February 15, 1996 under the name G.L. March & Associates Ltd. On January 30, 2004, the Company changed its name to Queensland Minerals Ltd. and continued under the Business Corporations Act of the Yukon Territory. On April 14, 2004, the Company continued under the Business Corporations Act of British Columbia. The Company's principal business activity is the acquisition and exploration of mineral properties in Australia. To date, the Company has not generated any revenue from operations.

On January 17, 2007, the Company filed a preliminary prospectus with the Canadian securities regulatory authorities for an initial public offering (the "IPO"). Final receipt of the regulators was issued on February 21, 2007. The closing of the IPO and the listing of the Company's shares on the TSX-Venture exchange occurred on March 1, 2007.

The Company, through its Australian wholly-owned subsidiaries Queensland Minerals (Australia) Pty Ltd. ("QMA") and Asmam Pty Ltd. ("Asmam"), owns or has entered into agreements to acquire a number of mineral rights in projects known as Sybil Graben, Lynd River and Mungana. As more fully described in note 3, QMA has also entered during the year into an option agreement to earn an interest of up to 70% in the Reedy Creek Project. These exploration projects are located in the State of Queensland, Australia.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for deferred exploration expenses is dependent upon the existence of economically recoverable reserves on these projects, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production from these reserves or sufficient proceeds from their disposal thereof. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Continued operations of the Company are dependent on the Company's ability to continue to receive financial support, complete equity financings, or generate profitable operations in the future. The carrying amounts of assets, liabilities, income and expenses presented in the financial statements and the balance sheet classification have not been adjusted as would be required if the going concern assumption was not appropriate.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2007 and 2006

2. ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Accounting estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Significant areas where management judgement is applied are the carrying value of asset-backed commercial paper, deferred exploration expenses and stock-based compensation.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries. Significant inter-company transactions and inter-company balances are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term investments in money market instruments that are carried at fair value.

Asset-backed commercial paper

Investments in asset-backed commercial paper ("ABCP") are classified as held for trading and are recorded at their fair value. Unrealized gains and losses are reported in operations.

Capital assets

Capital assets, which include motor vehicles and computer equipment, are accounted for at cost and amortized over their estimated useful life (2 to 3 years) using the straight-line method.

Exploration projects

Acquisition costs and expenditures on mineral exploration programs are deferred until the commercial viability of the property is determined. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the mine or on their anticipated useful life, if the useful life of the asset is less than the life of the mine. The Company reviews the carrying values of its exploration projects at least on an annual basis or whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable, by reference to project economics (including the timing of the exploration and / or development work), work programs and exploration results or if a project is abandoned. When it becomes apparent that the carrying value of a project exceeds its estimated net recoverable amount, an impairment charge is recorded.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2007 and 2006

2. ACCOUNTING POLICIES (continued)

Asset retirement obligation

The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those for future removal and site restoration costs. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by the application of technically proven and economically feasible measures. An estimate for future costs of site restoration is made based on estimates that consider the anticipated method and extent of site reclamation required to meet legal standards. If required, a provision for the estimated costs is recognized by increasing the carrying amount of the related long-lived asset by the same amount as the liability. The liability is accreted to its present value and the capitalized cost is amortized over the useful life of the related asset. Reclamation costs incurred are charged against this provision. The effect of changes in regulations and cost assumptions are recognized when determined. As at December 31, 2007 and 2006, there were no material asset retirement obligation.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the year that includes the enactment date. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

Financial statements of the Company's foreign subsidiaries are translated using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at the average rate in effect during the year with the exception of depreciation that is translated at the historical rate. Gains and losses on exchange arising from translation are recorded in operations for the year.

Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options and warrants. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon the exercise of options and warrants described in note 8. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years ended December 31, 2007 and 2006, this calculation proved to be anti-dilutive. Potentially dilutive instruments would, if exercised, increase the number of common shares by 16,736,833 in 2007 and 3,110,625 in 2006.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2007 and 2006

2. ACCOUNTING POLICIES (continued)

Stock option plan

The Company measures the compensation cost of stock options issued under an employee and non-employee compensation plan using a fair value-based method. Compensation costs are measured at the grant date based on the fair value of the award using the Black-Scholes option-pricing model and are recognized over the related service period as an expense with a corresponding increase to contributed surplus.

Allocation of proceeds on equity financing

The Company allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair values of each instrument. The fair value of the common shares is calculated by using the TSX Venture Exchange share price on the date of the issuance and the fair value of the share purchase warrants is determined using the Black-Scholes valuation model.

Share issue expenses

Share issue expenses are charged to deficit when incurred.

Changes in accounting policies

Financial Instruments

Effective January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation* and Section 3865, *Hedges*. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

Under Section 3855, all financial instruments are to be measured at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are to be measured at amortized cost. Held for trading financial assets are to be measured at fair value and changes in fair value are to be recognized in operations. Available-for-sale financial instruments are to be measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is sold or impaired. Section 1530 establishes standards for the reporting of comprehensive income, defined as the change in equity from transactions and other events from non-owner sources, and include items that would not normally be included in operations, such as unrealized gains or losses on available-for-sale investments.

Adoption of these new recommendations resulted in the following classification and measurement of the Company's financial instruments which were previously recorded at cost. Cash and cash equivalents are classified as held for trading. They are measured at fair value and changes in fair value are recognized in operations. Amounts receivable are classified as loans and receivables and accounts payable and accrued liabilities and amounts due to Reunion Gold Corporation are classified as other liabilities. They are measured at amortized cost.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2007 and 2006

2. ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Financial Instruments (continued)

The adoption of these new standards had no impact on the financial statements of the Company at January 1, 2007.

Accounting changes

On January 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1506, "Accounting Changes", of the CICA Handbook. This new section, effective for years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard had no impact on the Company's financial results.

Recently issued accounting pronouncements

In December 2006, the CICA published Section 1535, *Capital Disclosures*. This new section establishes standards for disclosing information about an entity's capital and how it is managed. It is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of January 1, 2008. Furthermore, in December 2006, the CICA published Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, which establish standards for the presentation and disclosure of financial instruments and non-financial derivatives. These new accounting standards only address disclosures and will have no impact on the Company's financial results.

In June 2007, the CICA modified Section 1400, *General Standards of Financial Statement Presentation*, in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of this date. The new requirements only address disclosures and will have no impact on the Company's financial results.

In February 2008, the CICA published Section 3064, *Goodwill and Intangible Assets*, to replace Section 3062, *Goodwill and Other Intangible Assets*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This section is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of January 1, 2009. The Company's management does not expect that application of this new section will have a significant impact on its financial statements.

The Accounting Standard Board (AcSB) of the CICA has adopted a new strategy for convergence with international financial reporting standards (IFRS) for public companies. As confirmed by the AcSB on February 13, 2008, the conversion requires publicly accountable enterprises to fully adopt IFRS in 2011. The changeover date to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The intention is presently to adopt IFRS, as published by the International Accounting Standards Board (IASB), without modification. The Company's management has not yet assessed the impact that the adoption of IFRS will have on its financial statements.

Queensland Minerals Ltd.

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Notes to consolidated financial Statements

December 31, 2007 and 2006

3. ACQUISITIONS

Reedy Creek Project

On December 12, 2007, QMA entered into a Heads of Agreement with Echo Resources Limited ("Echo"), an Australian-listed public company, in relation to Echo's Reedy Creek Project located 13km northwest of the Company's Anastasia Prospect on the Lynd River Project. Under the terms of the agreement, QMA may earn a 70% interest in the Reedy Creek Project by spending A\$1,000,000 within 30 months, including A\$450,000 for a 50% interest during the initial 18 months. If QMA earns a 70% interest, Echo and QMA will enter into a joint venture on a QMA 70% - Echo 30% basis. QMA may, subject to Echo's prior consent, elect to earn an additional 10% interest in the joint venture by completing a bankable feasibility study within 4 years. Echo will be free carried to the completion of the bankable feasibility study. On completion of the bankable feasibility study, Echo will have a 20% interest. Echo can participate in the joint venture with its 20% interest, or dilute to a 2% Net Smelter Royalty. QMA must complete a predefined number of exploration drill holes in the Project area. QMA will be the manager of the exploration program during the earn-in phase, and thereafter as long as QMA's interest is greater than 50%. The Reedy Creek Project consists of two exploration permits and one application covering a total area of 230 km².

Sybil Graben, Lynd River and Mungana Projects

On September 21, 2005, QMA acquired a 100% interest in the Sybil Graben and Lynd River projects from an entity under common control. On the same day, immediately following this transaction, the Company acquired all of the issued and outstanding share capital of QMA. As consideration, the Company issued 5,000,000 common shares, valued at \$343,794. On September 15, 2003, Asmam acquired a 100% interest in the Mungana project from an entity under common control. On October 22, 2003, the Company acquired all of the issued and outstanding share capital of Asmam. As consideration, the Company issued 5,000,000 common shares, valued at \$401,408.

As the vendor of the Sybil Graben and Lynd River projects and QMA (2005 transaction) and the vendor of the Mungana project and Asmam (2003 transaction) were part of the same economic entity immediately prior to the transactions, these transactions were accounted for using the continuity of interest method of accounting. Under this method of accounting, the cost of the projects recorded by the subsidiaries on the acquisition dates (September 21, 2005 by QMA and September 15, 2003 by Asmam) reflects the carrying amount of the projects recorded in the financial statements of the vendor immediately prior to the transactions, and the deferred exploration expenses are presented in the financial statements of the Company as if the Company had held title to the projects since the date of the original acquisition of the mineral property by the vendor.

Queensland Minerals Ltd.

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Notes to consolidated financial Statements

December 31, 2007 and 2006

4. ASSET-BACKED COMMERCIAL PAPER

As at December 31, 2007, the Company held \$8,918,117 of non-bank sponsored ABCP (before accounting for an impairment charge), of which \$4,980,520 is invested in Apsley Trust Series A, \$2,988,480 in Silverstone Trust Series A and \$949,117 in Ironstone Trust Series A. These investments matured on August 16, 2007 but no payment has been received. At the time the Company acquired the investments, the non-bank sponsored ABCPs were rated R-1 (High) by DBRS Limited ("DBRS"), the highest credit rating for commercial paper.

On August 16, 2007, a group representing banks, asset providers and major investors announced that they had agreed in principle to a long-term proposal and interim agreement to convert the ABCP into term floating-rate notes ("FRN") maturing no earlier than the scheduled termination dates of the underlying assets (the "Montreal Proposal ABCP"). On September 6, 2007, a Pan Canadian Committee (the "Committee") consisting of a panel of major Montreal Proposal ABCP investors was formed. The Committee subsequently retained Goodmans and JP Morgan Chase as legal and financial advisors, respectively, to oversee the proposed restructuring process. On October 16, 2007, the Chairman of the Committee announced the proposed restructuring of one of the 22 conduits affected by this crisis. On December 23, 2007, the Committee announced that an agreement in principle had been reached regarding a comprehensive restructuring of the ABCP issued by 20 of the 21 remaining trusts covered by the Montreal Proposal ABCP.

As part of the December 23, 2007 agreement, note holders of all ABCP would receive FRNs with maturities based upon the maturity of the underlying assets. The existing ABCP would be distinguished based upon the specific type of assets which support the ABCP with distinct solutions for i) ABCP supported solely by traditional securitized assets (approximately \$3 billion of all ABCP covered by the Montreal Proposal ABCP); ii) ABCP supported solely by synthetic assets (approximately \$26 billion) and iii) ABCP supported primarily by U.S. sub-prime assets (approximately \$3 billion). Most investors that hold ABCP supported by synthetic assets would receive a senior and a subordinated note in exchange for their existing ABCP, with senior notes expected to be AA rated and subordinated notes not expected to be rated. Those ABCP supported primarily by U.S. sub-prime assets would be restructured on a series-by-series basis, with each series maintaining its separate exposure to its own underlying assets. These notes would amortize and be repaid in part, from time to time, as assets mature or value can be realized through asset sales. A margin facility of approximately \$14 billion would be established to enhance the stability of the ABCP supported by synthetic assets. The proposal also includes a restructuring of substantially all triggers with the objective that they become more remote and transparent spread loss triggers. The implementation of the restructuring will be subject to a number of conditions, including approval by noteholders.

Queensland Minerals Ltd.
 (an exploration stage Company)
Notes to consolidated financial Statements

December 31, 2007 and 2006

4. ASSET-BACKED COMMERCIAL PAPER (continued)

The non-bank sponsored ABCP last traded in the active market on or about August 13, 2007 and there are currently no market quotations available for these ABCP. There is no certainty regarding the outcome of the proposed restructuring plan of December 23, 2007 and therefore there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. The Company has 72% of its ABCP supported by synthetic assets and 28% supported by U.S. sub-prime assets. At December 31, 2007, the Company established the fair value of the ABCP it holds by estimating discounted future cash flows considering the best available market data. The Company used a weighted-average loss factor of 45% on investments exposed to US sub-prime mortgages, a combined 19% loss factor on other investments and assumed that margin facility and restructuring costs would offset accrued interest to December 31, 2007. This estimation of fair value results in a total impairment charge of \$2,425,000 related to ABCP held.

Since the fair value of the ABCP held are determined based on the Company's assessment of market conditions as at December 31, 2007, the fair value reported may change materially in subsequent periods. In addition, the fair value estimates are dependent upon the likelihood, nature and timing of the proposed restructuring.

5. CAPITAL ASSETS

	Cost	Accumulated depreciation	December 31, 2007 Net	December 31, 2006 Net
	\$	\$	\$	\$
Vehicles	120,003	(21,715)	98,288	-
Computer equipment	101,200	(19,895)	81,305	-
	221,203	(41,610)	179,593	-

6. EXPLORATION PROJECTS

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. Although the Company has taken steps to verify title to mineral claims in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Pursuant to asset purchase agreements effective September 21, 2005 and September 15, 2003, respectively, QMA and Asmam are holders of a 100% interest in certain Exploration Permits for Minerals ("EPM") and the rights to certain EPM and Mine Development Leases ("MDL") applications comprising the Sybil Graben, Lynd River and Mungana gold exploration properties.

Queensland Minerals Ltd.
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Notes to consolidated financial Statements

December 31, 2007 and 2006

6. EXPLORATION PROJECTS (continued)

Applications for the transfer of title to certain of the EPM's from the vendor to QMA have been filed with the State of Queensland and remains subject to regulatory approval. Pursuant to the terms of the asset purchase agreements, the vendor will also file an application to transfer the EPM's currently in the application process to QMA upon granting of these EPM's, if applicable, to the vendor by the state government. Two (2) of the EPM's for which an application has been made to transfer title from the vendor to QMA expired in September and November 2007, respectively. Application for renewal of these EPM's have been filed with the Queensland Department of Mines.

The Company, through its subsidiaries, has also entered into option agreements to acquire certain mining rights. These agreements are more fully described in note 10 (as to a Mining Lease located in close proximity to the Mungana property) and note 3 (as to the Reedy Creek Project).

Bank guarantees, totaling A \$28,000 (Can \$23,800), have been provided over some of the exploration rights of the Sybil Graben, Lynd River and Mungana properties. These guarantees are held by the vendor and have not yet been transferred to the Company at December 31, 2007. The guarantees have been provided to the State of Queensland as security for, primarily, compliance with the conditions of the EPMs and state laws regarding mineral properties and environmental protection.

Annual renewal of the Company's EPM's, upon acceptance of the transfer application, will be subject to the Company paying annual rent and meeting designated annual expenditure requirements, determined by the state government. The EPM's are subject to a royalty, payable to the State of Queensland, amounting to 2.77% of revenue from gold and silver production.

The Company has assumed an obligation to pay an amount of A \$2,000,000 to an arm's length party in the event that 100,000 ounces of gold is produced from the area covered by certain tenements on the Sybil Graben and Mungana projects.

The breakdown of accumulated costs by project is as follows:

	December 31, 2007	December 31, 2006
	\$	\$
Sybil Graben	1,983,036	324,118
Lynd River	2,221,711	272,571
Mungana	100,399	37,754
	4,305,146	634,443

Queensland Minerals Ltd.
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December 31, 2007 and 2006

7. BANK LOAN

On August 30, 2007 (with amendments dated October 9, 2007 and December 6, 2007), the Company entered into a temporary credit facility of \$3.5 million, secured by the Company's investments in ABCP, to fund working capital requirements. As at December 31, 2007, an amount of \$2,313,730 has been drawn on the facility, which bears interest at prime less 1.50% (a rate of 4.50% at December 31, 2007) and matures on January 31, 2008 (note 14). The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP.

8. CAPITAL STOCK

Issued and fully paid

	Number of Shares	Amount \$
Authorized		
Unlimited number of common shares without par value		
Common shares issued		
As at December 31, 2005	16,705,953	1,542,724
Exercise of subscription receipts	2,148,850	539,878
Settlement of debt (note 11)	1,127,144	336,614
Settlement of a convertible note, including accrued interest	223,696	56,566
Extension of a Mining Lease Option (note 10)	4,000	2,400
As at December 31, 2006	20,209,643	2,478,182
Initial public offering	20,000,000	9,391,610
Exercise of warrants	1,407,125	474,284
Extension of a Mining Lease Option (note 10)	6,000	3,600
As at December 31, 2007	41,622,768	12,347,676

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8. CAPITAL STOCK (continued)

Issued and fully paid (continued)

On March 1, 2007, the Company completed its IPO by the issuance of 18,000,000 units at a price of \$0.60 per unit for total gross proceeds of \$10,800,000 and on March 29, 2007, an additional 2,000,000 units at a price of \$0.60 per unit and 350,000 warrants at a price of \$0.01 per warrant were issued as part of the over-allotment granted to the Agents. Each unit was comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.80 per share for a period of 18 months following the closing of the IPO. The Company has the right to accelerate the termination of the exercise period of the warrants at any time after the date which is six months after the closing of the IPO, if the closing price of the common shares is \$1.20 or more for a period of at least 20 consecutive trading days. The value of the common share purchase warrants, in the amount of \$2,611,890 was presented separately on the consolidated statement of contributed surplus.

Pursuant to the terms of an agency agreement dated February 21, 2007, the Agents received a cash commission equal to 7% of the gross proceeds of the IPO, and were granted share purchase warrants (the "Broker Warrants") to acquire such number of common shares which is equal to 7% of the number of units sold pursuant to the IPO. Each Broker Warrant is exercisable at the issue price of \$0.60 for a period of 18 months from closing of the IPO. Total common share issue expenses of \$1,802,178 attributable to the IPO (including the value of the Broker Warrants in the amount of \$501,393) were presented as common share issue expenses with the deficit.

During the year ended December 31, 2006, the Company issued 2,080,000 common shares at \$0.25 per share pursuant to private placements for gross proceeds of \$520,000. In 2005, the Company received a total amount of \$19,878 pursuant to private placements and in April 2006, the Company issued 68,850 common shares at a price of \$0.2887 per share in respect of the amount received in 2005.

In 2005, the Company received an amount of \$51,424 and issued a convertible note as consideration. The note, which bore interest at the annual rate of 10%, was convertible into shares at the holder's option until June 4, 2006, the maturity date of the note. In June 2006, the Company paid the interest on the convertible note in the amount of \$5,142 by the issuance of 18,000 common shares at a price of \$0.2857 per share and a Company controlled by an officer and director of the Company agreed to settle the convertible note of \$51,424 in consideration of 205,696 common shares of the Company, at a price of \$0.25 per share.

Warrants

	Year ended December 31, 2007	Year ended December 31, 2006
Number of warrants		
Balance, beginning of year	3,110,625	3,110,625
Issued	11,750,000	-
Exercised	(1,407,125)	-
Balance, end of year	13,453,500	3,110,625

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8. CAPITAL STOCK (continued)

Warrants (continued)

At December 31, 2007, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants		Number of warrants		Price	Expiry date
	Dec 31, 2006	Issued	Exercised	Dec 31, 2007	per share	
					\$	
Broker warrants – 2003 private placement	300,000	-	(278,500)	21,500	0.10	2008-03-01
2005 private placements	2,512,500		(965,000)	1,547,500	0.30	2008-03-01
Broker warrants – 2005 private placements	298,125		(163,625)	134,500	0.30	2008-03-01
IPO - March 2007	-	10,350,000	-	10,350,000	0.80	2008-09-01
Broker warrants - March 2007 IPO	-	1,400,000	-	1,400,000	0.60	2008-09-01
	3,110,625	11,750,000	(1,407,125)	13,453,500		

Common share purchase warrants and broker warrants issued as part of the March 1, 2007 IPO were measured at the date of grant using the Black-Scholes pricing model. Values of \$0.32 and \$0.36, respectively, per warrant, were attributed based on an expected stock price volatility of 133%, a risk-free interest rate of 4%, an expected life of 18 months and an expected dividend yield of 0%.

Stock options

On May 25, 2004, the Company's board of directors approved a "rolling" stock option plan, whereby the Company is authorized to grant stock options to qualified directors, officers, employees and other service providers enabling them to acquire up to 10% of the issued and outstanding common shares of the Company at any given time. Under the plan, the exercise price of each option will not be less than the closing market price of the Company's shares on the date prior to the date of the grant, less allowable discounts. The vesting period of the options will be determined by the Board at the time of grant. The plan was approved by the TSX Venture Exchange on February 28, 2007 and by the Company's shareholders on June 14, 2007.

During the year, the Company granted a total of 3,350,000 stock options (nil in 2006) valued at \$1,425,765. The weighted-average fair value of the options granted during the year was estimated at \$0.43 per option using an expected time-period of 5 years, a semi-annual risk-free interest rate ranging from 3.83% to 4.10%, a volatility rate of between 86% and 133% and a 0% dividend factor. These options will vest over 18 months until December 2009.

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8. CAPITAL STOCK (continued)

Stock options (continued)

The following table sets out the activity in stock options:

	Year ended December 31, 2007	Year ended December 31, 2006
Number of Options		
Balance, beginning of year	-	-
Granted	3,350,000	-
Cancelled	(66,667)	-
Number of options outstanding, end of year	3,283,333	-

Stock option transactions are summarized as follows:

Grant date	Exercise price	Balance, Dec 31, 2006	Granted	Exercised	Cancelled	Balance, Dec 31, 2007	Number of options exercisable	Residual exercise period
	\$							
Mar 1, 2007	0.60	-	1,755,000	-	-	1,755,000	1,135,000	4.2 years
Mar 26, 2007	0.60	-	10,000	-	-	10,000	10,000	4.3 years
June 14, 2007	0.60	-	350,000	-	(66,667)	283,333	283,333	4.5 years
Dec 7, 2007	0.60	-	1,235,000	-	-	1,235,000	880,833	4.9 years
		-	3,350,000	-	(66,667)	3,283,333	2,309,166	

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, ABCP, bank loan, accounts payable and accrued liabilities and amounts due to Reunion Gold Corporation. Other than ABCP, the fair value of these financial instruments approximates their carrying values, given that they will mature shortly. Other than ABCP, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At December 31, 2007, the Company had the following balance sheet items denominated in Australian dollars: cash of \$436,800, accounts receivable of \$210,000 and accounts payable and accrued liabilities of \$909,200. It also had cash of US \$13,000.

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9. FINANCIAL INSTRUMENTS (continued)

The Company's risk management is coordinated by the officers of the Company, in close co-operation with the members of the board of directors.

10. COMMITMENTS

On July 6, 2005, the Company entered into a 5-year option agreement to purchase a Mining Lease located in close proximity to the Mungana exploration property. The option can be exercised at any time during the 5-year period by paying an amount of A\$150,000 in cash and issuing 150,000 common shares of the Company. Until the option is exercised, the Company is required to make additional annual escalating payments (starting at \$4,000 up to \$10,000) and to issue additional common shares (starting at 4,000 common shares up to 10,000 common shares). The Company can also terminate the option agreement at any time during the exercise period. In June 2007 and 2006, the Company extended its option for one year by paying an amount of \$6,000 and \$4,000 and by issuing 6,000 and 4,000 common shares, respectively.

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees, office and administration costs and other exploration costs of \$210,680 during the year ended December 31, 2007 (2006 - \$92,703) to a company controlled by an officer and director of the Company.
- b) Paid or accrued legal fees of \$100,917 during the year ended December 31, 2007 (2006 - \$175,680) to a law firm of which a director of the Company is a partner.
- c) Accrued professional and administration fees of \$285,795 during the year ended December 31, 2007 (2006 - \$42,899) to a Company under common management.

Due to related parties consists of balances owing of \$36,105 at December 31, 2007 and \$42,899 at December 31, 2006 to a Company under common management.

In August 2006, the Company settled the amounts due to companies controlled by an officer and director of the Company by the issuance of 1,127,144 common shares of the Company, valued at \$336,614, the amount due at the date of settlement.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

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12. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
	\$	\$
Loss before income taxes	(4,115,044)	(192,236)
Expected income tax recovery	(1,317,637)	(65,591)
Effect of lower tax rate of foreign jurisdiction	1,170	4,977
Non-deductible expenses and adjustment for income tax	811,374	4,039
Unrecognized benefit of non-capital loss carryforwards	505,093	56,575
<u>Income tax recovery</u>	<u>-</u>	<u>-</u>

Subject to certain restrictions, the Company has total tax deductions available to apply against future taxable income in Australia of approximately \$6,861,000 and in Canada of approximately \$3,640,000 at December 31, 2007. Non-capital losses in Australia do not expire. The Canadian non-capital losses, if not utilized, will expire through 2027.

The significant components of the Company's future income tax assets in Australia and Canada are as follows:

	Australia		Canada	
	2007	2006	2007	2006
	\$	\$	\$	\$
Tax losses	476,691	459,314	691,271	146,804
Mineral properties	223,767	199,916	-	-
Share issuance costs	-	-	428,108	101,192
	700,458	659,230	1,119,379	247,996
Less: Valuation allowance	(700,458)	(659,230)	(1,119,379)	(247,996)
	-	-	-	-

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13. SEGMENTED INFORMATION

The Company operates in Australia in one business segment being the acquisition and exploration of mineral properties. All deferred exploration expenses have been incurred in Australia.

14. SUBSEQUENT EVENTS

Temporary credit facility

On February 4, 2008 the amount available under the temporary credit facility was increased to a total of \$5.0 million with the maturity date extended to May 31, 2008. All other terms and conditions of the credit facility remain unchanged.

Exercise of warrants

A total of 1,238,500 common share purchase warrants with an expiry date of March 1, 2008 were exercised in January and February 2008 for proceeds of \$367,250. The remaining 465,000 warrants expired unexercised, on March 1, 2008.

ABCP

On March 20, 2008, an Information Statement in respect of a Plan of Compromise and Arrangement (the "Plan"), pursuant to the Companies Creditors Arrangement Act ("CCAA") was sent to all noteholders of Canadian third-party structured ABCP. A meeting of the noteholders to vote on the Plan has been scheduled for April 25, 2008. To become effective, the Plan must be approved by noteholders i) constituting a majority in number of noteholders who are present and voting at the meeting, and ii) representing not less than 66 2/3% of the aggregate principal amount of affected ABCP of the noteholders voting at the meeting. The committee anticipates that the restructuring will be completed during the second quarter of 2008.