

Consolidated Financial Statements of

**QUEENSLAND MINERALS LTD.**

(an exploration stage Company)

**For the Second Quarter ended June 30, 2008**

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

	June 30, 2008 (unaudited) \$	December 31, 2007 (audited) \$
<b>ASSETS</b>		
Current assets		
Cash	61,673	391,969
Receivables	309,434	310,891
Prepaid expenses	30,341	8,905
	<b>401,448</b>	<b>711,765</b>
Asset-backed commercial paper (note 3)	6,493,117	6,493,117
Capital assets (note 4)	194,698	179,593
Deferred exploration expenses (note 5)	7,604,558	4,305,146
	<b>14,693,821</b>	<b>11,689,621</b>
<b>LIABILITIES</b>		
Current liabilities		
Bank loan (note 6)	5,926,176	2,313,730
Accounts payable and accrued liabilities	722,966	807,596
Due to Reunion Gold Corporation (note 10)	133,404	36,105
	<b>6,782,546</b>	<b>3,157,431</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 7)	12,834,442	12,347,676
Contributed surplus	4,535,189	4,505,332
Deficit	(9,458,356)	(8,320,818)
	<b>7,911,275</b>	<b>8,532,190</b>
	<b>14,693,821</b>	<b>11,689,621</b>

Nature and continuance of operations (note 1)

Commitments (note 9)

Subsequent events (note 13)

*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 (unaudited)

	2 <sup>nd</sup> quarter ended June 30, 2008	2 <sup>nd</sup> quarter ended June 30, 2007	Six-months ended June 30, 2008	Six-months ended June 30, 2007
	\$	\$	\$	\$
<b>Expenses</b>				
Administration	316,589	153,005	539,912	264,744
Depreciation	36,818	3,280	63,599	3,280
Stock-based compensation cost	31,228	195,618	136,171	791,668
	<b>384,635</b>	<b>351,903</b>	<b>739,682</b>	<b>1,059,692</b>
<b>Other items</b>				
Interest income	(1,979)	(110,823)	(4,948)	(145,792)
Interest expense	39,179	-	68,471	-
Loss on foreign exchange	310,626	5,037	334,333	5,456
<b>Net loss and comprehensive loss</b>	<b>(732,461)</b>	<b>(246,117)</b>	<b>(1,137,538)</b>	<b>(919,356)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.03)</b>
Basic and diluted weighted average number of common shares outstanding	42,571,430	40,809,638	42,872,609	33,644,541

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

# Queensland Minerals Ltd.

(an exploration stage Company)

## Consolidated Deficit and Contributed Surplus (unaudited)

	2 <sup>nd</sup> quarter ended June 30, 2008	2 <sup>nd</sup> quarter ended June 30, 2007	Six-months ended June 30, 2008	Six-months ended June 30, 2007
	\$	\$	\$	\$
<b>DEFICIT</b>				
Balance, beginning of period	<b>(8,725,895)</b>	(4,877,063)	<b>(8,320,818)</b>	(2,403,596)
Common share issue expenses	-	-	-	(1,800,228)
Net loss	<b>(732,461)</b>	(246,117)	<b>(1,137,538)</b>	(919,356)
Balance, end of period	<b>(9,458,356)</b>	(5,123,180)	<b>(9,458,356)</b>	(5,123,180)
<b>CONTRIBUTED SURPLUS</b>				
Balance, beginning of period	<b>4,508,974</b>	3,912,193	<b>4,505,332</b>	242,579
Stock-based compensation cost	<b>31,228</b>	195,618	<b>136,171</b>	791,668
Share purchase warrants (note 7)	-	-	-	2,611,890
Broker warrants (note 7)	-	-	-	501,393
Exercise of warrants	<b>(5,013)</b>	(4,493)	<b>(106,314)</b>	(44,212)
Balance, end of period	<b>4,535,189</b>	4,103,318	<b>4,535,189</b>	4,103,318

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

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

	2 <sup>nd</sup> quarter ended June 30, 2008	2 <sup>nd</sup> quarter ended June 30, 2007	Six-months ended June 30, 2008	Six-months ended June 30, 2007
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(732,461)	(246,117)	(1,137,538)	(919,356)
Non-cash items				
Depreciation	36,818	3,280	63,599	3,280
Stock-based compensation cost	31,228	195,618	136,171	791,668
Loss on foreign exchange	310,626	(419)	334,333	-
Changes in non-cash working capital items	34,005	(37,124)	93,221	(136,547)
Cash flows from operating activities	<b>(319,784)</b>	<b>(84,762)</b>	<b>(510,214)</b>	<b>(260,955)</b>
<b>INVESTING ACTIVITIES</b>				
Capital assets	21,689	(95,592)	(78,704)	(95,592)
Expenditures on mineral properties	<b>(2,150,012)</b>	<b>(295,646)</b>	<b>(3,729,476)</b>	<b>(364,498)</b>
Cash flows from investing activities	<b>(2,128,323)</b>	<b>(391,238)</b>	<b>(3,808,180)</b>	<b>(460,090)</b>
<b>FINANCING ACTIVITIES</b>				
Bank loan	2,351,160	-	3,612,446	-
Common shares and warrants	-	-	-	12,003,500
Common share issue expenses	-	(44,652)	-	(1,607,476)
Exercise of warrants	8,400	18,750	375,652	184,500
Cash flows from financing activities	<b>2,359,560</b>	<b>(25,902)</b>	<b>3,988,098</b>	<b>10,580,524</b>
<b>Net increase (decrease) in cash</b>	<b>(88,547)</b>	<b>(501,902)</b>	<b>(330,296)</b>	<b>9,859,479</b>
Cash, beginning of period	150,220	10,470,688	391,969	109,307
Cash, end of period	<b>61,673</b>	<b>9,968,786</b>	<b>61,673</b>	<b>9,968,786</b>
Interest paid	39,179	-	68,471	-
<b>Changes in other non-cash items</b>				
Working capital items relating to exploration projects	21,622	84,603	(100,530)	89,433
Accounts payable related to share issue expenses	-	(44,652)	-	(308,641)
Issuance of shares on extension of a Mining Lease option	4,800	3,600	4,800	3,600
Issuance of broker warrants	-	-	-	501,393
Exercise of warrants	5,013	4,493	106,314	44,212

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

# Queensland Minerals Ltd.

(an exploration stage Company)

## Consolidated Deferred Exploration Expenses (unaudited)

	2 <sup>nd</sup> quarter ended June 30, 2008	2 <sup>nd</sup> quarter ended June 30, 2007	Six-months ended June 30, 2008	Six-months ended June 30, 2007
	\$	\$	\$	\$
<b>Balance, beginning of period</b>	<b>5,738,751</b>	711,887	<b>4,305,146</b>	634,443
Administration	<b>120,834</b>	83,871	<b>147,297</b>	118,345
Drilling and assaying	<b>864,266</b>	10,454	<b>1,527,321</b>	15,305
EPM renewal, rent and option payments	<b>29,056</b>	11,620	<b>61,422</b>	19,731
Field supplies, vehicle and base operating costs	<b>283,855</b>	131,694	<b>659,449</b>	137,726
Geology	<b>109,065</b>	53,178	<b>152,631</b>	67,002
Salaries	<b>458,731</b>	57,224	<b>751,292</b>	67,376
	<b>1,865,807</b>	348,041	<b>3,299,412</b>	425,485
<b>Balance, end of period</b>	<b>7,604,558</b>	1,059,928	<b>7,604,558</b>	1,059,928

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

# Queensland Minerals Ltd.

(an exploration stage Company)

## Notes to consolidated financial Statements

June 30, 2008 (unaudited)

---

### 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. On March 1, 2007, the Company completed its initial public offering (the "IPO") and listed its shares on the TSX-Venture exchange. 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.

The Company, through its Australian wholly-owned subsidiaries Queensland Minerals (Australia) Pty Ltd. ("QMA") and Asmam Pty Ltd. ("Asmam"), is holder of a 100% interest in three (3) mineral properties known as Sybil Graben, Lynd River and Mungana. These mineral properties 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 mineral properties and related deferred exploration expenses is dependent upon the existence of economically recoverable reserves on these properties, 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.

All financial results in these financial statements are expressed in Canadian dollars unless otherwise indicated.

# Queensland Minerals Ltd.

(an exploration stage Company)

## Notes to consolidated financial Statements

June 30, 2008 (unaudited)

---

### 2. BASIS OF PRESENTATION AND CHANGE IN ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They are consistent with the policies and practices used in the preparation of the Company's audited annual consolidated financial statements, except for the adoption of new standards described in the following paragraphs. These interim unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2007 and 2006.

The preparation of consolidated financial statements in accordance with Canadian 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 judgment is applied are carrying value of mineral properties and deferred exploration expenses, asset retirement obligation and stock-based compensation.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*. These new Handbook sections apply to fiscal years beginning on or after October 1, 2007.

Under Section 1535, companies are required to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The objective of Section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and the balance sheet date and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. The impact of the adoption of these accounting standards is described in note 8 to these consolidated financial statements.

# Queensland Minerals Ltd.

(an exploration stage Company)

## Notes to consolidated financial Statements

June 30, 2008 (unaudited)

---

### 3. ASSET-BACKED COMMERCIAL PAPER

At June 30, 2008, 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 with Silverstone Trust Series A and \$949,117 with Ironstone Trust Series A.

In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption. Since that time, no transactions within an active market have been entered into involving the ABCP securities held by the Company. On August 16, 2007, a group representing banks, asset providers and major investors agreed, pursuant to the Montreal Accord, to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee (the "Committee") was subsequently established to oversee the proposed restructuring process.

On March 20, 2008, the Committee released its proposed restructuring plan through an Information Statement in respect of a Plan of Compromise and Arrangement (the "Plan"), pursuant to the Companies Creditors Arrangement Act ("CCAA"). A meeting of the noteholders to vote on the Plan was held on April 25, 2008 and noteholders approved the Plan. Justice Campbell, presiding the restructuring under the CCAA, approved the Plan on June 5, 2008. Following various appeals to Justice Campbell's decision, the appeals court of Ontario confirmed on August 18, 2008, that the Plan was fair and reasonable in all circumstances. Absent any further appeals, the Committee now anticipates that the Plan will be in effect by the end of September 2008.

As part of the Plan, noteholders of all ABCP would receive floating rate notes ("FRN") 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 ii) ABCP supported solely by synthetic assets and iii) ABCP supported primarily by U.S. sub-prime assets. 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.

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

**June 30, 2008** (unaudited)

**3. ASSET-BACKED COMMERCIAL PAPER** (continued)

The Company has 72% of its ABCP supported by synthetic assets and 28% supported by U.S. sub-prime assets. At June 30, 2008, 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 U.S. sub-prime mortgages, a combined 19% loss factor on other investments and assumed that margin facility and restructuring costs would offset accrued interest to June 30, 2008. This estimation of fair value results in a total impairment charge of \$2,425,000 related to ABCP held, which had been recorded in 2007.

There are currently no market quotations available for the non-bank sponsored ABCP and there is no certainty regarding the outcome of the Plan. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. Since the fair value of the ABCP held are determined based on the Company's assessment of market conditions as at June 30, 2008, 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.

**4. CAPITAL ASSETS**

	Cost	Accumulated depreciation	<b>June 30, 2008 Net</b>	December 31, 2007 Net
	\$	\$	\$	\$
Vehicles	99,541	(33,813)	<b>65,728</b>	98,288
Computer equipment	188,488	(59,518)	<b>128,970</b>	81,305
	288,029	(93,331)	<b>194,698</b>	179,593

**5. 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 applications comprising the Sybil Graben, Lynd River and Mungana gold exploration projects.

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

**June 30, 2008** (unaudited)

**5. 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. One (1) of the EPM's for which an application has been made to transfer title from the vendor to QMA expired in September 2007. Application for renewal of this EPM has 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 9.

Bank guarantees, totaling \$28,000, have been provided over some of the exploration rights of the Sybil Graben, Lynd River and Mungana projects. These guarantees are held by the vendor and have not yet been transferred to the Company. 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.

Renewals of the Company's EPM's 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:

	<b>June 30, 2008</b>	December 31, 2007
	\$	\$
Sybil Graben	<b>2,248,826</b>	1,983,036
Lynd River	<b>4,743,290</b>	2,221,711
Mungana	<b>612,442</b>	100,399
	<b>7,604,558</b>	4,305,146

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

**June 30, 2008** (unaudited)

**6. BANK LOAN**

On August 30, 2007 (with various subsequent amendments), the Company entered into a temporary credit facility of \$6.0 million, secured by the Company's investments in ABCP, to fund working capital requirements. As at June 30, 2008, an amount of \$5,926,176 has been drawn on the facility, which bears interest at prime less 1.50% and matures on August 31, 2008 (see note 13 – subsequent events). The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP.

**7. CAPITAL STOCK**

**Issued and fully paid**

	2 <sup>nd</sup> quarter ended		Six-months ended	
	June 30, 2008		June 30, 2008	
	Number		Number	
	of Shares	Amount	of Shares	Amount
		\$		\$
<b>Authorized</b>				
Unlimited number of common shares without par value				
<b>Common shares issued</b>				
Balance, beginning of period	42,861,268	12,816,229	41,622,768	12,347,676
Extension of Mining Lease Option (note 9)	8,000	4,800	8,000	4,800
Exercise of warrants	14,000	13,413	1,252,500	481,966
Balance, end of period	<b>42,883,268</b>	<b>12,834,442</b>	42,883,268	12,834,442

**Warrants**

	2 <sup>nd</sup> Quarter ended		Six-months ended	
	June 30, 2008		June 30, 2008	
<b>Number of warrants</b>				
Balance, beginning of period		11,750,000		13,453,500
Exercised		(14,000)		(1,252,500)
Expired		-		(465,000)
Balance, end of period		<b>11,736,000</b>		11,736,000

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

**June 30, 2008** (unaudited)

**7. CAPITAL STOCK** (continued)

**Warrants** (continued)

At June 30, 2008, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants			Number of warrants		Price	
	Dec 31, 2007	Exercised	Expired	June 30, 2008	per share	Expiry date	
					\$		
Broker warrants – 2003 private placement	21,500	(21,500)	-	-	-	-	-
2005 private placements	1,547,500	(1,082,500)	(465,000)	-	-	-	-
Broker warrants – 2005 private placements	134,500	(134,500)	-	-	-	-	-
IPO - March 2007	10,350,000	-	-	<b>10,350,000</b>	0.80	2008-09-01	
Broker warrants - March 2007 IPO	1,400,000	(14,000)	-	<b>1,386,000</b>	0.60	2008-09-01	
	<b>13,453,500</b>	<b>(1,252,500)</b>	<b>(465,000)</b>	<b>11,736,000</b>			

A total of 1,238,500 common share purchase warrants with an expiry date of March 1, 2008 were exercised during the six-month period ended June 30, 2008 for proceeds of \$367,252. The remaining 465,000 warrants expired unexercised on March 1, 2008. A total of 14,000 broker warrants with an expiry date of September 1, 2008 were exercised during the six-month period ended June 30, 2008 for proceeds of \$8,400.

**Stock options**

The following table sets out the activity in stock options:

	<b>2<sup>nd</sup> Quarter ended June 30, 2008</b>	Six-months ended June 30, 2008
<b>Number of Options</b>		
Balance, beginning of period	<b>3,382,500</b>	3,283,333
Granted	-	150,000
Cancelled	-	(50,833)
Balance, end of period	<b>3,382,500</b>	3,382,500

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

**June 30, 2008** (unaudited)

**7. CAPITAL STOCK** (continued)

**Stock options** (continued)

Stock option transactions are summarized as follows:

Grant date	Exercise price	Balance, Dec 31, 2007	Granted	Exercised	Cancelled	Balance, June 30, 2008	Number of options exercisable	Residual exercise period
	\$							
Mar 1, 2007	0.60	1,755,000	-	-	-	<b>1,755,000</b>	1,755,000	3.7 years
Mar 26, 2007	0.60	10,000	-	-	-	<b>10,000</b>	10,000	3.8 years
June 14, 2007	0.60	283,333	-	-	(33,333)	<b>250,000</b>	250,000	4.0 years
Dec 17, 2007	0.60	1,235,000	-	-	(17,500)	<b>1,217,500</b>	915,783	4.5 years
March 17, 2008	0.43	-	150,000	-	-	<b>150,000</b>	50,000	4.7 years
		3,283,333	150,000	-	(50,833)	<b>3,382,500</b>	2,980,783	

Detail of the stock options granted are as follows:

	2 <sup>nd</sup> quarter ended June 30,		Six-months ended June 30,	
	2008	2007	2008	2007
Number of options granted	-	350,000	<b>150,000</b>	2,115,000
Weighted-average fair value of options granted	-	\$0.31	<b>\$0.31</b>	\$0.49
Expected life of options	-	5 years	<b>5 years</b>	5 years
Semi-annual risk free interest rate	-	4.1%	<b>2.9%</b>	4.0%
Volatility rate	-	97%	<b>91%</b>	127%
Dividend factor	-	-	-	-
Vesting period	-	2 years	<b>2 years</b>	2 years

**Diluted earnings per share**

Excluded from the calculation of the diluted earnings per share are 11,736,000 warrants and 3,382,500 stock options for the 2<sup>nd</sup> quarter and six-month periods ended June 30, 2008 (14,245,625 warrants and 2,115,000 stock options for the 2<sup>nd</sup> quarter and six-month periods ended June 30, 2007), because to include them would have been anti-dilutive.

# Queensland Minerals LTD.

(an exploration stage Company)

## Notes to consolidated financial Statements

June 30, 2008 (unaudited)

---

### 8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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.

The Company's financial instruments at June 30, 2008 consist of cash, receivables, ABCP, bank loan and accounts payable and accrued liabilities. Other than ABCP, the fair value of these financial instruments approximates their carrying value. Other than ABCP, management believes that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company's exposure to interest and credit risks arising from its ABCP is fully described in note 3 to these consolidated financial statements.

The Company has exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as all of the Company's capital assets and deferred exploration expenses are incurred either in Australian, U.S. or New Zealand dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projection, 180-day and 360-day lookout periods. The Company's working capital deficit (excluding the bank loan secured by the ABCP held by the Company) totals \$454,922 at June 30, 2008. The Company's continued ability to fund its exploration programs and to meet its corporate and administrative obligations is dependent on its ability to raise additional capital (see note 13 – subsequent events). In the event that the Company is not successful in raising sufficient funds, it will need to substantially reduce its level of activities.

The Company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. As long as the Company is in the exploration and development stages of its mining properties, it is not the intention of the Company to contract debt obligations to finance its work programs (except in exceptional circumstances, as has occurred in the case of contracting a credit facility secured by the Company's ABCP).

### 9. COMMITMENTS

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 km<sup>2</sup>.

# Queensland Minerals LTD.

(an exploration stage Company)

## Notes to consolidated financial Statements

June 30, 2008 (unaudited)

---

### 9. COMMITMENTS (continued)

On July 6, 2005, the Company entered into a 5-year option agreement with an individual permit holder 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 2008, 2007 and 2006, the Company extended its option for one year by paying an amount of \$8,000, \$6,000 and \$4,000 and by issuing 8,000, 6,000 and 4,000 common shares, respectively.

### 10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$42,885 during the quarter ended June 30, 2008 and \$83,786 during the six-month period ended June 30, 2008 (\$57,712 during the quarter ended June 30, 2007 and \$79,300 during the six-month period ended June 30, 2007) to a company controlled by an officer and director of the Company.
- b) Paid or accrued legal fees of nil during the quarter and the six-month periods ended June 30, 2008 (nil during the quarter ended June 30, 2007 and \$100,917 during the six-month period ended June 30, 2007) to a law firm of which a director of the Company is a partner.
- c) Paid or accrued professional and administration fees of \$124,107 during the quarter ended June 30, 2008 and \$247,556 during the six-month period ended June 30, 2008 (\$69,506 during the quarter ended June 30, 2007 and \$117,364 during the six-month period ended June 30, 2007) to a Company under common management.

Due to related parties consists of balances owing of \$133,404 at June 30, 2008 and \$36,105 at December 31, 2007 to a Company under common management. These balances are unsecured, non-interest bearing with no specific terms of repayment and accordingly, their fair value cannot be determined.

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.

### 11. 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.

### 12. COMPARATIVE FIGURES

Certain comparative figures provided for the period ended June 30, 2007 have been reclassified to conform to the presentation adopted for the period ended June 30, 2008.

# Queensland Minerals LTD.

(an exploration stage Company)

## Notes to consolidated financial Statements

June 30, 2008 (unaudited)

---

### 13. SUBSEQUENT EVENTS

#### a) Temporary credit facility

On August 25, 2008, the lender of the temporary credit facility agreed to extend the maturity date of the loan to December 31, 2008. All other terms and conditions of the credit facility remain unchanged.

#### b) Private placement

On August 28, 2008, the Company announced that it plans to complete a non-brokered private placement of up to 12,000,000 Units at \$0.20 per Unit for gross proceeds of up to \$2,400,000. Each Unit issued will be comprised of one common share in the capital of the Company and one half of one common share purchase warrant, with each full warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 per share. The warrants will be exercisable for a period of 18 months following the closing date of the private placement, expected to be on or about September 5, 2008.