

Consolidated Financial Statements of

QUEENSLAND MINERALS LTD.

(an exploration stage Company)

For the Years ended December 31, 2008 and 2007



Raymond Chabot Grant Thornton

Auditors' Report

To the Shareholders of
Queensland Minerals Ltd.

Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Québec H3B 4L8

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

We have audited the consolidated balance sheets of Queensland Minerals Ltd. (an exploration stage company) as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, deficit, contributed surplus, cash flows and deferred exploration expenses for the years then ended. 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 audits.

We conducted our audits 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/ Raymond Chabot Grant Thornton LLP ¹

Montréal, April 28, 2009

¹ Chartered accountant auditor permit no. 7023

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

	December 31, 2008	December 31, 2007
	\$	\$
ASSETS		
Current assets		
Cash	119,582	391,969
Taxes receivable	219,641	310,891
Short-term portion of asset-backed commercial paper (note 4)	330,825	-
Prepaid expenses	10,683	8,905
	680,731	711,765
Asset-backed commercial paper (note 4)	5,168,117	6,493,117
Capital assets (note 5)	111,357	179,593
Deferred exploration expenses (note 6)	1,526,591	4,305,146
	7,486,796	11,689,621
LIABILITIES		
Current liabilities		
Bank loan (note 7)	6,163,464	2,313,730
Accounts payable and accrued liabilities	235,933	807,596
Due to Reunion Gold Corporation (note 10)	22,618	36,105
	6,422,015	3,157,431
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	14,493,343	12,347,676
Contributed surplus	4,837,741	4,505,332
Deficit	(18,266,303)	(8,320,818)
	1,064,781	8,532,190
	7,486,796	11,689,621

Going concern (note 1)

Commitments (note 9)

Subsequent events (note 14)

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

On behalf of the Board,

/s/ James Crombie
 James Crombie, Director

/s/ Anthony Walsh
 Anthony Walsh, Director

Queensland Minerals Ltd.

(an exploration stage Company)

Consolidated Operations and Comprehensive Loss

	Year ended December 31, 2008	Year ended December 31, 2007
	\$	\$
Expenses		
Stock-based compensation cost	187,477	1,257,316
Management and administration	450,674	317,258
Professional fees	64,303	10,364
Regulatory fees	28,611	27,211
Investor relations and travel	154,864	95,774
Capital tax	75,844	-
Office and others	123,942	86,116
Depreciation	124,924	41,610
	1,210,639	1,835,649
Other items		
Interest income	(7,203)	(184,880)
Interest expense	152,882	16,740
Impairment charge on asset-backed commercial paper (note 4)	994,175	2,425,000
Write-down of exploration projects (note 6)	7,530,769	-
Loss on foreign exchange	27,377	22,535
Net loss and comprehensive loss	(9,908,639)	(4,115,044)
Basic and diluted loss per common share	(0.22)	(0.11)
Basic and diluted weighted average number of common shares outstanding	46,004,745	37,403,013

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, 2008	Year ended December 31, 2007
	\$	\$
DEFICIT		
Balance, beginning of year	(8,320,818)	(2,403,596)
Common share issue expenses	(36,846)	(1,802,178)
Net loss	(9,908,639)	(4,115,044)
Balance, end of year	<u>(18,266,303)</u>	<u>(8,320,818)</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	4,505,332	242,579
Stock-based compensation cost	187,477	1,257,316
Share purchase warrants (note 8)	244,599	2,611,890
Broker warrants	-	501,393
Finders' warrants (note 8)	6,647	-
Exercise of warrants	(106,314)	(107,846)
Balance, end of year	<u>4,837,741</u>	<u>4,505,332</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, 2008	Year ended December 31, 2007
	\$	\$
OPERATING ACTIVITIES		
Net loss	(9,908,639)	(4,115,044)
Non-cash items		
Depreciation	124,924	41,610
Stock-based compensation cost	187,477	1,257,316
Impairment charge on asset-backed commercial paper	994,175	2,425,000
Write-down of exploration projects	7,530,769	-
Loss on foreign exchange	27,377	22,535
Changes in non-cash working capital items	(53,448)	(186,718)
Cash flows used in operating activities	(1,097,365)	(555,301)
INVESTING ACTIVITIES		
Asset-backed commercial paper	-	(8,918,117)
Additions to capital assets	(87,289)	(221,203)
Disposal of capital assets	30,601	-
Expenditures on mineral properties	(5,217,021)	(3,096,960)
Cash flows used in investing activities	(5,273,709)	(12,236,280)
FINANCING ACTIVITIES		
Bank loan	3,849,734	2,313,730
Common shares and warrants	1,903,500	12,003,500
Common share issue expenses	(30,199)	(1,609,425)
Exercise of warrants	375,652	366,438
Cash flows provided by financing activities	6,098,687	13,074,243
Net increase (decrease) in cash	(272,387)	282,662
Cash, beginning of year	391,969	109,307
Cash, end of year	119,582	391,969
Interest paid	152,882	16,740
Changes in other non-cash items		
Working capital items related to mineral properties	(442,230)	592,678
Accounts payable related to share issue costs	-	(308,641)
Issuance of shares on extension of a Mining Lease option	4,800	3,600
Issuance of broker warrants	-	501,393
Issuance of finder's warrants	6,647	-
Exercise of warrants	106,314	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, 2008	Year ended December 31, 2007
	\$	\$
Balance, beginning of year	4,305,146	634,443
Administration	301,218	579,255
Drilling and assaying	1,804,413	1,717,060
EPM renewal, rent and option payments	89,101	49,857
Field supplies, vehicle and base operating costs	1,146,641	507,699
Geology	240,602	311,278
Salaries	1,170,239	505,554
	4,752,214	3,670,703
	9,057,360	4,305,146
Write-down of exploration projects	(7,530,769)	-
Balance, end of year	1,526,591	4,305,146

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, 2008 and 2007

1. GOVERNING STATUTES, NATURE OF OPERATIONS AND GOING CONCERN

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 ("TSXV"). The Company's principal business activity is the acquisition and exploration of mineral properties in Australia. All financial results in these financial statements are expressed in Canadian dollars unless otherwise indicated.

The Company's mineral properties are in the exploration stage and it has not yet been 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.

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. Given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not generated any income or cash flows from operations. As at December 31, 2008, the Company had a deficit of \$18,266,303 and a working capital deficiency of \$5,741,284, including a bank loan in the amount of \$6,163,464, which amount is secured by the Company's asset-backed commercial paper ("ABCP"). The Company conducted extensive exploration programs throughout 2007 and 2008 on most Exploration Permits for Minerals ("EPM") and Mining Leases held or under option. As a result of the Company's limited financial resources and the adverse working conditions during the wet season, the Company temporarily suspended its field activities during the 4th quarter of 2008, while analyzing all data collected during the last field season. Following this analysis, the Company decided to write-down to nil costs incurred on all projects other than the Dingo Peak target located on the Mungana project, resulting in a charge to operations of \$7,530,769. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue its exploration activities and to meet its corporate and administrative obligations are dependent upon its ability to obtain amended repayment terms on its temporary credit facility (note 7) and additional financing, through various means including but not limited to equity financing, optioning its exploration projects and/or entering into partnership agreements. There can be no assurance that the Company will be successful in putting any of these measures into place. The Company also significantly reduced its corporate administration expenses, principally by lowering its management and administration expenses paid to Reunion Gold Corporation. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2008 and 2007

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 fair value of share purchase warrants, broker warrants, finders' warrants and stock options.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries, Queensland Minerals (Australia) Pty Ltd. ("QMA") and Asmam Pty Ltd. ("Asmam"). All 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. As at December 31, 2008 and 2007, cash and cash equivalents was comprised only of cash, which is classified as held-for-trading, with changes in fair value reported in operations.

Asset-backed commercial paper

Investments in asset-backed commercial paper ("ABCP") are designated as held-for-trading and are recorded at their fair value. Unrealized gains and losses are reported in operations. On initial recognition, the Company designated its ABCP as held-for-trading as the financial information generated by this classification is more relevant for decision-making and provides a better means for evaluating the Company's performance.

Other financial instruments

Bank loan, accounts payable and accrued liabilities and Due to Reunion Gold Corporation are classified as other liabilities. They are measured at amortized cost.

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.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2008 and 2007

2. ACCOUNTING POLICIES (continued)

Deferred exploration expenses

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.

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, 2008 and 2007, there was no material asset retirement obligation.

Income taxes

Future income taxes are recorded using the 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.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2008 and 2007

2. ACCOUNTING POLICIES (continued)

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, 2008 and 2007, this calculation proved to be anti-dilutive and consequently, there is no difference between the basic and the diluted loss per share. Potentially dilutive instruments would, if exercised, increase the number of common shares by 8,038,750 in 2008 and 16,736,833 in 2007.

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 with assumptions for risk-free interest rates, volatility, dividend yields and an expected life of the options. Stock-based compensation costs 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 TSXV 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

Effective January 1, 2008, the Company adopted the new recommendations of the CICA Handbook **Section 1535, Capital Disclosures**. This new Handbook Section applies 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. This new accounting standard addresses disclosure requirements only and had no impact on the Company's financial results.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2008 and 2007

2. ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Effective January 1, 2008, the Company adopted the new recommendations of the CICA Handbook **Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation**. These new Handbook Sections apply to fiscal years beginning on or after October 1, 2007 and replace Section 3861, *Financial Instruments – Disclosure and Presentation*. 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 to which the Company is exposed to during the reporting period and at 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. These new standards address disclosure and presentation requirements only and had 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 and to disclose any material uncertainties that cast doubt on its ability to continue as a going concern. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and consequently, the Company has applied them as at that date.

On March 27, 2009, the Emerging Issues Committee ("EIC") issued **Abstract EIC-174, Mining Exploration Costs** regarding the capitalization and impairment of exploration costs. This Abstract is to be applied to all financial statements issued after March 27, 2009. The Company has taken into account the consensus reached in this Abstract in preparing its 2008 consolidated financial statements.

Recently issued accounting pronouncements

In February 2008, the CICA published **Section 3064, Goodwill and Intangible Assets**, to replace Section 3062, Goodwill and Other Intangible Assets. Publication of this new Section also resulted in the withdrawal of Section 3450, *Research and Development Costs* and consequential amendments to certain recommendations in the CICA Handbook. 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 consequently, the Company will implement it as at January 1, 2009. The Company's management does not expect that the 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.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2008 and 2007

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments at December 31, 2008 consist of cash, ABCP, bank loan, accounts payable and accrued liabilities and amount due to Reunion Gold Corporation. Other than ABCP, the fair value of these financial instruments approximates their carrying value given that they will mature shortly. Other than ABCP and bank loan, it is management's opinion 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 4 to these consolidated financial statements. The Company's exposure to interest rate risk attributable to its bank loan is described below under *Interest rate risk*.

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, currency risk, interest rate risk and commodity price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and ABCP. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's cash is held in large financial institutions. The Company's investment in ABCP is exposed to credit risk as fully described in note 4 to these financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 deficiency totals \$5,741,284 at December 31, 2008, including a temporary line of credit in the amount of \$6,163,464, secured by the Company's ABCP, and other short-term liabilities totalling \$258,551, due within the next 12 months. The Company's ability to continue funding its exploration programs and to meet its corporate and administrative obligations is dependent on its obtaining amended repayment terms on its current temporary credit facility (note 7) and/or obtaining additional financing, through various means including but not limited to equity financing. The amount and timing of additional funding will be impacted by, among others, the strength of the capital markets.

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

December 31, 2008 and 2007

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

Currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates, as all of the Company's capital assets and deferred exploration expenses are incurred mostly in Australian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at December 31, 2008, financial assets include cash of A \$127,938 (\$109,387), receivables of A \$60,963 (\$52,123) and accounts payable and accrued liabilities of A \$266,060 (\$227,481). A plus or minus 10% change in the foreign exchange rates between the Canadian and Australian dollars would affect shareholders' equity by approximately \$6,597.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate changes on its ABCP investments that are expected to pay interest. The credit facility bears interest at a floating rate and therefore, the Company is exposed to the cash flow risks resulting from interest rate fluctuations. The Company has not entered into any derivative contracts to manage this risk. The Company's exposure to interest rate risks arising from its ABCP is fully described in note 4 to these consolidated financial statements. Based on the amount outstanding under the credit facility at December 31, 2008, a plus or minus 1% change in the prime lending rate would affect earnings by approximately \$61,600 over a 12-month period.

Commodity price risk

The Company currently has no direct exposure to price risk for fluctuation in the market price of gold.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. In the management of capital, the Company includes the components of shareholders' equity and borrowings. 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 investment in ABCP. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt or acquire or dispose of assets. The Company is not subject to any externally imposed capital requirements.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

Queensland Minerals Ltd.

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Notes to consolidated financial Statements

December 31, 2008 and 2007

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

Capital management (continued)

The Company's current investment policy is to invest its cash in highly liquid, low-risk, short-term interest-bearing investments (such as banker's acceptances, term deposits, guaranteed investment certificates or treasury bills) with maturities of 180 days or less from the original date of acquisition. Under this policy, the Company is no longer permitted to invest in ABCP or mutual fund-type securities.

The Company expects that its available capital resources will be sufficient to carry its corporate and administrative costs for a period of at least twelve-months, assuming that the terms of the temporary credit facility are amended as described in note 7.

4. ASSET-BACKED COMMERCIAL PAPER

At December 31, 2008, the Company held \$8,918,117 of non-bank sponsored asset-backed commercial paper ("ABCP") (before accounting for an impairment charge). In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption and 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 and 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"). Noteholders approved the Plan on April 25, 2008 and Justice Campbell, presiding over the restructuring under the CCAA, approved the Plan on June 5, 2008. On August 18, 2008, the appeals court of Ontario confirmed Justice Campbell's decision, following various appeals, and on September 19, 2008, the Supreme Court of Canada released a decision denying leave to appeal from the decision of the Ontario Court of Appeal. On January 21, 2009, the Plan was fully implemented following the agreement to certain enhancements to the Plan (note 14).

At December 31, 2008 the Company established the fair value of the ABCP it holds by estimating discounted future cash flows for each category of notes expected to be received (using discount rates of between 6.9% and 16.5%), by estimating that certain notes will pay interest at a rate of 0.5% less than the bankers' acceptance rate, by estimating amounts of accrued interest to be received and by considering the best available market data. This estimation of fair value resulted in a total net impairment charge of \$3,419,175 related to ABCP held, including \$2,425,000 which had been recorded in 2007. The interest payment on ABCP received in January 2009 (note 14) was presented on the consolidated balance sheet as short-term portion of ABCP.

There are currently no market quotations available for the non-bank sponsored ABCP. 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 December 31, 2008, the fair value reported may change materially in subsequent periods.

Queensland Minerals Ltd.
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Notes to consolidated financial Statements

December 31, 2008 and 2007

5. CAPITAL ASSETS

	Cost	Accumulated depreciation	December 31, 2008 Net
	\$	\$	\$
Vehicles	60,948	(31,437)	29,511
Computer equipment	188,488	(106,642)	81,846
	249,436	(138,079)	111,357

	Cost	Accumulated depreciation	December 31, 2007 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

Pursuant to asset purchase agreements effective September 21, 2005 and September 15, 2003, respectively, QMA and Asmam have a 100% interest in certain EPM and EPM applications comprising the Sybil Graben, Lynd River and Mungana gold exploration projects. These mineral properties are located in the State of Queensland, Australia. On December 12, 2007, QMA also entered into a Heads of Agreement with Echo Resources Limited ("Echo"), an Australian-listed public company, to earn an interest of up to 70% in Echo's Reedy Creek Project located 13km northwest of the Company's Anastasia Prospect on the Lynd River Project by spending specified minimum amounts during set periods of time. The Reedy Creek Project consists of two exploration permits. 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.

Following extensive exploration programs conducted in 2007 and 2008 on most EPMs and Mining Leases held or under option and its assessment of results obtained, the Company decided to write-down to nil costs incurred on all projects other than the Dingo Peak target located on the Mungana project. As such, an amount of \$7,530,769 has been charged to operations in 2008 as Write-down of exploration projects. In November 2008, the Company advised the owner of the Mining Lease located in close proximity to the Mungana property of its decision to discontinue its exploration on the lease and terminate the option agreement, due to disappointing results, and in February 2009, the Company advised Echo that it was withdrawing from one of the two exploration permits included in the option agreement also as a result of disappointing results. The Company is presently reviewing various alternatives concerning the remaining EPMs, including optioning and/or entering into partnership agreements.

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6. EXPLORATION PROJECTS (continued)

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.

Application for the transfer of title to one EPM is still pending and the transfer of another EPM is subject to the renewal of such EPM. There is no assurance that regulatory approval for the extension and renewal will be granted.

Bank guarantees, totaling A \$28,000, have been provided over some of the EPM 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.

Annual renewal of the Company's EPMs are 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:

	Cost	Write-down	December 31, 2008	December 31, 2007
	\$	\$	\$	\$
Sybil Graben	2,448,854	(2,448,854)	-	1,983,036
Lynd River	4,693,084	(4,693,084)	-	2,221,711
Mungana	1,915,422	(388,831)	1,526,591	100,399
	9,057,360	(7,530,769)	1,526,591	4,305,146

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7. BANK LOAN

On August 30, 2007 (with various subsequent amendments), the Company entered into a temporary credit facility of \$6.3 million, secured by the Company's investments in ABCP, to fund working capital requirements. As at December 31, 2008, an amount of \$6,163,464 has been drawn on the facility, which bears interest at prime less 1.50% (a rate of 2% at December 31, 2008) and matures on May 11, 2009. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP.

As a result of the implementation of the ABCP Plan (note 14), the Company and its lender are in the process of finalizing the required documentation to put in place a proposal received from the lender which would convert the temporary credit facility into two facilities, one with a minimum 2-year term and the other with a minimum 3-year term.

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, 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 6)	6,000	3,600
As at December 31, 2007	41,622,768	12,347,676
Private placement	9,517,500	1,658,901
Extension of Mining Lease Option (note 6)	8,000	4,800
Exercise of warrants	1,252,500	481,966
As at December 31, 2008	52,400,768	14,493,343

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8. CAPITAL STOCK (continued)

Issuance of shares

In September and October 2008, the Company completed, in two tranches, a non-brokered private placement. As part of the first tranche, the Company issued 7,017,500 units at a price of \$0.20 per unit, for total proceeds of \$1,403,500 and as part of the second tranche, the Company issued 2,500,000 units at a price of \$0.20 per unit, for total proceeds of \$500,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 per share until March 5, 2010. Proceeds of the private placement were allocated between common shares and share purchase warrants based on their relative fair value. The fair value of the common shares is calculated by using the TSXV share price on the date of the issuance and the value of the common share purchase warrants is measured based on the Black-Scholes option pricing model using a risk-free interest rate of 2.7%, an expected life of the warrants of 1.5 years, an annualized volatility rate of 101% and a dividend rate of 0%. An amount of \$244,599 was allocated to such share purchase warrants and was presented as part of contributed surplus.

As part of the first tranche financing, the Company granted finder's warrants to purchase up to 70,000 common shares of the Company at a price of \$0.20 per share until March 5, 2010. These finder's warrants have been recorded as share issue expenses at a fair value of \$6,647 based on the Black-Scholes option pricing model using a risk-free interest rate of 2.7%, an expected life of the warrants of 1.5 years, an annualized volatility rate of 101% and a dividend rate of 0%.

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 entitled 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 had the right to accelerate the termination of the exercise period of the warrants at any time after the date which was six months after the closing of the IPO, if the closing price of the common shares was \$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 was 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.

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8. CAPITAL STOCK (continued)

Warrants

	Year ended December 31, 2008	Year ended December 31, 2007
Number of warrants		
Balance, beginning of year	13,453,500	3,110,625
Issued	4,828,750	11,750,000
Exercised	(1,252,500)	(1,407,125)
Expired	(12,201,000)	-
Balance, end of year	4,828,750	13,453,500

At December 31, 2008, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants				Number of Warrants		Price	Expiry date
	Dec 31, 2007	Issued	Exercised	Expired	Dec 31, 2008	per share		
						\$		
Broker warrants – 2003	21,500	-	(21,500)	-	-	-	-	
Private placements – 2005	1,547,500	-	(1,082,500)	(465,000)	-	-	-	
Broker warrants – 2005	134,500	-	(134,500)	-	-	-	-	
IPO - March 2007	10,350,000	-	-	(10,350,000)	-	-	-	
Broker warrants - 2007 IPO	1,400,000	-	(14,000)	(1,386,000)	-	-	-	
Private placement – Sept 2008	-	4,758,750	-	-	4,758,750	0.40	2010-03-05	
Finder's warrants – Sept 2008	-	70,000	-	-	70,000	0.20	2010-03-05	
	13,453,500	4,828,750	(1,252,500)	(12,201,000)	4,828,750			

A total of 1,252,500 common share purchase warrants were exercised during the year ended December 31, 2008 for proceeds of \$375,652. A total of 465,000 warrants expired unexercised on March 1, 2008 and 11,736,000 warrants expired unexercised on September 1, 2008.

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8. CAPITAL STOCK (continued)

Stock options

The following table sets out the activity in stock options:

	Year ended December 31, 2008	Year ended December 31, 2007
Number of Options		
Balance, beginning of year	3,283,333	-
Granted	150,000	3,350,000
Cancelled	(223,333)	(66,667)
Number of options outstanding, end of year	3,210,000	3,283,333

Stock option transactions are summarized as follows:

Grant date	Exercise price	Balance, Dec 31, 2007	Granted	Cancelled	Balance, Dec 31, 2008	Number of options exercisable 2008	Number of options exercisable 2007	Residual exercise period
	\$							
Mar 1, 2007	0.60	1,755,000	-	-	1,755,000	1,755,000	1,135,000	3.2 years
Mar 26, 2007	0.60	10,000	-	-	10,000	10,000	10,000	3.3 years
June 14, 2007	0.60	283,333	-	(33,333)	250,000	250,000	283,333	3.5 years
Dec 17, 2007	0.60	1,235,000	-	(190,000)	1,045,000	962,500	880,833	4.0 years
March 17, 2008	0.43	-	150,000	-	150,000	50,000	-	4.2 years
		3,283,333	150,000	(223,333)	3,210,000	3,027,500	2,309,166	

Details of the stock options granted are as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
Number of options granted	150,000	3,350,000
Weighted-average fair value of options granted	\$0.31	\$0.43
Expected life of options	5 years	5 years
Semi-annual risk free interest rate	2.9%	3.83% - 4.10%
Volatility rate	91%	86% to 133%
Dividend factor	-	-
Vesting period	2 years	1 year

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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. QMA may, subject to Echo's prior consent, elect to earn an additional 10% interest in the project by completing a bankable feasibility study within 4 years. Echo will be free carried to the completion of the bankable feasibility study. 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. In February 2009, the Company advised Echo that it was withdrawing from one of the two exploration permits included in the option agreement.

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$293,522 during the year ended December 31, 2008 (\$210,680 in 2007) to a company controlled by an officer and director of the Company.
- b) Paid or accrued legal fees of nil during the year ended December 31, 2008 (\$100,917 in 2007) to a law firm of which a director of the Company is a partner.
- c) Paid or accrued professional and administration fees of \$441,526 during the year ended December 31, 2008 (\$285,795 in 2007) to Reunion Gold Corporation, a Company under common management.

Due to related parties consists of balances owing of \$22,618 at December 31, 2008 and \$36,105 at December 31, 2007 to Reunion Gold Corporation, a Company under common management. This amount is non-interest bearing and has no specific repayment terms.

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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11. INCOME TAXES

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

	Year ended December 31, 2008	Year ended December 31, 2007
	\$	\$
Statutory combined income tax rate	30.90%	32.02%
Loss before income taxes	(9,908,639)	(4,115,044)
Expected income tax recovery	(3,061,769)	(1,317,637)
Effect of lower tax rate of foreign jurisdiction	65,318	1,170
Variation in valuation allowance	2,681,933	516,379
Non-deductible expenses and others	314,518	800,088
Income tax recovery	-	-

Subject to certain restrictions, the Company has total tax deductions available to apply against future taxable income in Australia of approximately \$11,735,000 and in Canada of approximately \$3,526,000 at December 31, 2008. Non-capital losses in Australia do not expire. The Canadian non-capital losses, if not utilized, will expire through 2028.

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

	Australia		Canada	
	2008	2007	2008	2007
	\$	\$	\$	\$
Tax losses	592,097	476,691	731,994	691,271
Mineral properties	2,533,038	223,767	(43,763)	-
Share issuance costs	-	-	289,216	428,108
	3,125,135	700,458	977,447	1,119,379
Less: Valuation allowance	(3,125,135)	(700,458)	(977,447)	(1,119,379)
	-	-	-	-

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12. 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.

13. COMPARATIVE FIGURES

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

14. SUBSEQUENT EVENTS

Implementation of ABCP Plan

On January 21, 2009, the Pan-Canadian Investors Committee (the "Committee") announced that the restructuring plan (the "Plan") affecting \$32 billion of the third-party ABCP has been fully implemented. Pursuant to the terms of the Plan, the Company exchanged its short-term ABCP for longer term notes whose maturities match those of the assets previously contained in the underlying conduits.

The Company received new notes of various classes issued by a trust referred to as Master Asset Vehicle 2, including senior notes (Class A1 and A2 notes) in the amount of \$5,291,000, which have been assigned an investment grade rating of A by DBRS Limited ("DBRS") and subordinated Class B and C notes in the amount of \$811,000, which have not been rated by DBRS. The Class A1 and A2 notes will pay interest and Class B and C notes will accrue interest with payments to be made only after the Class A1 and A2 notes have been fully repaid. The Company also received \$2,816,000 of notes referred to as Ineligible Asset Tracking Notes, which intent is to track the performance and repayment of the related underlying assets in certain conduits that have significant exposure to US residential mortgage market.

Interest on ABCP

On January 23, 2009, the Company received an initial net payment of \$330,825 as interest that has accrued on the ABCP between August 2007 and August 31, 2008. Further payments representing interest earned in the ABCP conduits for the period between September 1, 2008 and January 21, 2009 (the closing date of the Plan) are expected to be made as soon as is practicable.