

QUEENSLAND MINERALS LTD.

2006 ANNUAL REPORT

MESSAGE TO SHAREHOLDERS



During the financial year 2006, Queensland Minerals set about transforming itself from a private company to a publicly listed exploration company. This process was completed in March 2007, with the Company raising Cdn \$12.0 Million in new

capital to progress its portfolio of exploration projects and listing its common shares on the TSX Venture Exchange under the symbol QML.

Over the course of the last ten years, Queensland Minerals as a private company, has acquired and carried out initial exploration on a portfolio of projects located in the state of Queensland in Australia. Queensland has a rich history of significant gold discoveries, such as Kidston, Red Dome and Pajingo, as well as being a major producer of other metals and commodities such as copper, lead, zinc and coal. Queensland Minerals' efforts have been focused on gold exploration, principally on epithermal and porphyry hosted styles of mineralization. As a private company, Queensland Minerals had taken its projects forward about as far as it could go, without significant funding. Thus the decision to take the Company public, and raise the capital required to progress the projects.

At present, the Company's efforts are focused on three areas, namely Sybil Graben, Mungana and Lynd River. Each of these areas contains multiple prospects that range from grass roots prospects to more advanced exploration.

In the Sybil Graben area, the Company has encountered epithermal style mineralization akin to that of the Pajingo mine. Previous exploration on the Francis Creek and Quartz Ridge Prospects, including ore grade drill intercepts, have outlined two advanced projects that require substantial drill programs. The initial discovery has been made. It is now a question of determining the extent and grade tenor of these areas.

Similarly at the Anastasia Prospect in the Lynd River area, previous drilling success has identified near surface mineralized breccias, with ore grade material. The programs in 2007 are focused on testing the host

structure to these breccias, with the aim of outlining a resource during the year.

The Mungana Project is a porphyry style gold prospect, and while less advanced than Sybil Graben or Lynd River, is still extremely prospective. Again the Company expects to have significant drill programs carried out on this area during the coming year.

In addition to the principal target areas, the Company has a number of other less advanced targets that will be worked on throughout 2007 with the objective of drilling these in coming years. However, the focus for 2007 is developing resources on the more advanced targets.

Managerial and exploration efforts in 2006 have led to the creation of a well financed gold exploration company with exceptional quality exploration projects. Our objective is to unlock the undoubted potential of the projects by undertaking aggressive exploration on the Company's holdings.

In closing, I would like to thank the management and staff of the Company for their efforts in taking the Company forward, and the shareholders for their support during the process. We look forward to providing all with exploration success during the coming year.

Respectfully submitted,



James A. Crombie
Executive Vice Chairman, CEO and Director



QUEENSLAND MINERALS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

Dated as of April 27, 2007

Scope of management's financial analysis

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Queensland Minerals Ltd. (the "Company" or "QML") covers the years ended December 31, 2006 and 2005 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2006 and 2005 (the "December 31, 2006 and 2005 consolidated financial statements").

The December 31, 2006 and 2005 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP").

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

Nature of Activities

The Company, which was incorporated on February 15, 1996 and commenced its current operations in October 2003, is engaged in the business of mineral exploration in Queensland, Australia through its wholly-owned subsidiaries, Queensland Minerals (Australia) Pty Ltd. ("QMA") and Asmam Pty Ltd. ("Asmam").

In 2005 and 2003 respectively, the Company had acquired all of the issued and outstanding shares of QMA and Asmam from Queensland Epithermal Minerals Ltd. ("QEP"), a Company controlled by an officer and director of the Company. Immediately prior to the respective acquisitions, QMA had acquired a 100% interest in the Sybil Graben and Lynd River Projects from QEP and Asmam had acquired a 100% interest in the Mungana Project also from QEP.

The Company's objective is to discover and develop mineral properties of merit. The Company is in the process of exploring its mineral projects and has not yet determined whether these properties contain mineral resources or mineral reserves. To this date, the Company has not generated any revenues from operations.

Initial Public Offering ("IPO") and listing on the TSX Venture Exchange ("TSX Venture")

On March 1, 2007, the Company successfully completed its Initial Public Offering ("IPO") for the sale of 18,000,000 Units to raise gross proceeds of \$10,800,000 and received approval for the listing of its common shares on the TSX Venture Exchange ("TSX Venture"). The Company's common shares started trading on the TSX Venture on March 1, 2007, under the symbol QML.

The Units offered under the IPO were sold at a price of \$0.60 each. Each Unit is comprised of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.80 for a period ending 18 months from the closing date of March 1, 2007. After the date that is six months from the closing date, in the event that the closing price of the common shares is \$1.20 or more for a period of at least 20 consecutive trading days, the Company has the right to accelerate the termination of the exercise period of the warrants to 30 days from the notice of such acceleration.

As part of the IPO, the Agents were also granted an over-allotment option 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, thus increasing the gross proceeds of the IPO by \$1,203,500.

As part of the IPO, the Company paid the Agents a cash commission equal to 7% of the gross proceeds of the IPO. The Company also issued to the Agents warrants to acquire such number of common shares that is equal to 7% of the number of Units sold pursuant to the IPO, exercisable at the issue price of \$0.60 for a period of 18 months from the closing date.

Exploration Activities

The Company incurred exploration costs of \$207,469 in 2006 compared to \$829,510 in 2005. The expenditures were as follows:

	Years ended December 31,	
	2006	2005
	\$	\$
Balance, beginning of year	426,974	785,522
Expenditures		
Acquisition of Sybil Graben and Lynd River	-	343,794
Sybil Graben	89,176	59,883
Lynd River	80,539	23,288
Mungana	37,754	402,546
	207,469	829,510
Write-down of Mungana expenditures	-	(1,188,058)
	634,443	426,974

The breakdown of accumulated costs by property is as follows:

	December 31,	
	2006	2005
	\$	\$
Sybil Graben	324,118	234,942
Lynd River	272,571	192,032
Mungana	37,754	-
	634,443	426,974

Minimum exploration work was performed in 2006 due to the limited availability of cash resources. Expenses were incurred to insure that title to mineral interests held were maintained in good standing, for some field work and the compilation of data.

In 2005, the Company wrote-down all of the expenditures that it had previously incurred on its Mungana property, for a total of \$1,188,058, due to the expiration of various tenements on which all of the prior exploration work had been made. The Company's subsequent application for a new Exploration Permit for Minerals ("EPM") over the area covered by the expired EPM 10679 was rejected. Capitalized exploration costs on the Mungana property in 2006 relate to work performed on EPM 14222.

Asmam entered into an option agreement with Joseph Wood (the "Wood Option") effective July 6, 2005 to acquire mining lease ("ML") 5194 within the Mungana Project area. Under the terms of the Wood Option, Asmam can acquire ML 5194 for the purchase price of A \$150,000 and 150,000 common shares of the Company on or before July 6, 2006. The option to purchase may be extended yearly for up to five years as follows: (i) until July 6, 2007 for an additional payment of A \$4,000 and 4,000 common shares; (ii) until July 6, 2008 for an additional payment of A \$6,000 and 6,000 common shares; (iii) until July 6, 2009 for an additional payment of A \$8,000 and 8,000 common shares; and (iv) until July 6, 2010 for a payment of A \$10,000 and 10,000 common shares. On June 20, 2006, Asmam extended its option until July 6, 2007 and an amount of A \$4,000 was paid and 4,000 common shares of the Company were issued to Mr.

Wood. The Wood Option may be terminated by Asmam at any time by providing notice, in writing, to Joseph Wood.

For 2007, the Company is planning a phase one work program of approximately \$1,730,000 on the Sybil Graben Project including drilling on its Francis Creek prospect with the objective of outlining a near surface body of mineralization and deep drilling to test vein structure mineralization. On the Quartz Ridge prospect, the Company is planning deep drilling to test for high grade gold feeder systems. On the other prospects of the Sybil Graben Project, the Company is planning girding and detailed geological mapping, rock chip and grid based soil sampling and follow-up drilling of targets that emerge from the program.

On the Lynd River Project, the Company is planning a phase one work program of approximately \$882,000 including an evaluation to complete a resource estimation, deep drilling to test host structures of the best mineralization hydrothermal breccias and regional exploration on the Anastasia prospect.

On the Mungana Project, the Company is planning a phase one work program of approximately \$605,000 including drill target definition and drilling on the Dingo Hill prospect, RCP drilling on the Mount Kitchen prospect to test for near surface gold mineralization and the definition of drill targets on other prospects in the Project area.

Selected Consolidated Financial Information

The following selected financial information should be read in conjunction with the Company's consolidated financial statements and related notes.

	Years ended December 31,	
	2006	2005
	\$	\$
Operations		
Professional fees and other administrative expenses	204,100	180,000
Loss (gain) on foreign exchange	(11,800)	30,000
Write-down of mineral properties	-	1,188,100
Net loss	192,300	1,398,100
Basic and diluted net loss per share	(0.01)	(0.11)
Cash flows		
Operating activities	(282,700)	(196,700)
Investing activities	(183,500)	(515,800)
Financing activities	511,600	730,800
	December 31,	December 31,
	2006	2005
	\$	\$
Balance Sheet		
Cash and short-term investments	109,300	64,000
Mineral properties	634,400	427,000
Total assets	774,600	524,200
Shareholders' equity (deficiency)	317,200	(36,300)

The Company has not paid any cash dividends on its outstanding common shares to date and does not intend to pay dividends in the foreseeable future. The Company plans to retain earnings, if any, for use in the operation of its business, to finance growth and expand its operations.

Results of Operations

The Company had no revenues from operations for the years ended December 31, 2006 and 2005.

During the year ended December 31, 2006, the Company incurred expenses totalling \$204,075 as compared to \$179,992 for the year ended December 31, 2005. The principal increase in expenses is attributed to additional fees incurred in 2006 to properly manage title to mineral rights and accounting activities. Also, expenses during 2005 included costs associated with raising funds by private placements to fund activities on the Company's properties and its acquisition of QMA.

In 2006, the Company accounted for a gain on foreign exchange of \$11,839 compared to a loss of \$30,043 in 2005. These amounts result from the change in value of the Australian dollar relative to the Canadian dollar applied on the conversion of monetary items held in Australian currency at the balance sheet dates.

On December 31, 2005 various tenements making up part of the Mungana Project, including those which were the focus of the 2005 drill program, expired and the Company's application for a new EPM over the area covered by the expired EPM 10679 was rejected. As a result, capitalized costs totalling \$1,188,058, incurred to December 31, 2005 on the Mungana Project were written down to nil.

Significant Accounting Policies

The Company records its interests in mineral properties and areas of geological interest at cost less recoveries. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined that there is an impairment. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the mine or their anticipated useful life, if the useful life of the asset is less than the life of the mine. If a property is abandoned or the costs to date are determined to be unrecoverable, the accumulated expenditures are charged to operations in the year in which the determination is made.

The consolidated financial statements of QML include the accounts of the Company and its wholly-owned subsidiaries, QMA and Asmam. All significant inter-company transactions and inter-company balances have been eliminated upon consolidation. Financial statements of the Company's subsidiaries, QMA and Asmam, are translated from Australian dollars to Canadian dollars 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. Gains and losses arising from translation are recorded in operations for the year.

Quarterly information

The table below presents revenues, net loss and net loss per share for the last eight quarters.

Period ended	Revenues (\$ 000)	Net loss (\$ 000)	Net loss per share \$
December 31, 2006	-	(27,285)	-
September 30, 2006	-	(44,583)	-
June 30, 2006	-	(17,938)	-
March 31, 2006	-	(102,430)	(0.01)
December 31, 2005	-	(1,267,217)	(0.10)
September 30, 2005	-	(31,568)	-
June 30, 2005	-	(67,742)	(0.01)
March 31, 2005	-	(31,566)	-

During the fourth quarter ended December 31, 2006, the Company incurred a net loss of \$27,285 compared to a net loss of \$1,267,217 during the corresponding period ended December 31, 2005. In 2005, the net loss included a write-down of \$1,188,058 of all of the expenditures that the Company had previously incurred on its Mungana property due to the expiration of various tenements on which all of the prior exploration work had been made.

Cash and cash equivalents decreased by \$160,922 during the quarter ended December 31, 2006 compared to a decrease of \$134,454 during the corresponding quarter in 2005.

Liquidity and Capital Resources

On March 1, 2007, the Company closed its IPO through the issuance of a total of 20,000,000 Units and 350,000 warrants for total net proceeds of \$11,163,500, before legal, audit and other expenses of approximately \$1,000,000 (see detail in section entitled **Initial Public Offering (“IPO”) and listing on the TSX Venture Exchange (“TSX Venture”)**).

The Company had cash of \$109,307 as at December 31, 2006 compared to \$63,953 as at December 31, 2005. The Company’s working capital deficit at December 31, 2006 was \$317,278 compared to a working capital deficit of \$463,241 at December 31, 2005. The decrease in the working capital deficit was mostly a result of the Company assigning the obligations of a convertible note in the amount of \$51,424 to Juldex, a company controlled by an officer and director of the Company, through the issuance of 205,696 common shares of the Company to Juldex, and by settling \$336,614 in debt owed to companies controlled by an officer and director of the Company by issuing an aggregate of 1,127,144 common shares of the Company.

During the year ended December 31, 2006, the Company issued a total of 2,080,000 common shares pursuant to private placements, at a price of \$0.25 per share, for total proceeds of \$520,000. The Company also issued 68,850 common shares at a deemed price of \$0.2887 per share in respect of subscription proceeds totalling \$19,878 received by the Company in 2005.

Amounts due to related parties decreased to \$42,889 at December 31, 2006 from \$338,498 at December 31, 2005 principally as a result of settling the amount of \$336,614 owed to companies controlled by an officer and director of the Company by issuing 1,127,144 common shares of the Company at a deemed price of \$0.25 per share.

During the year ended December 31, 2005, the Company issued 2,912,500 common shares and warrants to purchase an additional 2,512,500 common shares for total proceeds of \$602,500. In January and February of 2005, the Company closed tranches of a private placement for a total of 2,512,500 units for gross proceeds of \$502,500 (of which an amount had been received in 2004) with each unit consisting of one share and one share purchase warrant entitling the holder thereof to acquire an additional share for a price of \$0.30 for a period ending on the earlier of: (i) the date that is 12 months following the closing date of an IPO; and (ii) five years following the date of issuance. Blackmont Capital Inc. ("Blackmont") acted as agent for a portion of the financing and was paid a 7% commission on that portion for a total of \$27,625. The Company also granted a total of 298,125 agent's compensation options to Blackmont (the "Blackmont Compensation Options"), each such Blackmont Compensation Option entitling the holder to acquire a share at a price of \$0.30 for a period ending on the earlier of: (i) the date that is 12 months following the closing date of an IPO; and (ii) five years following the date of issuance. On December 5, 2005, the Company closed a non-brokered private placement of 400,000 common shares at a price of \$0.25 per share for gross proceeds of \$100,000.

During the year ended December 31, 2005, the Company also received subscriptions totalling \$19,878 for the purchase of a total of 68,850 common shares at a price of \$0.2887 per Share. Such shares were issued on April 11, 2006.

On June 4, 2005, the Company issued a convertible note to private investors with a principal amount of \$51,424 which bore interest at a rate of 10% per year. The Company had the option to settle the interest in cash or through the issuance of shares at A \$0.30 per share. During the year ended December 31, 2006, the Company settled the interest outstanding by the issuance of 18,000 shares and assigned the obligations related to the principal amount by the issuance of 205,696 common shares to Juldex.

Off-Balance Sheet Arrangements

As of December 31, 2006, the Company had no off-balance sheet arrangements

Related Party Transactions

During the year ended December 31, 2006, the Company:

1. paid or accrued consulting fees and other exploration costs of \$71,586 (2005 - \$224,604) to Juldex;
2. paid or accrued office and administration costs of \$21,117 (2005 - \$86,968) to Juldex;
3. paid or accrued legal fees of \$175,680 (2005 - \$87,327) to a law firm of which a director of the Company is a partner; and
4. accrued professional and administration fees of \$42,899 (2005 - nil) to Reunion Gold Corporation, a company under common management.

During the year ended December 31, 2006, Juldex agreed to assume the debt of the Company in respect to a convertible note of \$51,424 (A \$54,000). Upon conversion of the note, the Company issued 205,696 shares to Juldex at a price of \$0.25 per Share. In addition, the Company paid interest of \$5,142 (A \$5,400) on the convertible note by issuing 18,000 common shares at a price of A \$0.30 per share pursuant to the terms of the convertible note.

During the year ended December 31, 2005, the Company acquired from QEP all of the issued and outstanding shares of QMA in consideration for 5,000,000 shares, valued at \$343,794. Immediately prior thereto QMA had acquired a 100% interest in the Sybil Graben and Lynd River Projects from QEP. The amount of \$343,974 reflected the carrying amount of the Sybil Graben and Lynd River Projects in the financial statements of the vendor, QEP, immediately prior to the transaction and the Company therefore used the "continuity of interest" method to account for its acquisition of the properties.

As at December 31, 2006, the Company owed \$42,899 to a company under common management. Amounts due to companies controlled by an officer and director of the Company as at December 31, 2005 totalled \$338,498. These balances were unsecured, non-interest bearing with no specific terms of repayment. 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.

Book value of Mining Properties

At the end of each period, work performed on exploration projects is reviewed to evaluate its potential. Following this analysis, a write-down is recorded, if required. The Company has established that no write-down was required at December 31, 2006.

Changes in Accounting Policies

There were no changes made to accounting policies during the year ended December 31, 2006.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, amounts due to related parties and convertible note. Management does not believe that these financial instruments expose the Company to any significant interest or credit risks. The fair market value of these instruments at December 31, 2006 approximates their carrying value.

Outstanding Share Data

Common shares and convertible securities outstanding at April 27, 2007 are as follows:

Securities	Expiration date	Exercise price	Securities outstanding
Common shares	n/a	n/a	40,824,643
2007 warrants	Sept 1, 2008	\$ 0.80	10,350,000
2007 Agent's warrants	Sept 1, 2008	\$ 0.60	1,400,000
2005 warrants	March 1, 2008	\$ 0.30	1,897,500
2005 Agent's compensation options	March 1, 2008	\$ 0.30	298,125
2003 Agent's compensation options	March 1, 2008	\$ 0.10	300,000
Stock options	March 1, 2012	\$ 0.60	1,755,000
Stock options	March 26, 2012	\$ 0.60	10,000

If all warrants and options were exercised, total shares outstanding would be 56,835,268 shares.

Disclosure Controls and Internal Controls over financial reporting

The Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures (the "Procedures") which provide reasonable assurance that information required to be disclosed by the Company under the various securities legislation (the "Required Filings") is reported within the time periods specified. Without limitations, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Certifying Officers have concluded that the Procedures in place as of the end of the period covered by the Required Filings are effective in providing reasonable assurance that material information relating to the Company is accumulated and communicated to management and reported within the time periods specified.

The Company's Certifying Officers have established internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. There was no material change in the Company's ICFR during the period from October 1, 2006 to December 31, 2006.

Risks and Uncertainties

The following discussion reviews a number of significant risks which management believes could impact the Company's business. For a more complete discussion of these and other risk factors, please refer to the "Risk Factors" section of the Company's prospectus dated February 21, 2007 accessible on www.sedar.com.

Exploration and Development

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

All of the Company's prospects are in the exploration stages only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Title Risks

The Company is not the registered holder of some of the tenements and applications comprising its mineral projects. Transfer applications have been submitted to the regulatory authorities in the State of Queensland to effect the transfer of certain tenements to QMA, the Company's subsidiary, but there is no assurance if, or when, such transfers will be approved.

Some of the tenements are still in the application stage and there is no assurance if, or when, such applications will or may be approved by the applicable regulatory authorities or, if approved, that the granted tenements will include the sub-blocks requested in the applications. Until an application is approved and a tenement is granted, an application for exploration permit for minerals ("EPMA") or an application for mineral development lease ("MDLA") does not confer on the holder any exploration rights. The Company has submitted an application for a mineral development licence ("MDL") over most of the area which currently comprises the Sybil Graben project. If the MDLA is not accepted, the Company may be required to relinquish most of the area which comprises the Sybil Graben Project.

The Company could lose title to, or its interests in, the tenements comprising the projects if licence conditions are not met or if sufficient funds are not available to meet expenditure commitments.

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to its properties will not be challenged or impugned. The mineral properties in which the Company has its interests, may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of the mineral properties, therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, the Company can give no assurance as to the validity to those lands or the size of such mineral lands.

Compulsory Work Obligations

Each of the Company's tenements, and those tenements that it has a right to acquire, is subject to expenditure and work commitments which must be met in order to keep such tenement in good standing. These commitments may be varied on application by the tenement holder but any such variation is at the sole discretion of the Minister administering the relevant State mining legislation. If no variation is approved, and there is a failure to meet the commitments, this could lead to forfeiture of the tenement.

Native Title and Aboriginal Cultural Heritage

In carrying out exploration and/or mining operations, the Company must observe Native Title legislation (where applicable) and Aboriginal Cultural Heritage legislation.

The *Native Title Act* 1993 legally recognizes the unique title rights of indigenous Australians over areas where those rights have not been lawfully extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration or obtain production tenements. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements.

There may be sites and objects of significance to indigenous Australians located on the land relating to the tenements that the Company has rights to. State and Commonwealth Aboriginal Cultural Heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. Aboriginal cultural heritage may restrict access to the affected land and result in the preclusion of any exploration or mining activities in that area. This may result in increased operating costs for the Company in executing its proposed exploration plans. Also, cultural heritage surveys of the exploration areas will need to be conducted prior to accessing the land and access agreements may need to be negotiated with affected parties.

Requirement for Additional Financing

The further development and exploration of the Company's projects depends upon the Company's ability to obtain financing through equity financing, joint ventures, debt financing, or other means. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Company to obtain equity financing or debt financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its projects or reduce or terminate some or all of its operations.

Environmental Regulations, Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects.

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Mineral Exploration and Mining Carry Inherent Risks

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimize risk, there is a possibility of a material adverse impact on the Company's operations and its financial results.

Volatility of Metal Prices

The mining industry is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that metal prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, the Company's principal products and exploration targets, gold, copper and silver, is affected by various factors, including political events, economic conditions and production costs.

Foreign Currency Exchange

The Company incurs most of its expenditures in the local currency of Australia, while most of the funds it raises are Canadian dollars. This renders the Company subject to foreign currency fluctuations which may materially affect its financial position and operating results.

Forward Looking Statements

Except for historical information, this MD&A may contain forward looking statements. Forward-looking statements are not historical facts and are subject to a number of known and unknown risks and uncertainties beyond the Company's control. Uncertainties relate to raising sufficient financing to fund the planned work in a timely manner and on acceptable terms; the possibility that required permits may not be obtained in a timely manner or at all; changes in planned work resulting from weather, logistical, technical or other factors; potential resources, exploration results, costs and supply of material relevant to the mining industry; and future plans and objectives of the Company. These statements may cause the actual results, levels of activity, performance or achievement of the Company to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

Queensland Minerals Ltd.
Consolidated Financial Statements
For the Years Ended December 31, 2006 and 2005

Financial Statements	
Auditors' Report	2
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Deficit	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

AUDITORS' REPORT

To the Shareholders of
Queensland Minerals Ltd.

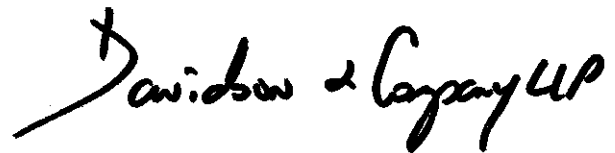
We have audited the consolidated balance sheets of Queensland Minerals Ltd. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

April 6, 2007



Chartered Accountants

A Member of SC INTERNATIONAL

QUEENSLAND MINERALS LTD.
(A development stage Company)
CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
	\$	\$
ASSETS		
Current assets		
Cash	109,307	63,953
Receivables	30,820	33,229
	<u>140,127</u>	<u>97,182</u>
Mineral properties (note 4)	634,443	426,974
	<u>774,570</u>	<u>524,156</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	414,506	165,359
Due to related parties (note 9)	42,899	338,498
Convertible note (note 5)	-	56,566
	<u>457,405</u>	<u>560,423</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital stock (note 6)	2,478,182	1,542,724
Shares to be issued (note 6a)	-	19,878
Contributed surplus (note 6)	242,579	242,579
Deficit	(2,403,596)	(1,841,448)
	<u>317,165</u>	<u>(36,267)</u>
	<u>774,570</u>	<u>524,156</u>

Nature and continuance of operations (note 1)

Commitments (note 8)

Subsequent events (note 13)

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

On behalf of the Board,

/s/ James A. Crombie
Director

/s/ Craig D. Thomas
Director

QUEENSLAND MINERALS LTD.

(A development stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,	
	2006	2005
	\$	\$
Expenses		
Professional fees	108,929	126,359
Regulatory and filing fees	960	430
Office and administration	94,186	51,075
	<u>204,075</u>	<u>177,864</u>
Other items		
Interest income	-	(3,014)
Interest expense	-	5,142
Loss (gain) on foreign exchange	(11,839)	30,043
Write-down of mineral properties (note 4)	-	1,188,058
	<u>(192,236)</u>	<u>(1,398,093)</u>
Net loss		
	<u>(192,236)</u>	<u>(1,398,093)</u>
Basic and diluted net loss per common share	<u>(0.01)</u>	<u>(0.11)</u>
Basic and diluted weighted average number of common shares outstanding	<u>18,416,895</u>	<u>12,542,528</u>

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

QUEENSLAND MINERALS LTD.

(A development stage Company)

CONSOLIDATED STATEMENTS OF DEFICIT

	Years ended December 31,	
	2006	2005
	\$	\$
DEFICIT		
Balance, beginning of year	(1,841,448)	(359,826)
Common share issue expenses	(369,912)	(83,529)
Net loss	<u>(192,236)</u>	<u>(1,398,093)</u>
Balance, end of year	<u><u>(2,403,596)</u></u>	<u><u>(1,841,448)</u></u>

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

QUEENSLAND MINERALS LTD.

(A development stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2006	2005
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Net loss	(192,236)	(1,398,093)
Non-cash items		
Accrued interest on convertible note	-	5,142
Write-down of mineral properties	-	1,188,058
Loss (gain) on foreign exchange	(11,839)	30,043
Changes in non-cash working capital items		
Receivables	2,409	(15,064)
Accounts payable and accrued liabilities	(81,026)	(6,799)
Cash flows used in operating activities	<u>(282,692)</u>	<u>(196,713)</u>
INVESTING ACTIVITIES		
Expenditures on mineral properties and cash flows used in investing activities	<u>(183,537)</u>	<u>(515,759)</u>
FINANCING ACTIVITIES		
Share subscriptions	520,000	577,500
Shares to be issued	-	19,878
Common share issue expenses	(61,271)	(33,344)
Convertible note	-	51,424
Due to related parties	52,854	115,374
Cash flows provided by financing activities	<u>511,583</u>	<u>730,832</u>
Net increase in cash	45,354	18,360
Cash, beginning of year	63,953	45,593
Cash, end of year	<u>109,307</u>	<u>63,953</u>
Cash flows relating to interest and income taxes are as follows:		
Interest paid	-	-
Income taxes paid	-	-

Supplemental disclosure with respect to cash flows (note 11)

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

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****1 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. Its 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. ("QML Australia") 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 reserves that are economically recoverable. The recoverability of the amount shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") 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 receive financial support, complete equity financings, or generate profitable operations in the future.

2 ACCOUNTING POLICIES**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries. All significant inter-company transactions and inter-company balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the value of mineral properties, asset retirement obligations and stock-based compensation.

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less recoveries. All direct and indirect costs relating to the acquisition of these interests and expenditures relating to mineral exploration programs are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the mine or their anticipated useful life, if the useful life of the asset is less than the life of the mine. If a property is abandoned or the costs to date are determined to be unrecoverable, the accumulated expenditures are charged to operations in the year in which the determination is made.

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****2 ACCOUNTING POLICIES (Continued)****Asset retirement obligations**

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, 2006 and 2005, there were no material asset retirement obligations.

Future 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 period 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. Gains and losses 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, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. 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, 2006 and 2005, this calculation proved to be anti-dilutive. Potentially dilutive instruments would, if exercised, increase the number of common shares by 3,110,625 in 2006 and 2005.

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****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.

The Black-Scholes option-pricing model used to calculate option values, as well as other currently accepted option valuation models, were developed to estimate the fair value of freely tradeable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. The models also require highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values.

3 ACQUISITIONS

On September 21, 2005, QML Australia (formerly Slater Mail Run Pty Ltd.) acquired a 100% interest in two (2) mineral properties (known as the Sybil Graben and Lynd River projects), located in the State of Queensland, Australia 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 QML Australia. As consideration, the Company issued 5,000,000 common shares, valued at \$343,794.

On September 15, 2003, Asmam acquired a 100% interest in a mineral property (known as the Mungana project), located in the State of Queensland, Australia 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 QML Australia (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 QML Australia 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 mineral property costs are presented in the financial statements of the Company as if the Company had held title to the mineral property since the date of the original acquisition of the mineral property by the vendor.

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****4 MINERAL PROPERTIES**

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 conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Pursuant to an asset purchase agreement effective September 21, 2005, QML Australia acquired a 100% interest in certain Exploration Permits for Minerals ("EPM") and the rights to certain EPM applications comprising the Sybil Graben and Lynd River gold exploration properties located in the State of Queensland, Australia. As consideration, QML Australia issued 1,000,000 fully paid ordinary shares of its capital.

Pursuant to an asset purchase agreement effective September 15, 2003, Asmam acquired a 100% interest in an EPM and the rights to certain EPM applications comprising the Mungana gold exploration property located in the State of Queensland, Australia. As consideration, Asmam issued 500,000 fully paid ordinary shares of its capital. Application for renewal of certain of these EPM's to be transferred to Asmam was rejected in March 2006 and management has consequently written-down to Nil, at December 31, 2005, all costs related to these EPM's.

Applications for the transfer of title to the EPM's from the vendor to Asmam and QML Australia 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 Asmam and to QML Australia upon granting of these EPM's, if applicable, to the vendor by the state government.

Bank guarantees, totaling A\$28,000, 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, 2006. 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.

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****4 MINERAL PROPERTIES (Continued)**

Details of the Company's exploration costs are as follows:

	Years ended December 31,	
	2006	2005
	\$	\$
Balance, beginning of year	426,974	785,522
Expenditures		
Acquisition costs	-	343,794
Administration and other	-	74,220
Assaying, testing and analysis	9,733	10,217
Consulting, drafting and plan printing	25,613	70,128
Drilling	-	97,169
EPM renewal, rent and option payments	41,508	7,909
Field supplies, vehicle and base operating costs	55,135	76,355
Geological	197	96,881
Planning, supervision and reporting	10,874	10,849
Salaries	59,632	26,045
Travel and accommodation	4,777	15,943
Total expenditures for the year	207,469	829,510
Write-down of mineral properties	-	(1,188,058)
Balance, end of year	634,443	426,974

The breakdown of accumulated costs by property is as follows:

	December 31,	
	2006	2005
	\$	\$
Sybil Graben	324,118	234,942
Lynd River	272,571	192,032
Mungana	37,754	-
	634,443	426,974

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****5 CONVERTIBLE NOTE**

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. The amount of the convertible note and the accrued interest for one year, for a total of \$56,566, were presented as current liabilities at December 31, 2005. The fair value of the conversion option associated with the convertible note was not presented separately as a separate component of shareholders' equity as it was not deemed to be significant. 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. Also in June 2006, 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.

6 CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount \$	Contributed Surplus \$
Authorized			
Unlimited number of common shares without par value			
Common shares issued			
As at December 31, 2004	8,793,453	777,046	11,778
Issued pursuant to the exercise of subscription receipts	2,912,500	421,884	180,616
Issued upon acquisition of QML Australia (note 3)	5,000,000	343,794	-
Stock-based compensation (note 6b)	-	-	50,185
As at December 31, 2005	16,705,953	1,542,724	242,579
Issued pursuant to the exercise of subscription receipts	2,148,850	539,878	-
Issued in settlement of debt (note 9)	1,127,144	336,614	-
Issued as settlement of convertible note, including accrued interest (note 5)	223,696	56,566	-
Issued on extension of a Mining Lease Option (note 8)	4,000	2,400	-
As at December 31, 2006	20,209,643	2,478,182	242,579

a) Issuance of shares and warrants

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. The amount of \$19,878 was presented as Shares to be issued at December 31, 2005.

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****6 CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)****a) Issuance of shares and warrants (Continued)**

In 2005, the Company:

- i) Issued 2,512,500 units at \$0.20 per unit pursuant to two (2) private placements for gross proceeds of \$502,500, including 125,000 shares for which proceeds of \$25,000 were received in 2004. Each unit consisted of one common share and one share purchase warrant. Each warrant confers the right to the holder to purchase one common share at a price of \$0.30 for a period of one year from the date of closing of an initial public offering of the Company.
- ii) Issued 400,000 common shares at \$0.25 per share pursuant to a private placement for gross proceeds of \$100,000.
- iii) Issued 5,000,000 common shares in consideration of the acquisition of 100% of the share capital of QML Australia.

b) Compensation options

As part of private placements completed in 2005, the Company issued to the agents 298,125 compensation options. Each agents' compensation option entitles the holder to purchase one common share at a price of \$0.30 per share for a period of one year from the date of closing of an initial public offering of the Company. Using the Black-Scholes option pricing model, the agent's compensation options are recorded at fair value through additions to contributed surplus in shareholders' equity. Total stock-based compensation for the agent's compensation options recognized in this manner was \$50,185 in 2005.

Agents' compensation options and changes during the years are as follows:

	Years ended December 31,	
	2006	2005
Outstanding, beginning of year (number of options)	598,125	300,000
Weighted average exercise price (\$)	0.20	0.10
Granted (number of options)	-	298,125
Weighted average exercise price (\$)	-	0.30
Outstanding, end of year (number of options)	598,125	598,125
Weighted average exercise price (\$)	0.20	0.20

The following weighted-average assumptions were used for the Black-Scholes valuation of agent's compensation options granted:

	Years ended December 31,	
	2006	2005
Risk-free interest rate	-	2.85%
Expected life of options	-	2.25 years
Expected volatility	-	100%
Dividend rate	-	0.00%

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****6 CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)****c) Warrants**

As at December 31, 2006 and December 31, 2005, a total of 2,512,500 warrants (note 6a) are outstanding. Each warrant is exercisable into one common share at a price of \$0.30 per share for a period of one year from the date of closing of an initial public offering.

Warrants and changes during the years are as follows:

	Years ended December 31,	
	2006	2005
Outstanding, beginning of year (number of warrants)	2,512,500	-
Weighted average exercise price (\$)	0.30	-
Granted (number of warrants)	-	2,512,500
Weighted average exercise price (\$)	-	0.30
Outstanding, end of year (number of warrants)	2,512,500	2,512,500
Weighted average exercise price (\$)	0.30	0.30

7 FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, amounts due to related parties and convertible note. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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.

8 COMMITMENTS

On April 30, 2004, the Company had entered into a management and service agreement with an officer and director of the Company, which agreement was replaced on May 25, 2006 (with amendment dated August 14, 2006) with a consulting agreement (the "Consulting Agreement") with a Company controlled by an officer and director of the Company. Under the terms of the Consulting Agreement, the Company will pay annual remuneration of, initially, A\$180,000. In certain circumstances, in the event of termination of the Consulting Agreement, the Company may be required to pay severance in an amount equal to the annual remuneration in effect at the date of termination.

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 2006, the Company extended its option for one year by paying an amount of \$4,000 and by issuing 4,000 common shares.

QUEENSLAND MINERALS LTD.

(A development stage Company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005****9 RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees and other exploration costs of \$71,586 during the year ended December 31, 2006 (2005 - \$224,604) to a company controlled by an officer and director of the Company.
- b) Paid or accrued office and administration costs of \$21,117 during the year ended December 31, 2006 (2005 - \$86,968) to a company controlled by an officer and director of the Company.
- c) Paid or accrued legal fees of \$175,680 during the year ended December 31, 2006 (2005 - \$87,327) to a law firm of which a director of the Company is a partner.
- d) Accrued professional and administration fees of \$42,899 during the year ended December 31, 2006 (\$nil in 2005) to a Company under common management.

Due to related parties consists of balances owing of \$nil at December 31, 2006 and \$338,498 at December 31, 2005 to companies controlled by officers and directors of the Company and \$42,899 at December 31, 2006 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.

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.

In addition, the Company's subsidiaries acquired mineral tenements comprising the Sybil Graben, Lynd River and Mungana projects from a company controlled by an officer and director of the Company (note 3).

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2006 and 2005****10 INCOME TAXES**

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

	Years ended December 31,	
	2006	2005
	\$	\$
Loss before income taxes	(\$192,236)	(\$1,398,093)
Expected income tax recovery	(\$65,591)	(\$504,991)
Effect of lower tax rate of foreign jurisdiction	4,977	85,563
Non-deductible expenses and adjustment for income tax	4,039	439,978
Unrecognized benefit of non-capital loss carryforwards	56,575	(20,550)
Income tax recovery	-	-

Subject to certain restrictions, the Company has available for deduction against future taxable income non-capital losses in Australia of approximately \$2,823,000 and in Canada of approximately \$471,000 at December 31, 2006. The Australian non-capital losses do not expire. The Canadian non-capital losses, if not utilized, will expire through 2026.

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

	Australia		Canada	
	2006	2005	2006	2005
	\$	\$	\$	\$
Non-capital losses	846,956	682,478	146,060	105,294
Mineral properties	(187,726)	(145,684)	744	-
Share issuance costs	-	-	101,192	14,774
	659,230	536,794	247,996	120,068
Less: Valuation allowance	(659,230)	(536,794)	(247,996)	(120,068)
	-	-	-	-

11 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions included:

Year ended December 31, 2006:

- The Company issuing 1,127,144 common shares with a value of \$336,614 to a Company controlled by an officer and director of the Company to extinguish amounts due to companies controlled by the officer and director of the Company (note 9);
- The Company issuing a total of 223,696 common shares with a value of \$56,566 as settlement of a convertible note and accrued interest, including 205,696 shares to a Company controlled by an officer and director of the Company (note 5);
- The Company issuing 4,000 common shares with a value of \$2,400 on extension of a Mining Lease Option (note 8);
- Accounts payable and accrued liabilities related to share issue costs of \$308,641;
- Accounts payable and accrued liabilities related to exploration projects of \$21,532.

QUEENSLAND MINERALS LTD.

(A development stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

11 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

Year ended December 31, 2005:

- a) The Company issuing 5,000,000 common shares upon the acquisition of QML Australia, valued at \$343,794 (note 3);
- b) The Company issuing 298,125 agent's compensation options, valued at \$50,185 (note 6b).

12 SEGMENTED INFORMATION

The Company operates in Australia in one business segment being the acquisition and exploration of mineral properties.

13 SUBSEQUENT EVENTS

a) On January 15, 2007, the Company's board of directors approved the filing of a preliminary prospectus for an initial public offering (the "IPO") and approved an application for the listing of the Company's common shares on the TSX-Venture exchange ("TSX-V"). On February 21, 2007, the Company's board of directors, as part of the IPO, approved the issuance of 18,000,000 units of the Company at a price of \$0.60 per unit to raise gross proceeds of \$10,800,000. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant will entitle 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 will have 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 20 consecutive trading days. The closing of the IPO and the listing of the Company's shares on the TSX-V occurred on March 1, 2007.

As part of the IPO, the Agents were also granted an over-allotment option 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, thus increasing the gross proceeds of the offering by \$1,203,500.

Pursuant to the terms of an agency agreement dated February 21, 2007, Westwind Partners Inc., Canaccord Capital Corporation, Dundee Securities Corporation and Primary Capital Inc. (the "Agents") acted as agents for the IPO. Under the terms of the agency agreement, the Agents received a cash commission equal to 7% of the gross proceeds of the IPO, and were granted share purchase warrants (the "Agents' Warrants") to acquire that number of units which is equal to 7% of the number of units sold pursuant to the IPO. Each Agents' Warrant is exercisable at the issue price for a period of 18 months from closing of the IPO. In addition, the Company paid Westwind Partners Inc. a financial advisory fee in the amount of \$85,000.

b) 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 Company's shareholders on December 4, 2006.

On January 15, 2007, the Company's board of directors approved the granting of 1,755,000 stock options pursuant to the terms of the stock option plan, which at that time were subject to regulatory approval and completion of the Company's proposed IPO. Each stock option is exercisable at a price of \$0.60 per share for a period of 5 years from the closing date of the IPO. On March 26, 2007, the Company's board of directors approved the granting of an additional 10,000 stock options, exercisable at a price of \$0.60 per share for a period of 5 years.

CORPORATE INFORMATION

Directors:

James A. Crombie
Nassau, Bahamas

David Fennell
Nassau, Bahamas

Adrian Fleming
Waverly, New Zealand

Al S.B. Marton
Cairns, Australia

Craig D. Thomas
West Vancouver, British Columbia

Registered Office:

700 West Georgia Street
Suite 1925
Vancouver, British Columbia
V7Y 1A1

Administrative Office:

1111 St. Charles Boulevard West
Suite 650
Longueuil, Quebec
J4K 5G4

Investor Relations:

James A. Crombie
Chief Executive Officer
Telephone: (450) 677-3868
Facsimile: (450) 677-2601
www.queenslandminerals.com

Transfer Agent & Registrar:

Olympia Trust Company
2300, 125-9th Avenue SE
Calgary, Alberta
T2G 0P6

Officers:

James A. Crombie
*Chief Executive Officer and
Executive Vice-Chairman*

David Fennell
Chairman

Adrian Fleming
President

Al S.B. Marton
Technical Director

Alain Krushnisky
Chief Financial Officer

Carole Plante
Corporate Secretary

Shareholder Information:

TSX Venture Exchange (TSX-V)
Stock Symbol : QML

Special General Meeting of Shareholders:

The Special General Meeting of Shareholders will be held at 9:30 a.m. (Vancouver time) on June 14, 2007 at the Company's Registered Office in Vancouver, British Columbia

Issued and Outstanding:

As at May 11, 2007

Common Shares:	40,824,643
Options and Warrants:	<u>16,010,635</u>
Fully Diluted Share Capital:	56,835,278