

**QUEENSLAND MINERALS LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2007**

*The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Queensland Minerals Ltd. (the "Company" or "QML"), dated November 27, 2007, covers the third quarter ended September 30, 2007 and should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the three-month period ended September 30, 2007 (the "September 30, 2007 consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended December 31, 2006, including the section describing risks and uncertainties, and the audited consolidated financial statements for the years ended December 31, 2006 and 2005.*

*The September 30, 2007 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") following the same accounting policies and methods of computations as the audited annual consolidated financial statements, except for the adoption of new standards on financial instruments as more fully described under the heading "Changes in Accounting Policies".*

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

## **BUSINESS OVERVIEW**

The Company 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"). Its 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.

### **Corporate**

In March 2007, the Company successfully completed its Initial Public Offering ("IPO") for the sale of 20,000,000 Units and 350,000 warrants, including the exercise of an over-allotment of 2,000,000 Units, to raise gross proceeds of \$12,003,500 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.

### **Asset-backed Commercial Paper ("ABCP")**

As at September 30, 2007, the Company had \$8.9 million invested in secured short-term debt obligations (rated R-1 High by Dominion Bond Rating Service), issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations, commonly known as ABCP, typically have terms of less than 365 days and repayment of a maturing ABCP is dependent on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP.

In mid-August 2007, a number of sponsors of non-bank managed ABCP announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. As a result, the non-bank ABCP market is currently the subject of an agreement signed August 16, 2007 among a number of affected parties. This agreement, referred to as the "Montreal Accord", contemplates some form of a restructuring of ABCP on or before December 14, 2007 with the expressed intention of re-introducing those investments in a different form and also creating a market for them to be traded. However, the general terms of reference of the Montreal Accord have not been made the subject of a definitive proposal and there is no certainty of a positive outcome. There is presently no active market for the ABCP held by the Company and the funds cannot be accessed until such time as the restructuring contemplated by the Montreal Accord has been completed or some alternative acceptable resolution is found.

Management has estimated the fair value impairment on ABCP held using a valuation technique incorporating a risk factor to discounted future cash flows. While management believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that management's estimate of potential recovery is accurate. Based on this fair value estimation, the Company has recorded an impairment charge in the amount of \$1.3 million in the current period. Subsequent adjustments, which could be material, may be required in future reporting periods. In addition, the Company has not accrued any interest due from these investments pending further information from the restructuring.

### ***Exploration Activities***

The Company incurred exploration costs of \$1,477,800 during the third quarter of 2007 compared to \$54,600 in the corresponding quarter of 2006, of which \$806,900 was spent on the Lynd River property and \$669,100 on the Sybil Graben property.

**Anastasia:** Core drilling commenced at Anastasia on the Lynd River Project on July 9, 2007 with five (5) holes completed to the end of September and two (2) additional holes at the Mt McDevitt target, for a total of 2,527 meters. Since October 1, 2007, eight additional core holes have been drilled at Anastasia for a further 1,656 metres. The Company is encouraged with results obtained from one hole. Assays are pending from all subsequent holes. The turn around period for assay results is currently over eight weeks with results expected up to late January 2008.

**Sybil Graben:** At the Sybil Graben Project, core and reverse circulation drilling using a UDR650 drill rig began on August 7, 2007 at Quartz Ridge. Six holes were completed to the end of September, for a total of 986 meters. No significant assays have been received for any of the holes completed at Quartz Ridge. The rig was moved to Francis Creek on October 12, 2007 and commenced a series of 14 holes to test the epithermal quartz veins, holes FSR105 to FSR118. This program has now been completed with hole FSR118 drilled in the last few days. Francis Creek drilling has totaled 1,933 metres. Assay results are awaited.

## CONSOLIDATED FINANCIAL INFORMATION

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

	<b>September 30,</b>		<b>December 31,</b>	
	<b>2007</b>		<b>2006</b>	
	<b>\$</b>		<b>\$</b>	
<b>Balance Sheet</b>				
Cash and cash equivalents	110,600		109,300	
Asset-Backed Commercial Paper	7,571,200		-	
Mineral properties	2,537,700		634,400	
Bank loan	304,200		-	
Total assets	10,681,200		774,600	
Shareholders' equity	9,590,600		317,200	
	<b>Third Quarter ended</b>		<b>Nine-months period ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operations</b>				
Administration expenses	186,300	37,600	451,100	143,200
Stock-based compensation cost	81,400	-	873,100	-
Interest income	(34,800)	-	(181,600)	-
Write-down of ABCP	1,347,000	-	1,347,000	-
<b>Net loss</b>	<b>(1,609,000)</b>	<b>(44,600)</b>	<b>(2,528,400)</b>	<b>(165,000)</b>
<b>Basic and diluted loss per share</b>	<b>(0.04)</b>	<b>0.00</b>	<b>(0.07)</b>	<b>(0.01)</b>
<b>Cash flows</b>				
Operating activities	(150,000)	(52,900)	(410,900)	(147,000)
Investing activities	(10,048,500)	(61,600)	(10,508,600)	(139,700)
Financing activities	340,300	320,000	10,920,800	493,000

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 quarters ended September 30, 2007 and 2006.

During the third quarter ended September 30, 2007, the Company incurred expenses totalling \$284,700 compared to \$37,600 for the third quarter ended September 30, 2006. The Company incurred \$186,300 in administration expenses and \$81,400 in stock-based compensation cost, following the grant of 2,115,000 stock options in March and June 2007.

In the third quarter ended September 30, 2007, the Company earned \$35,800 in interest income on liquidities held prior to the August 16, 2007 standstill agreement relating to ABCP. For the comparative period in 2006, the Company had no interest income.

A write-down of the Company's investments in ABCP in the amount of \$1,347,000 was charged to earnings during the 3rd quarter ended September 30, 2007 (see further discussion under Business Review section; Asset-Backed Commercial Paper).

The Company accounted for a loss on foreign exchange of \$12,800 in the third quarter ended September 30, 2007 compared to \$7,000 in 2006. 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.

## Quarterly information

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

Period ended	Revenues	Net loss	Net loss per share
	\$	\$	\$
September 30, 2007	-	(1,609,043)	(0.04)
June 30, 2007	-	(246,117)	(0.01)
March 31, 2007	-	(673,239)	(0.03)
December 31, 2006	-	(27,285)	-
September 30, 2006	-	(53,263)	-
June 30, 2006	-	(17,938)	-
March 31, 2006	-	(93,750)	(0.01)
December 31, 2005	-	(1,267,217)	(0.10)

## LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital deficit at September 30, 2007 totalled \$707,800 compared to \$317,300 at December 31, 2006. The working capital deficit includes cash of \$110,600 and a bank loan of \$304,200.

On August 30, 2007 (with amendment dated October 9, 2007), the Company entered into a temporary credit facility of \$2,500,000, secured by the Company's investments in ABCP, to fund working capital requirements. As at September 30, 2007, an amount of \$304,200 has been drawn on the facility, which bears interest at prime less 1.50% and matures on November 30, 2007. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP. As at November 23, 2007, the amount drawn on the facility totals \$1,748,700. Discussions are currently being held between the Company and its lender to further amend and extend the temporary credit facility.

During the third quarter ended September 30, 2007, the Company issued a total of 259,750 common shares (874,750 common shares during nine-month period ended September 30, 2007) following the exercise of warrants relating to the 2005 private placements, for total proceeds of \$37,975 (\$222,475 during the nine-month period ended September 30, 2007).

### ***Funding requirements and ABCP implications***

The Company currently funds its exploration program through its credit facility. The Company believes that through the combination of the credit facility and the fair value of its ABCP investments of \$7.6 million, it has sufficient funds to pursue its exploration programs and to meet its corporate and administrative obligations for the next 12 months. Subsequently, the Company will need additional financing to further pursue its exploration programs. The amount and timing of additional funding may be significantly impacted by the outcome of the Montreal Accord restructuring should the amount recovered be lower than management's current best estimate of recovery and should funds not be readily available.

There can be no assurance that the Company will be able to raise sufficient funds as and when these funds are required.

### ***Initial Public Offering***

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. 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.

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 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.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As of September 30, 2007, the Company had no off-balance sheet arrangements.

### **RELATED PARTY TRANSACTIONS**

During the three-month and nine-month periods ended September 30, 2007, the Company:

1. paid or accrued consulting fees, office and administration and other exploration costs of \$69,400 and \$148,700, respectively (2006 - \$23,100 and \$75,400, respectively) to an officer and director of the Company and related parties;
2. paid or accrued legal fees of \$nil and \$100,900, respectively (\$nil during the three and nine-month periods ended September 30, 2006) to a law firm of which a director of the Company is a partner; and
3. accrued professional and administration fees of \$76,100 and \$193,500, respectively (\$20,300 during the three and nine-month periods ended September 30, 2006) to Reunion Gold Corporation, a company under common management.

As at September 30, 2007, the Company owed \$51,500 to Reunion Gold Corporation, a company under common management.

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 September 30, 2007.

## CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Company adopted prospectively Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation*, issued by the Canadian Institute of Chartered Accountants. These new sections include comprehensive standards for the recognition, measurement, presentation and disclosure of financial instruments and require that the Company classify all of its financial assets and liabilities in categories which clearly defined rules determine the standards to be applied. The adoption of these new standards had no impact on the values of the Company's balance sheet items at January 1, 2007.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, ABCP, receivables, accounts payable and accrued liabilities and amounts due to a related party. Other than the ABCP (as previously discussed), 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, other than the ABCP, at September 30, 2007 approximates their carrying value.

## OUTSTANDING SHARE DATA

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

Securities	Expiration date	Exercise price	Securities outstanding
Common shares	n/a	n/a	41,329,643
2007 warrants	1-Sep-08	\$0.80	10,350,000
2007 Broker warrants	1-Sep-08	\$0.60	1,400,000
2005 warrants	1-Mar-08	\$0.30	1,737,500
2005 Broker warrants	1-Mar-08	\$0.30	182,125
2003 Broker warrants	1-Mar-08	\$0.10	77,000
Stock options	1-Mar-12	\$0.60	1,755,000
Stock options	26-Mar-12	\$0.60	10,000
Stock options	14-Jun-12	\$0.60	283,333

If all warrants and options were exercised, total shares outstanding would be 57,124,601 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 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 July 1, 2007 to September 30, 2007.

## **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](http://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.

### **Liquidity crisis**

In light of the current situation concerning the market for Asset-Backed Commercial Paper ("ABCP"), there is no assurance that the Company will have access to or be in a position to convert its holdings in such ABCP as and when needed and in the nominal amounts of such holdings. Failure to access these liquidities 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.

### **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 Australian dollars, 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.

Statements relating to the effects and impacts of the market disruption are forward-looking information within the meaning of Canadian securities laws. These forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward looking statements, including, ABCP market conditions, additional defaults under ABCP, the ability of ABCP funds to obtain funding from liquidity facilities supporting the ABCP, and other risks and uncertainties, including those described in this MD & A.

### **Additional Information and Continuous Disclosure**

This MD & A has been prepared as at November 27, 2007. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)).