

Consolidated Financial Statements of

QUEENSLAND MINERALS LTD.

(an exploration stage Company)

For the Third Quarter ended September 30, 2008

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

	September 30, 2008 (unaudited) \$	December 31, 2007 (audited) \$
ASSETS		
Current assets		
Cash	-	391,969
Receivables	269,682	310,891
Prepaid expenses	20,512	8,905
	290,194	711,765
Asset-backed commercial paper (note 3)	5,985,117	6,493,117
Capital assets (note 4)	162,789	179,593
Deferred exploration expenses (note 5)	8,659,981	4,305,146
	15,098,081	11,689,621
LIABILITIES		
Current liabilities		
Bank overdraft	204,901	-
Bank loan (note 6)	5,491,341	2,313,730
Accounts payable and accrued liabilities	433,062	807,596
Due to Reunion Gold Corporation (note 10)	116,511	36,105
	6,245,815	3,157,431
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	14,084,807	12,347,676
Contributed surplus	4,721,395	4,505,332
Deficit	(9,953,936)	(8,320,818)
	8,852,266	8,532,190
	15,098,081	11,689,621

Continuance of operations (note 1)

Commitments (note 9)

Subsequent events (note 13)

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

On behalf of the Board,

/s/ James Crombie
 James Crombie, Director

/s/ Anthony Walsh
 Anthony Walsh, Director

Queensland Minerals Ltd.

(an exploration stage Company)

Consolidated Operations and Comprehensive Loss (unaudited)

	3 rd quarter ended Sept. 30, 2008	3 rd quarter ended Sept. 30, 2007	Nine-months ended Sept. 30, 2008	Nine-months ended Sept. 30, 2007
	\$	\$	\$	\$
Expenses				
Stock-based compensation cost	27,937	81,385	164,108	873,053
Other remuneration	70,772	94,193	331,700	256,460
Professional fees	20,637	4,253	20,637	10,059
Regulatory fees	3,355	6,653	15,330	18,671
Investor relations	11,126	6,358	27,374	8,965
Capital tax	10,824	-	75,844	-
Office and others	70,144	74,879	255,885	156,925
Depreciation	30,605	16,993	94,204	20,273
	245,400	284,714	985,082	1,344,406
Other items				
Interest income	(1,956)	(35,845)	(6,904)	(181,637)
Interest expense	46,572	409	115,043	409
Impairment charge on asset-backed commercial paper	508,000	1,346,952	508,000	1,346,952
Loss (gain) on foreign exchange	(337,766)	12,813	(3,433)	18,269
Net loss and comprehensive loss	(460,250)	(1,609,043)	(1,597,788)	(2,528,399)
Basic and diluted loss per common share	(0.01)	(0.04)	(0.04)	(0.07)
Basic and diluted weighted average number of common shares outstanding	46,672,453	40,984,197	43,948,416	36,102,321

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

Queensland Minerals Ltd.

(an exploration stage Company)

Consolidated Deficit and Contributed Surplus (unaudited)

	3 rd quarter ended Sept. 30, 2008	3 rd quarter ended Sept. 30, 2007	Nine-months ended Sept. 30, 2008	Nine-months ended Sept. 30, 2007
	\$	\$	\$	\$
DEFICIT				
Balance, beginning of period	(9,458,356)	(5,123,180)	(8,320,818)	(2,403,596)
Common share issue expenses	(35,330)	(1,950)	(35,330)	(1,802,178)
Net loss	(460,250)	(1,609,043)	(1,597,788)	(2,528,399)
Balance, end of period	(9,953,936)	(6,734,173)	(9,953,936)	(6,734,173)
CONTRIBUTED SURPLUS				
Balance, beginning of period	4,535,189	4,103,318	4,505,332	242,579
Stock-based compensation cost	27,937	81,385	164,108	873,053
Share purchase warrants (note 7)	153,135	-	153,135	2,611,890
Finders' warrants (note 7)	5,134	-	5,134	501,393
Exercise of warrants	-	(12,155)	(106,314)	(56,367)
Balance, end of period	4,721,395	4,172,548	4,721,395	4,172,548

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

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

	3rd quarter ended Sept. 30, 2008	3rd quarter ended Sept. 30, 2007	Nine-months ended Sept. 30, 2008	Nine-months ended Sept. 30, 2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(460,250)	(1,609,043)	(1,597,788)	(2,528,399)
Non-cash items				
Depreciation	30,605	16,993	94,204	20,273
Stock-based compensation cost	27,937	81,385	164,108	873,053
Impairment charge on asset-backed commercial paper	508,000	1,346,952	508,000	1,346,952
Loss (gain) on foreign exchange	(337,766)	17,401	(3,433)	17,401
Changes in non-cash working capital items	(81,343)	(3,642)	11,878	(140,189)
Cash flows used in operating activities	(312,817)	(149,954)	(823,031)	(410,909)
INVESTING ACTIVITIES				
Asset-backed commercial paper	-	(8,918,117)	-	(8,918,117)
Capital assets	1,304	(114,246)	(77,400)	(209,838)
Expenditures on mineral properties	(893,530)	(1,016,102)	(4,623,006)	(1,380,600)
Cash flows used in investing activities	(892,226)	(10,048,465)	(4,700,406)	(10,508,555)
FINANCING ACTIVITIES				
Bank loan	(434,835)	304,229	3,177,611	304,229
Common shares and warrants	1,403,500	-	1,403,500	12,003,500
Common share issue expenses	(30,196)	(1,949)	(30,196)	(1,609,425)
Exercise of warrants	-	37,975	375,652	222,475
Cash flows provided by financing activities	938,469	340,255	4,926,567	10,920,779
Net increase (decrease) in cash	(266,574)	(9,858,164)	(596,870)	1,315
Cash, beginning of period	61,673	9,968,786	391,969	109,307
Cash (bank overdraft), end of period	(204,901)	110,622	(204,901)	110,622
Interest paid	46,572	409	115,043	409
Changes in other non-cash items				
Working capital items related to mineral properties	(175,874)	479,755	(276,404)	536,442
Accounts payable related to share issue costs	-	-	-	(308,641)
Issuance of shares on extension of a Mining Lease option	-	-	4,800	3,600
Issuance of broker warrants	5,134	-	5,134	501,393
Exercise of warrants	-	12,155	106,314	56,367

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

Queensland Minerals Ltd.

(an exploration stage Company)

Consolidated Deferred Exploration Expenses (unaudited)

	3 rd quarter ended Sept. 30, 2008	3 rd quarter ended Sept. 30, 2007	Nine-months ended Sept. 30, 2008	Nine-months ended Sept. 30, 2007
	\$	\$	\$	\$
Balance, beginning of period	7,604,558	1,059,928	4,305,146	634,443
Administration	170,139	199,166	320,238	317,511
Drilling and assaying	267,034	801,947	1,794,377	817,252
EPM renewal, rent and option payments	25,152	9,258	85,938	28,989
Field supplies, vehicle and base operating costs	367,017	119,798	1,019,639	257,524
Geology	41,527	160,032	196,017	227,034
Salaries	184,554	187,555	938,626	254,931
	1,055,423	1,477,756	4,354,835	1,903,241
Balance, end of period	8,659,981	2,537,684	8,659,981	2,537,684

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

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

September 30, 2008 (unaudited)

1. GOVERNING STATUTES, NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of British Columbia on February 15, 1996 under the name G.L. March & Associates Ltd. On January 30, 2004, the Company changed its name to Queensland Minerals Ltd. and continued under the Business Corporations Act of the Yukon Territory. On April 14, 2004, the Company continued under the Business Corporations Act of British Columbia. On March 1, 2007, the Company completed its initial public offering (the "IPO") and listed its shares on the TSX-Venture exchange.

The Company's principal business activity is the acquisition and exploration of mineral properties in Australia. To date, the Company has not generated any revenue from operations. The Company, through its Australian wholly-owned subsidiaries Queensland Minerals (Australia) Pty Ltd. ("QMA") and Asmam Pty Ltd. ("Asmam"), is holder of a 100% interest in three (3) mineral properties known as Sybil Graben, Lynd River and Mungana. These mineral properties are located in the State of Queensland, Australia.

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

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2008, the Company had a working capital deficit of \$5,955,622, of which a total of \$5,696,242 is comprised of a bank overdraft and bank loan, which amount is secured by the Company's asset-backed commercial paper ("ABCP"). Subsequent to September 30, 2008, the Company closed the second tranche of a private placement for proceeds of \$500,000 and the lender of the temporary credit facility agreed to increase the amount available under the credit facility by \$300,000 (note 13 – private placement and bank loan). Continued operations of the Company are dependent on the Company's ability to successfully secure additional funding. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

September 30, 2008 (unaudited)

2. BASIS OF PRESENTATION, CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

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

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

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

Queensland Minerals Ltd.

(an exploration stage Company)

Notes to consolidated financial Statements

September 30, 2008 (unaudited)

3. ASSET-BACKED COMMERCIAL PAPER

At September 30, 2008, the Company held \$8,918,117 of non-bank sponsored ABCP (before accounting for an impairment charge), of which \$4,980,520 is invested in Apsley Trust Series A, \$2,988,480 in Silverstone Trust Series A and \$949,117 with Ironstone Trust Series A.

In mid-August 2007, the Canadian third-party ABCP market was hit by a liquidity disruption. Since that time, no transactions within an active market have been entered into involving the ABCP securities held by the Company. On August 16, 2007, a group representing banks, asset providers and major investors agreed, pursuant to the Montreal Accord, to a standstill period in respect of ABCP sold by 23 conduit issuers. A Pan-Canadian Investors Committee (the "Committee") was subsequently established to oversee the proposed restructuring process. On March 20, 2008, the Committee released its proposed restructuring plan through an Information Statement in respect of a Plan of Compromise and Arrangement (the "Plan"), pursuant to the Companies Creditors Arrangement Act ("CCAA"). A meeting of the noteholders to vote on the Plan was held on April 25, 2008 and noteholders approved the Plan. Justice Campbell, presiding over the restructuring under the CCAA, approved the Plan on June 5, 2008. Following various appeals to Justice Campbell's decision, the appeals court of Ontario confirmed on August 18, 2008 that the plan was fair and reasonable in all circumstances and on September 19, 2008, the Supreme Court of Canada released a decision denying leave to appeal from the decision of the Ontario Court of Appeal.

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

The Company has 68% of its ABCP supported by synthetic assets and 32% supported by U.S. sub-prime assets. At September 30, 2008, the Company established the fair value of the ABCP it holds by estimating discounted future cash flows considering the best available market data. The Company used a combined weighted-average loss factor of 33% on its investments and assumed that margin facility and restructuring costs would offset accrued interest to September 30, 2008. This estimation of fair value results in a total impairment charge of \$2,933,000 related to ABCP held, of which an amount of \$508,000 has been recorded in the third-quarter ended September 30, 2008 and \$2,425,000 had been recorded in 2007.

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 (an exploration stage Company)
Notes to consolidated financial Statements

September 30, 2008 (unaudited)

3. ASSET-BACKED COMMERCIAL PAPER (continued)

There are currently no market quotations available for the non-bank sponsored ABCP and there is no certainty regarding the outcome of the Plan. Therefore, there is a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the ABCP. Since the fair value of the ABCP held are determined based on the Company's assessment of market conditions as at September 30, 2008, the fair value reported may change materially in subsequent periods. In addition, the fair value estimates are dependent upon the likelihood, nature and timing of the proposed restructuring.

4. CAPITAL ASSETS

	Cost	Accumulated depreciation	September 30, 2008 Net	December 31, 2007 Net
	\$	\$	\$	\$
Vehicles	99,541	(42,107)	57,434	98,288
Computer equipment	188,488	(83,133)	105,355	81,305
	<u>288,029</u>	<u>(125,240)</u>	<u>162,789</u>	<u>179,593</u>

5. EXPLORATION PROJECTS

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

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

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

The Company, through its subsidiaries, has also entered into option agreements to acquire certain mining rights. These agreements are more fully described in note 9.

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

September 30, 2008 (unaudited)

5. EXPLORATION PROJECTS (continued)

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

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

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

The breakdown of accumulated costs by project is as follows:

	September 30, 2008	December 31, 2007
	\$	\$
Sybil Graben	2,361,070	1,983,036
Lynd River	4,984,006	2,221,711
Mungana	1,314,905	100,399
	8,659,981	4,305,146

6. BANK LOAN

On August 30, 2007 (with various subsequent amendments), the Company entered into a temporary credit facility of \$6.0 million, secured by the Company's investments in ABCP, to fund working capital requirements. As at September 30, 2008, an amount of \$5,491,341 has been drawn on the facility, which bears interest at prime less 1.50% and matures on December 31, 2008. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the ABCP. Discussions are currently being held between the Company and its lender to further increase the amount available under the credit facility (see note 13 – subsequent events).

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

September 30, 2008 (unaudited)

7. CAPITAL STOCK

Issued and fully paid

	3rd quarter ended		Nine-months ended	
	September 30, 2008		September 30, 2008	
	Number		Number	
	of Shares	Amount	of Shares	Amount
				\$
Authorized				
Unlimited number of common shares without par value				
Common shares issued				
Balance, beginning of period	42,883,268	12,834,442	41,622,768	12,347,676
Private placement	7,017,500	1,250,365	7,017,500	1,250,365
Extension of Mining Lease Option (note 9)	-	-	8,000	4,800
Exercise of warrants	-	-	1,252,500	481,966
Balance, end of period	49,900,768	14,084,807	49,900,768	14,084,807

Issuance of shares

On September 5, 2008, the Company completed the first tranche of a non-brokered private placement with the second tranche completed on October 10, 2008 (note 13 – subsequent events). As part of the first tranche, the Company issued 7,017,500 units at a price of \$0.20 per unit, for total proceeds of \$1,403,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 per share until March 5, 2010. Proceeds of the private placement were allocated between common shares and share purchase warrants based on their relative fair value. The fair value of the common shares is calculated by using the TSX Venture Exchange share price on the date of the issuance and the value of the common share purchase warrants is measured based on the Black-Scholes option pricing model using a risk-free interest rate of 2.7%, an expected life of the warrants of 1.5 years, an annualized volatility rate of 101% and a dividend rate of 0%. An amount of \$153,135 was allocated to such share purchase warrant and was presented as part of contributed surplus.

As part of the first tranche financing, the Company granted finder's warrants to purchase up to 70,000 common shares of the Company at a price of \$0.20 per share until March 5, 2010. These finder's warrants have been recorded as share issue expenses at a fair value of \$5,134 based on the Black-Scholes option pricing model using a risk-free interest rate of 2.7%, an expected life of the warrants of 1.5 years, an annualized volatility rate of 101% and a dividend rate of 0%.

Queensland Minerals LTD.
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Notes to consolidated financial Statements

September 30, 2008 (unaudited)

7. CAPITAL STOCK (continued)

Warrants

	3rd Quarter ended	Nine-months ended
	September 30, 2008	September 30, 2008
Number of warrants		
Balance, beginning of period	11,736,000	13,453,500
Issued	3,578,750	3,578,750
Exercised	-	(1,252,500)
Expired	(11,736,000)	(12,201,000)
Balance, end of period	3,578,750	3,578,750

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

	Number of warrants				Number of warrants		Price per share	Expiry date
	Dec 31, 2007	Issued	Exercised	Expired	Sept. 30, 2008			
							\$	
Broker warrants – 2003	21,500	-	(21,500)	-	-	-	-	-
Private placements – 2005	1,547,500	-	(1,082,500)	(465,000)	-	-	-	-
Broker warrants – 2005	134,500	-	(134,500)	-	-	-	-	-
IPO - March 2007	10,350,000	-	-	(10,350,000)	-	-	-	-
Broker warrants - 2007 IPO	1,400,000	-	(14,000)	(1,386,000)	-	-	-	-
Private placement – Sept 2008	-	3,508,750	-	-	3,508,750	0.40		2010-03-05
Finder's warrants – Sept 2008	-	70,000	-	-	70,000	0.20		2010-03-05
	13,453,500	3,578,750	(1,252,500)	(12,201,000)	3,578,750			

A total of 1,252,500 common share purchase warrants were exercised during the nine-month period ended September 30, 2008 for proceeds of \$375,652. A total of 465,000 warrants expired unexercised on March 1, 2008 and 11,736,000 warrants expired unexercised on September 1, 2008.

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7. CAPITAL STOCK (continued)

Stock options

The following table sets out the activity in stock options:

	3rd Quarter ended September 30, 2008	Nine-months ended September 30, 2008
Number of Options		
Balance, beginning of period	3,382,500	3,283,333
Granted	-	150,000
Cancelled	(17,500)	(68,333)
Balance, end of period	3,365,000	3,365,000

Stock option transactions are summarized as follows:

Grant date	Exercise price	Balance, Dec 31, 2007	Granted	Exercised	Cancelled	Balance, Sept. 30, 2008	Number of options exercisable	Residual exercise period
	\$							
Mar 1, 2007	0.60	1,755,000	-	-	-	1,755,000	1,755,000	3.4 years
Mar 26, 2007	0.60	10,000	-	-	-	10,000	10,000	3.5 years
June 14, 2007	0.60	283,333	-	-	(33,333)	250,000	250,000	3.7 years
Dec 17, 2007	0.60	1,235,000	-	-	(35,000)	1,200,000	912,333	4.2 years
March 17, 2008	0.43	-	150,000	-	-	150,000	50,000	4.4 years
		3,283,333	150,000	-	(68,333)	3,365,000	2,977,333	

Details of the stock options granted are as follows:

	3rd quarter ended September 30, 2008		Nine-months ended September 30, 2008	
	2008	2007	2008	2007
Number of options granted	-	-	150,000	2,115,000
Weighted-average fair value of options granted	-	-	\$0.31	\$0.49
Expected life of options	-	-	5 years	5 years
Semi-annual risk free interest rate	-	-	2.9%	4.0%
Volatility rate	-	-	91%	127%
Dividend factor	-	-	-	-
Vesting period	-	-	2 years	2 years

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Notes to consolidated financial Statements

September 30, 2008 (unaudited)

7. CAPITAL STOCK (continued)

Diluted earnings per share

Excluded from the calculation of the diluted earnings per share are 3,578,750 warrants and 3,365,000 stock options for the three and nine-month periods ended September 30, 2008 (13,985,875 warrants and 2,115,000 stock options for the three and nine-month periods ended September 30, 2007).

8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS and CAPITAL MANAGEMENT

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

The Company's financial instruments at September 30, 2008 consist of cash, receivables, ABCP, bank overdraft, bank loan, accounts payable and accrued liabilities and due to a related party. Other than ABCP, the fair value of these financial instruments approximates their carrying value. Other than ABCP, management believes that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company's exposure to interest and credit risks arising from its ABCP is fully described in note 3 to these consolidated financial statements.

The Company has exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, as all of the Company's capital assets and deferred exploration expenses are incurred mostly in Australian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at September 30, 2008, a plus or minus 10% change in the foreign exchange rates between Canadian and Australian dollars would affect shareholders' equity by approximately \$23,300.

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projection, 180-day and 360-day lookout periods. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing. The amount and timing of additional funding will be significantly impacted by the outcome of the proposal to restructure the ABCP.

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

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9. COMMITMENTS

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

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 2008, 2007 and 2006, the Company extended its option for one year by paying an amount of \$8,000, \$6,000 and \$4,000 and by issuing 8,000, 6,000 and 4,000 common shares, respectively (note 13 – subsequent events).

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$75,230 during the quarter ended September 30, 2008 and \$218,892 during the nine-month period ended September 30, 2008 (\$69,400 during the quarter ended September 30, 2007 and \$148,700 during the nine-month period ended September 30, 2007) to a company controlled by an officer and director of the Company.
- b) Paid or accrued legal fees of nil during the quarter and the nine-month periods ended September 30, 2008 (nil during the quarter ended September 30, 2007 and \$100,917 during the nine-month period ended September 30, 2007) to a law firm of which a director of the Company is a partner.
- c) Paid or accrued professional and administration fees of \$115,428 during the quarter ended September 30, 2008 and \$362,984 during the nine-month period ended September 30, 2008 (\$76,100 during the quarter ended September 30, 2007 and \$193,500 during the nine-month period ended September 30, 2007) to a Company under common management.

Due to related parties consists of balances owing of \$116,511 at September 30, 2008 and \$36,105 at December 31, 2007 to 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.

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11. SEGMENTED INFORMATION

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

12. COMPARATIVE FIGURES

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

13. SUBSEQUENT EVENTS

Private placement

On October 10, 2008, the Company closed the second tranche of the non-brokered private placement described in note 7. As part of the second tranche, the Company issued 2,500,000 units at a price of \$0.20 per unit, for total proceeds of \$500,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.40 per share for a period of 18 months from the closing date of the private placement.

Bank loan

On November 21, 2008, the lender of the temporary credit facility agreed to increase the amount available under the credit facility from \$6.0 million to \$6.3 million. All other terms and conditions of the credit facility remain unchanged.

Mineral properties

On November 11, 2008, the Company advised the owner of a mining lease on which the Company had a 5-year option agreement, of its decision to discontinue its exploration on the lease and terminate the option agreement, due to disappointing results. Consequently, the Company will write-down the costs accumulated on this property and others in the fourth quarter of 2008, for an estimated amount of \$75,000.

Suspension of field activities

The Company has limited financial resources and the current economic environment has made access to capital increasingly difficult. Due to this situation and the upcoming wet season, field activities have now been halted at all of the Company's exploration projects. In the event that additional funds are not made available to the Company when the next field season commences, the Company may need to put its exploration projects on care and maintenance. The Company is currently assessing various options to ensure that funding is available to meet minimum expenditure requirements for at least the next 12 months.