



QUEENSLAND ORES LTD

20 November 2008

MANAGING DIRECTOR'S ADDRESS TO AGM

Ladies and gentlemen,

I address you here at today's Annual General Meeting a couple of days after delivering the disappointing announcement of the suspension of operations at the Wolfram Camp Mine.

A year ago we had just received our Mining Leases and things augured well for the future. Indeed, up until July of this year, the construction of the project had progressed extremely well. Regrettably events in the last few months have not gone as well as had been hoped and now have culminated in the suspension of operations at the mine.

This decision to suspend operations was not taken lightly. The Board considered that in order to safeguard the potential future of the project this was the only course of action available under the current circumstances.

It is appropriate for me to give you an explanation of the difficulties that have been experienced at the mine and how we propose to tackle them.

We are faced with two main problems. Firstly, the inability to deliver target headfeed grade material to the run of mine (ROM) stockpile to date. Secondly, the inability of the Treatment Plant to recover an acceptable quality of concentrates from the ore fed to it.

We succeeded in making one trial shipment of wolframite (tungsten) concentrate to China. However, subsequent concentrates have contained levels of contamination of certain minerals which are above the required market specifications.

The ore at Wolfram Camp contains significantly more fine material than was originally expected, based on the mass of historical data and our exploration program. The fine material being referred to is nominally less than 10 microns in size, that is less than a hundredth of a millimetre.

The virgin state of the open pit displayed fresh rock outcropping above the mine and evidence from accessible old underground workings also showed fresh rock beneath the surface.

Our drilling program in the area in which we commenced mining did not give any indication of the presence of so much fine clayey material. The presence of the fines has made it difficult to clearly define the mineralisation. This has resulted in excessive dilution of the ore being delivered to the ROM stockpile.

Our mining operations are closely controlled by an experienced geologist and it is not considered that under existing conditions any more than is presently being done on the bench in the mine can realistically be done to improve things.

We have now introduced a procedure whereby we 'paddock dump' each truck load of ore into discrete piles. This material can then be washed and re-inspected away from the mining area. Identified waste and sub-grade ore can be sorted from the stockpiles so improving the grade of the remaining material be fed to the Treatment Plant. The success of this strategy has yet to be proved. Subject to funding being available, consideration would be given to extracting some bulk samples of ore to trial the process. Finding a solution to the issue of headfeed grade will be our immediate priority.

The excess of fines in the ore has caused numerous process problems in the Treatment Plant - affecting the recovery of both concentrates and the tonnage throughput. The process water which circulates in the Plant became very dirty and unusable with the flocculant unable to settle out the suspended solids.

Following extensive testwork in conjunction with the flocculant manufacturer, a new flocculant was introduced and the problem with dirty process water was largely overcome. However, the presence of excess fines remains of concern in both the molybdenum flotation and the wolframite (tungsten) gravity circuits. The level of fines is resulting in low recoveries and interrupted operation of what ideally are meant to be steady-state, continuous processes.

In the case of the flotation circuit the excessive fines result in reagent chemical imbalances in the circuit. The effect on the gravity circuit is that the jigs literally get blocked up with material and require cleaning on a frequent basis.

Discussions with the suppliers of the equipment and investigations into these problem areas have indicated that acceptable technical solutions to remove the fines exist, hence, eliminating the root cause of the low recoveries and limitations on the tonnage throughput rate in the various sections of the Plant.

It will be necessary to complete the investigation programs in order to optimise the modification work required. At this stage it is not possible to estimate the cost and time of this work accurately. However, it can be expected that the total schedule, including the new production ramp-up period, will be in excess of six months.

It must be noted here that the headfeed grade issue will need to be successfully addressed first if we are to have any success in resolving the issues at the Treatment Plant.

Inefficiencies in the molybdenum flotation process have led to unexpected levels of contamination in both concentrates. The process, as designed, is meant to discard the other sulphide materials which naturally occur with the molybdenite. These include derivatives of arsenic which is commonly associated with mineralisation in this region. In more recently produced concentrates the arsenic content has been significantly above accepted levels. The cause of this 'carry over' of arsenic is still under investigation.

Based on the design information made available to them, Lycopodium Engineering Pty Ltd delivered a Treatment Plant fit for purpose. The Engineer, Procure & Construction Management (EPCM) contract for the Treatment Plant with Lycopodium was entered into on a cost reimbursable basis. QOL has no recourse to

the contractor in terms of process performance guarantees. The cost of the Treatment Plant would have been prohibitively high had process performance guarantees been demanded.

It is not uncommon for scale-up issues from laboratory testwork to the full-scale plant to be experienced in the industry. A great deal obviously depends on the true representativeness of samples used for laboratory analysis.

The recent turbulence in world commodity markets has not left the Wolfram Camp unscathed. The price of molybdenum has virtually been in free fall since the end of September with our base reference price having fallen from US\$33 to US\$10 per lb.

Allowing for the weaker Australian dollar, the unit price receivable for our molybdenum concentrates has now reduced by nearly 60% since the start of the financial year. To date there has only been a minor downward movement in the published reference price for wolframite (tungsten). However reliable information obtained from a metals trading company in Hong Kong reflects a 20% reduction in the going price for tungsten concentrates in the last fortnight. The combination of lower prices of that magnitude would seriously jeopardise the viability of the Wolfram Camp project.

The Company's effort during the year has primarily been concentrated on Wolfram Camp and consequently only minor progress was achieved at Mount Cannindah and Bamford Hill.

In order to fund our proposed ongoing work we are exploring various options of obtaining additional funding. As everyone will appreciate, in the current market this is not proving to be an easy task.

I regret that I am unable to paint a prettier picture at the moment. I can assure you that your management team is strongly committed to resolving these issues to the best advantage of shareholders.

We now require to obtain the necessary funding and then focus on resolving the identified problems with the aim of returning the Wolfram Camp project to production on a viable basis as soon as that can practically be achieved.

I will provide further updates on this in the near future.

Taff Greenwood
Managing Director
Queensland Ores Ltd