

Notice of Annual General Meeting and Explanatory Memorandum to Shareholders

QUEENSLAND GOLD AND MINERALS LIMITED

ABN 89 096 142 737

A PROXY FORM IS ENCLOSED

Date of Meeting: Thursday, 30 July 2009

Time of Meeting: 10AM

Place of Meeting: HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street,
Brisbane 4000

This Notice of Annual General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Notice of Annual General Meeting

Corporate Directory

Directors

David Barwick
Non-executive Chairman

Adrian Day
Director

Andrew Gillies
Non-executive Director

Listing

ASX Limited
ASX code: QGM

Share Registry

Link Market Services Limited
Level 12, 300 Queen Street
Brisbane QLD 4000

Company Secretary

Theo Psaros
Email: tpsaros@metallicaminerals.com.au

Registered Office

Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
P (07) 3371 0001
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Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of **Queensland Gold and Minerals Limited ABN 89 096 142 737 (Company)** will be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, on Thursday, 30 July 2009 at 10AM (Brisbane time).

Agenda

Ordinary business

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 28 February 2009.

1. Resolution 1 - Remuneration report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 28 February 2009 (as set out in the Directors Report) is adopted."

Note

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

2. Resolution 2 - Re-election of David Keith Barwick as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That David Keith Barwick, being appointed since the last annual general meeting of the Company to fill a casual vacancy and who retires in accordance with Rule 37.2 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Resolution 3 – Re-election of Andrew Langham Gillies as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Andrew Langham Gillies, being appointed since the last annual general meeting of the Company to fill a casual vacancy and who retires in accordance with Rule 37.2 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

4. Resolution 4 - Re-election of Adrian Day as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Adrian Day, who retires by rotation in accordance with Rule 39.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

5. Resolution 5 - Ratification of Issue of Shares to John Brady

To consider and, if thought fit, pass the following Ordinary Resolution, without amendment:

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"That in accordance with Listing Rule 7.4 of the Listing Rules, and for all other purposes, the previous issue of one hundred thousand shares (100,000) shares to Mr John M. Brady of 1/768 Esplanade, Mornington Victoria (**Recipient**) on the terms set out in the Explanatory Memorandum, be ratified."

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- the Recipient; and
- any associate of the Recipient.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

6. Resolution 6 – Ratification of Issue of Shares to Metallica Minerals Limited

To consider and, if thought fit, pass the following Ordinary Resolution, without amendment:

"That in accordance with Listing Rule 7.4 of the Listing Rules, and for all other purposes, the previous issue of seven million seven hundred and two thousand five hundred (7,702,500) Shares to Metallica Minerals Limited ABN 45 076 696 092 on the terms set out in the Explanatory Memorandum, be ratified."

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- Metallica Minerals Limited; and
- any associate of Metallica Minerals Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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7. Resolution 7 – Conversion of Loan to Convertible Notes and the Issue of Shares on Conversion of the Convertible Notes

To consider and, if thought fit, pass the following Ordinary Resolution, without amendment:

“That for the purposes of Listing Rules 10.1 and 10.11 of the Listing Rules and for the purposes of Part 2E and item 7 of section 611 of the Corporations Act and for all other purposes the Company be authorised to attend to the following matters, including the issue of the specified securities, which may result in a person acquiring a relevant interest in voting shares where their voting power would increase from below 20% to above 20%:

- (a) that the loan facility of \$292,231 made under the Convertible Loan Deed with Metallica Minerals Limited be converted into thirty eight million nine hundred and sixty four thousand one hundred and thirty three (38,964,133) convertible notes (**Convertible Notes**) with each Convertible Note securing payment of three quarters of a cent (\$0.0075) and having a maturity date of two (2) years from the date of issue and otherwise having the terms and conditions as contained in the Convertible Loan Deed and described in the Explanatory Memorandum;
- (b) that the Company issue the Convertible Notes to Metallica Minerals Limited; and
- (c) that the Company be authorised to issue up to thirty eight million nine hundred and sixty four thousand one hundred and thirty three (38,964,133) Shares to Metallica Minerals Limited on the conversion of the Convertible Notes (**Conversion Shares**),

and to provide for the benefit of the current charge granted by the Company to Metallica Minerals Limited to secure the obligations under the Convertible Notes.”

NOTES

- A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the Australian Securities & Investments Commission in accordance with section 218 of the Corporations Act.
- For the purpose of Listing Rule 10.1 and Section 611 of the Corporations Act, an independent experts report prepared by Hayes Knight Partners, Chartered Accountants in relation to the proposed issue of the Convertible Notes and the Conversion Shares is enclosed with this Notice of Meeting. The report concludes that the proposed transaction is **not fair but reasonable** to the non-associated shareholders of the Company.
- The Convertible Notes will be issued to MLM on the next business day after shareholder approval is received, which assuming such approval is received, will be Friday, 31 July 2009, but in any event no later than one (1) month after the date of the Meeting.
- The number of Conversion Shares available to be issued under this Resolution is as determined prior to the share consolidation proposal contained in Resolution 8. If Resolution 8 is passed, the number of Conversion Shares to be issued to MLM will be determined in accordance with clause 3.4(k) of the Convertible Loan Deed, as summarised under sub-clause (j) of the summary of the Convertible Loan Deed in Section 8 of the Explanatory Memorandum.
- A detailed summary of the terms of the Convertible Loan Deed, Convertible Notes and the Conversion Shares is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

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- Metallica Minerals Limited; and
- any associate of Metallica Minerals Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

8. Resolution 8 – Consolidation of Capital

To consider and, if thought fit, pass the following Ordinary Resolution, without amendment:

“That for the purposes of section 254H of the Corporations Act, clause 20 of the Constitution and for all other purposes the issued capital of the Company be consolidated on the basis that:

- (a) every four (4) Shares on issue will be converted into one (1) Share; and
- (b) every four (4) Options each to acquire a Share be consolidated into one (1) Option each to acquire a Share and the exercise price of each Option be amended in inverse proportion to this ratio in accordance with Listing Rule 7.22.1,

and, where this Consolidation results in a fraction of a Share or Option being held by a Shareholder or holder of an Option (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option.”

Special Business

9. Resolution 9 – Change of Company Name

To consider and, if thought fit, pass the following Special Resolution, without amendment:

“That the name of the Company be changed to “Orion Metals Limited”.”

NOTE

Under the Corporations Act, in order for this Resolution to be passed, it needs to be approved by a special majority of at least 75% of those members present at the meeting either in person or by proxy, who vote on the Resolution.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

BY ORDER OF THE BOARD



Theo Psaros
Company Secretary
26 June 2009

Explanatory Statement

1. Introduction

This Explanatory Memorandum is provided to shareholders of **Queensland Gold and Minerals Limited ABN 89 096 142 737 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at the offices of HopgoodGanim Lawyers, Level 7 Waterfront Place, 1 Eagle Street, Brisbane on Thursday, 30 July 2009 commencing at 10AM (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

2. Consider the company's annual report

The Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to and forming part of the accounts for the Company for the financial year ended 28 February 2009 were despatched to Shareholders and released to the ASX Limited on 28 May 2009. The Company's Annual Report is placed before the shareholders for discussion. No voting is required for this item.

3. Resolution 1 – Remuneration report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

4. Resolution 2 - Election of David Keith Barwick as a director

David Keith Barwick was appointed as a director of the Company on 28 November 2008 to fill a casual vacancy on the Board.

Under Article 37.2, a director appointed to a casual vacancy of the board of the Company shall only hold office until the next annual general meeting of the Company and shall then be eligible for re-election. Mr Barwick accordingly retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

In his capacity as Chairman, Managing Director and or President, Mr Barwick has played a

Explanatory Statement

significant role in successfully funding and bringing into production, a number of commercial mining projects throughout his career. He has considerable expertise in the restructure and financing of entities.

Mr Barwick is an accountant and has more than 36 years experience in the management and administration of publicly listed companies in both Australia and North America. As a director, he has managed over twenty six public companies, using his strong skills in strategic planning to successfully restructure these and give them a solid financial base from which to operate. He has experience in preparing prospectuses and ensuring companies meet the necessary compliance standards for listing on the Australian and Toronto Stock Exchange.

Mr Barwick is also Chairman of Metallica Minerals Limited (ASX-MLM), Chairman of Manacom Corporation (ASX-MNL), Chairman of Queensland Ores Limited (ASX-QOL) and Chairman, President and CEO of Macarthur Minerals Limited (TSXV-MMS).

The Directors (with Mr Barwick abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. Resolution 3 – Re-election of Andrew Langham Gillies as a director

Andrew Langham Gillies was appointed as a director of the Company on 28 November 2008 to fill a casual vacancy on the Board.

Under Article 37.2, a director appointed to a casual vacancy of the board of the Company shall only hold office until the next annual general meeting of the Company and shall then be eligible for re-election. Mr Gillies accordingly retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

Mr Andrew Gillies has been Managing Director of ASX-listed Metallica Minerals Limited and its subsidiaries since 1997. He has been instrumental in the selection and acquisition of all the mineral assets now held by the Metallica group, Cape Alumina Ltd and MetroCoal Ltd.

Mr Gillies' key strength is resource management and strategic planning, specialising in project generation, selection and acquisition. He has acquired a considerable database and significant knowledge of mineral deposits in Queensland. Since 1985 he has worked continuously as a geologist in the mining and exploration industry, accruing over 22 years experience across a range of commodities. He has been a company geologist with BHP Gold Mines Ltd, Perseverance Corporation Ltd and Cracow Mining Venture and as a consulting geologist for various exploration companies until his full time role with Metallica in 1997. Over the last 22 years he gained valuable experience in the exploration, feasibility, development, open pit and underground mining of mineral deposits.

Mr Gillies is currently a Director of ASX listed Metallica Minerals Ltd, Cape Alumina Ltd and has recently been appointed a Director of Queensland Ores Ltd. He is also a Director of the Queensland Resources Council.

Mr Gillies graduated from the University of Queensland in 1985 with a BSc (Geology) and is a member of the Aus.I.M.M.

The Directors (with Mr Gillies abstaining) recommend that you vote in favour of this Ordinary Resolution.

6. Resolution 4 – Re-election of Adrian Day as a director

Article 39.1 of the Constitution requires one-third of Directors to retire at each general meeting, excluding directors appointed to fill casual vacancies. Other than David Barwick and Andrew Gillies, Adrian Day is the only other director of the Company and is required to retire under that article.

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Mr Day retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

Mr Day has been involved in the Company since its inception in 2001 and was a founding director when it listed on the ASX in January 2007. Mr Day is a geologist who graduated from the University of Queensland in 1967. He has over 40 years geological and exploration experience with public and private companies both in Australia and overseas. In the late 1960s he was engaged in uranium exploration in the Mt Isa region and was in the team that first drilled the Valhalla deposit to resource stage. During the early 1970s Mr Day was responsible for the definition of the Dianne copper orebody and involved in its eventual exploitation in 1980. He discovered the Oasis uranium prospect at the Lynd in the Einasleigh area in 1973. Since 1984 Mr Day has worked in gold exploration in the Georgetown region, assessing both the typical vein-hosted historical mines of the region and bulk tonnage opportunities.

From an operations perspective his experience included the supervision of the construction and commissioning of a 500,000 tonne per annum gold operation in Fiji, and as manager for 3 years of the 350,000 tonne per annum Cracow gold mine in Queensland. In that time he guided a small team of mine geologists in a total reassessment of the Cracow epithermal system which provided the database for the eventual joint venture with the present operators, Newcrest Ltd. Mr Day is also a member of the Australian Institute of Geoscientists.

The Directors (with Mr Day abstaining) recommend that you vote in favour of this Ordinary Resolution.

7. Resolutions 5 and 6 – Ratification of Issue of Shares to John Brady and Metallica Minerals Limited

Introduction

The Company has previously issued:

- (a) One hundred thousand (100,000) shares to Mr John M. Brady of 1/768 Esplanade, Mornington Victoria on 12 May 2008 in consideration of the grant by Mr Brady in favour of QGM of an extension to an option held by QGM over a property owned by Mr Brady; and
- (b) Seven million seven hundred and two thousand five hundred (7,702,500) shares to Metallica Minerals Limited ABN 45 076 696 092 (**MLM**) on 25 November 2008 at an issue price of three quarters of a cent (\$0.0075).

The Company is seeking shareholder ratification under Listing Rule 7.4 to the issue of the above Shares.

Regulatory Requirements

Listing Rule 7.4

Shareholder ratification is being sought to the shares issued to Mr John M. Brady and MLM as noted above under Listing Rule 7.4, to re-enliven the Company's capacity under the 15% Rule in Listing Rule 7.1. The general operation of the 15% Rule means that the Company cannot issue new securities which exceed 15% of the issued capital of the Company during any 12 month period.

During the last 12 months, the shares issued to Mr John M. Brady and MLM account for almost 15% of the issued capital of the Company and the Company can currently only issue a nominal number of additional Shares without shareholder approval. The effect of the shareholders approving this resolution will be to remove these Shares issued to Mr John M. Brady and MLM from the operation of

Explanatory Statement

the 15% Rule and enable the Company to issue further shares for any subsequent requirements that may arise.

In accordance with ASX Listing Rule 7.5, the Company advises as follows:

- the relevant Shares issued rank equally with the Shares on issue; and
- the funds raised by the issue of those Shares have been or will be used by the Company to provide working capital to the Company.

8. Resolution 7 – Conversion of Facility and Issue of Convertible Notes

Introduction

The Company has entered into the Convertible Loan Deed with MLM dated 25 November 2008 (**Convertible Loan Deed**), under which MLM has granted a facility of \$292,231 to the Company for the purposes of working capital (**Facility**).

The Facility was provided by MLM in conjunction with the issue to MLM of the almost 15% equity stake in the Company which is the subject of ratification under Resolution 6.

The funding provided to the Company by MLM through both the equity interest and the Facility was essential for the Company, at the time of funding, in ensuring that the Company retained a satisfactory level of working capital for its on-going exploration programs. Without the benefit of the additional working capital, the Board of the Company would have been required to take alternative steps towards ensuring that the Company could satisfy its on-going commitments or otherwise review the future operations of the Company.

Under these arrangements, significant mineral resource expertise was also added to the Board of the Company through the appointments of David Barwick and Andrew Gillies as directors nominated by MLM.

Whilst the Facility has been advanced, the continuation of the Facility is subject to it being converted into convertible notes on the terms and conditions contained in the Convertible Loan Deed. The Company has provided to MLM a fixed and floating charge over all of the assets of the Company (**Charge**) to secure repayment of the Facility.

As there are reasonable grounds to believe that MLM will become a “related party” in the future, (namely that that 2 out of the 3 directors of the Company are nominees of MLM and MLM has the potential to control the Company if the Conversion Shares are issued to MLM), the Company is seeking to obtain shareholder approval for the issue of the Notes in accordance with Listing Rules 10.1 and 10.11 of the Listing Rules and Part 2E and Chapter 6 of the Corporations Act.

Terms of Convertible Loan Deed

Under the Convertible Loan Deed, MLM has agreed to provide the Facility to the Company for the purposes of maintenance, exploration and evaluation of all tenements held by the Company and for general working capital.

The conditions precedent contained in the Convertible Loan Deed have been satisfied and the Facility has now been fully drawn for use by the Company.

In consideration of MLM providing the Facility, the Company agrees to seek the approval of shareholders of the Company to the conversion of the Facility into the Convertible Notes, as contemplated by Resolution 7 (**Approval Condition**).

In the event that the Approval Condition is not satisfied by 31 August 2009 (Approval Date) (or approval is sought at a meeting before that date and is not given), then the Company must repay the Facility within thirty (30) days of the earlier of the Approval Date or the date of the Meeting and all obligations of the Company and MLM will cease.

Explanatory Statement

At the option of MLM, the moneys owing pursuant to the Facility shall become immediately due and repayable and the Facility shall be terminated in certain circumstances, including:

- (a) if the Company breaches any provisions of the Convertible Loan Deed or any other agreement between the Company and MLM;
- (b) if in the opinion of MLM, there has been a substantial change in shareholding of the Company so as to result in an effective change in the control of the Company; and
- (c) if the Company ceases to be listed on the ASX or has its securities suspended from trading on the ASX for more than ten (10) consecutive business days.

The Company also provided a number of standard covenants for a deed of this nature which remain in effect whilst the Convertible Notes remain outstanding including that:

- (a) it will not issue any further shares or securities convertible into shares in the Company, without the prior written consent of MLM (which shall not be unreasonably withheld), except where such an issue was announced prior to the date of the Convertible Loan Deed; and
- (b) it will not pay any dividends while the payment of any money owing to the Lender is overdue.

Interest is payable at a rate of 10.00% per annum on all moneys owing from time to time pursuant to the Facility and is payable quarterly in arrears.

The following is a summary of the material terms of the Convertible Notes and the Conversion Shares:

- (a) the Convertible Notes are to be issued by the Company to MLM on the Business Day after shareholder approval to the issue of the Convertible Note is obtained;
- (b) each Convertible Note secures repayment of \$0.0075. In aggregate, the Convertible Notes will secure payment of all advances made pursuant to the Facility;
- (c) the Convertible Notes will be evidenced by a certificate, which shall be reissued from time to time, setting out the amount drawn down of the Facility, the number of Shares into which the Convertible Notes has been converted and the maximum number of Shares that MLM is entitled to receive upon conversion of the Convertible Notes as at the time of issue of the certificate;
- (d) the Convertible Notes will, at MLM's sole option, be convertible in whole or part from time to time on or before the date being two (2) years from the date of issue of the Convertible Notes into Shares in the Company with an issue price of three-quarters of a cent (\$0.0075) per Share;
- (e) The number of Conversion Shares which the Convertible Notes may be converted into from time to time is 1 Conversion Share for each Convertible Note issued, the aggregate number of which is calculated in accordance with the following formula:

$$N = CA/\$0.0075$$

Where:

N is the number of Shares to be issued; and

*CA is the amount nominated by MLM to the Company of all advances drawn down under the Facility, as the amount which is to be converted into Shares (**Conversion Amount**);*

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- (f) upon conversion, in whole or part of the Convertible Notes into Shares, each Conversion Amount will be deemed to be repaid on issue of the respective Conversion Shares;
- (g) each Conversion Share will rank, as from the date of conversion, in all respects *pari passu* with the then existing Shares and the Company will apply for to the ASX for official quotation of any Conversion Shares issued;
- (h) the Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Note into Shares;
- (i) the Convertible Notes will not carry any entitlement to participate in future issues of securities by the Company prior to any conversion of the Convertible Notes into Shares;
- (j) if the Company reorganises its share capital in any way (including consolidation, subdivision, bonus issue, reduction or return) (**Reorganisation Event**) while the Convertible Notes are on issue, the number of Conversion Shares issued on conversion after the Reorganisation Event will be:
 - (1) adjusted so that the entitlement of the Shares issued upon conversion of the Convertible Notes to participate in profits and assets of the Company will be the same as the entitlement of the Shares into which the Convertible Notes would have been converted had there been no Reorganisation Event; and
 - (2) otherwise reorganised in accordance with the Listing Rules so that the noteholder will not receive a benefit that the holders of Shares do not receive and vice versa.

Note that the effect of the share consolidation on the number of Shares issued on Conversion in Resolution 8 is set out in Section 8 of this Explanatory Memorandum.

Pursuant to the Convertible Loan Deed, the maximum number of Conversion Shares which may be issued to MLM, assuming that the Facility Limit is drawn down and MLM elects to convert all of the drawn down amounts into Conversion Shares, is 38,964,133 Conversion Shares.

No funds will be raised by the issue of the Conversion Shares, as the Conversion Shares are being issued for no cash consideration. It is however noted that the issue of each Conversion Share will be in satisfaction of the obligations of the Company to repay the face value of each Convertible Note converted.

Regulatory Requirements

Listing Rule 10.11

Listing Rule 10.11 provides that unless prior approval is obtained, a company must not issue or agree to issue equity securities to a related party. The Convertible Notes are considered to be an "equity security" for the purposes of the Listing Rules.

A "related party" for the purposes of the *Corporations Act* is defined widely and it includes an entity that controls a public company or has reasonable grounds to believe that it will become a related party in the future.

MLM does not currently control the Company, however, if the Conversion Shares are issued to MLM, MLM will obtain almost a 50% interest in the Company and may potentially control the Company. In addition, 2 out of the 3 directors of the Company are nominees of MLM. Accordingly, there are reasonable grounds to believe that MLM will become a "related party" in the future.

Accordingly, approval is being sought for the issue of the Convertible Note to MLM, under Listing Rule 10.11.

Explanatory Statement

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

For the purposes of Listing Rule 10.11, the following information is provided to shareholders:

- (a) Thirty eight million nine hundred and sixty four thousand one hundred and thirty three (38,964,133) Convertible Notes will be issued to MLM;
- (b) The Convertible Notes will be issued to MLM as soon as practicable after shareholder approval is received, and in any event no later than 1 month following shareholder approval;
- (c) No funds will be raised by the issue of the Convertible Note, the Convertible Note being issued as consideration for the provision of the Facility by MLM. The funds received by the Company under the Facility will be used for the purposes of maintenance, exploration and evaluation of all tenements held by the Company and for general working capital;
- (d) The Convertible Note is being issued as security for the repayment of moneys owing by the Company to MLM under the Facility.

Listing Rule 10.1

Listing Rule 10.1 provides that unless prior approval is obtained, a company must not dispose of a substantial asset to a related party. The grant of security (such as the Charge granted by the Company to MLM) is a disposal for the purposes of Listing Rule 10.1 and a "substantial asset" is one whose value represents 5% or more of the equity interests of the company as outlined in the latest accounts provided to the ASX.

As noted above in relation to Listing Rule 10.11, there are reasonable grounds to believe that MLM will become a "related party" of the Company in the future. The Independent Experts Report provided with this Notice identifies that the debt secured by the Charge is greater than 5% of the equity interests of the Company as notified to the ASX and therefore the grant of the Charge represents the disposal of a substantial asset for the purposes of Listing Rule 10.1.

Chapter 2E of the Corporations Act

Chapter 2E of the *Corporations Act* prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A "related party" for the purposes of the *Corporations Act* is defined widely and it includes an entity that controls a public company or has reasonable grounds to believe that it will become a related party in the future.

MLM does not currently control the Company, however, if the Conversion Shares are issued to MLM, MLM will obtain almost a 50% interest in the Company and may potentially control the Company. In addition, 2 out of the 3 directors of the Company are nominees of MLM. Accordingly, there are reasonable grounds to believe that MLM will become a "related party" in the future.

A "financial benefit" for the purposes of the *Corporations Act* has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

By virtue of the issue of the Convertible Notes to MLM, a financial benefit will be conferred upon MLM as a related party within the ambit of Chapter 2E of the *Corporations Act*.

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If passed, Resolution 7 will confer financial benefits to MLM and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the *Corporations Act* and for this reason and for all other purposes the following information is provided to shareholders.

(a) **The related party to whom Resolution 7 would permit the financial benefit to be given**

Metallica Minerals Limited, being a shareholder of the Company with reasonable grounds to believe that it will become a "related party" of the Company in the future.

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is represented by the issue of the Convertible Notes in consideration for the provision of the Facility to the Company by MLM.

(c) **Directors' Recommendation**

With respect to Resolution 7, Mr Adrian Day, being a non-interested director, recommends that shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the issue of the Convertible Note is in consideration for the provision of the Facility. These arrangements are described in detail above. It is the view of the non-interested directors that this Facility will provide the Company with working capital funding for the continuation of the exploration program of the Company and the administrative costs of the Company; and
- (2) an independent expert's report has been commissioned and prepared by Hayes Knight Partners, Chartered Accountants into the arrangements pursuant to the Convertible Loan Deed. A copy of the Report is attached to this Explanatory Statement. In summary, Hayes Knight Partners has opined that the proposed transaction is **not fair but reasonable** to the non-associated shareholders of the Company.

As Mr David Barwick and Mr Andrew Gillies are directors of MLM and therefore interested in the outcome of Resolution 7, they accordingly make no recommendation to shareholders in respect of this resolution.

(d) **Directors' Interest in outcome**

Mr David Barwick and Mr Andrew Gillies have an interest in the outcome of Resolution 7, as it is proposed that the Convertible Notes be issued to MLM, an entity in which Mr David Barwick and Mr Andrew Gillies are directors and in which companies associated with Mr David Barwick and Mr Andrew Gillies hold shares.

The shareholding of MLM before this meeting and after the passing of Resolution 7 is set out in Section 9.

(e) **Valuation**

In accordance with Item 7 of Section 611 of the *Corporations Act*, the Company has commissioned a report into the fairness and reasonableness of the transaction to which Resolution 7 relates. The Report, prepared by Hayes Knight Partners and which is attached to this Explanatory Memorandum, sets out a valuation of the Conversion Shares that may be issued to MLM pursuant to the Convertible Notes.

Further details are set forth in the Report, which is attached to this Explanatory Memorandum.

Explanatory Statement

- (f) **Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its directors save and except as follows:

(1) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Convertible Notes to MLM is the dilutionary impact on the issued share capital of the Company in the event that the Convertible Notes are converted into Shares. To the extent that the issue of the Conversion Shares will have a dilutionary impact which will be detrimental to the Company, the Directors believe that this is more than offset by the advantages accruing from the Company in having available to it the Facility.

(2) **Taxation Consequences**

There is no stamp duty expected to be payable in respect of the Convertible Loan Deed or the issue of the Convertible Notes.

The Convertible Notes will constitute a debt interest for taxation purposes as the Company has a non contingent obligation to repay the face value of the Convertible Notes. Any decision to convert is at the sole discretion of MLM. In these circumstances the interest paid on the note will be deductible to the Company for taxation purposes.

Any conversion of the Convertible Notes together with other capital raisings or changes to the holders of Shares in the Company may cause the Company to fail a continuity of ownership test. This test is relevant in the carry forward of the Company's taxation losses. In the event this test is failed the Company will have to satisfy a same business test to be able to carry forward its taxation losses.

(3) **Dilutionary Effect**

The issue of the Convertible Notes themselves will not have a dilutionary effect on the current issued capital of the Company. However, in the event that MLM elects to convert any or all of the Convertible Notes into Conversion Shares, the issue of the Conversion Shares will have a dilutionary effect on the current issued capital of the Company.

The effect of the issue of the Conversion Shares on the current issued capital of the Company is set out in Section 9.

Section 611 of the Corporations Act

Section 606 of the *Corporations Act* prohibits a person from acquiring an interest in a company if the acquisition would result in that person's voting power (as defined in the *Corporations Act*) in the company increasing (relevantly), where the persons voting power increases from 20% or below to more than 20%. However, there are certain specified exceptions to the general prohibition contained in Section 606 of the *Corporations Act*. In particular, Item 7 of Section 611 of the *Corporations Act* exempts an acquisition agreed to by a resolution passed at a general meeting on which no votes were cast in favour of the resolution by the person proposing to make the acquisition or their associates.

If shareholders pass Resolution 7 and MLM give notice to the Company to convert all of the Convertible Notes into Conversion Shares, the issue of the Conversion Shares will have the effect of MLM receiving a shareholding in the Company above 20%.

The present voting power of MLM is 12.88%.

If MLM receive the maximum number of Conversion Shares, their voting power will increase by 34.36% to 47.24%.

Explanatory Statement

The voting power of MLM before this meeting and after the passing of Resolution 7 is set out in Section 11.

In order for MLM to be entitled to acquire a relevant interest above 20%, the proposal must be approved by a resolution passed at a general meeting of the Company. Accordingly the Company is putting Resolution 7 to shareholders for consideration. This Explanatory Memorandum, along with the Independent Expert's Report which is enclosed with the Notice of Meeting, proposes to provide sufficient detail for shareholders to appropriately consider Resolution 7. Shareholders are urged to read and consider the Independent Expert's Report prior to making a decision as to how to vote on Resolution 7.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by shareholders to make a decision in relation to benefits contemplated by Resolution 7.

9. Resolution 8 – Consolidation of Capital

Introduction

Upon giving consideration to the current share price of Shares and the number of Share upon issue if Resolution 8 is approved, the Board of Directors consider that the Company will be better placed to take advantage of future opportunities if a consolidation of Shares is implemented.

The Consolidation will take effect on 31 July 2009 in accordance with the following proposed reorganisation timetable:

30 July 2009	Shareholder approval
31 July 2009	Trading commences on the reorganised securities on a deferred settlement basis (Effective Date)
7 August 2009	The last date to register transfers on a pre-consolidation basis (for certificated holdings, the last day to accept transfers accompanied by certificates)
10 August 2009	First day for Company: (a) to send notices to all shareholders; (b) for uncertificated holdings – to register securities on a post consolidation basis and issue holding statements; and (c) for certificated holdings – to issue new certificates. Transfers accompanied by a certificate issued before the reorganisation are rejected from this date.
14 August 2009	Despatch date and deferred settlement market ends. Last day for Company: (a) to enter securities into the holder's security holdings and to issue and send certificates for certificated holdings; and (b) send notices to all shareholders.

Explanatory Statement

Regulatory Requirements

Section 254H Corporations Act

Section 254H of the Corporations Act requires shareholder approval where a Company wishes to convert its share capital into a larger or smaller number.

As the Consolidation will reduce the number of issued Shares in the Company, the Company puts this Resolution 8 to the shareholders for consideration.

Listing Rule 7.20 and 7.22.1

Listing Rule 7.20 requires the Company to inform shareholders of certain information where a re-organisation of capital is proposed.

Listing Rule 7.22.1 provides that in the event of a consolidation of capital, the number of Options on issue must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

The information to be provided to shareholders under Listing Rule 7.20 is:

(a) **The effect of the proposal on the number of securities and the amount unpaid (if any) on the securities;**

If Resolution 8 is passed, the number of Shares will decrease from 98,783,300 (as at the date of issue of this Notice and Explanatory Statement) to approximately 24,695,825*, assuming that Resolution 7 is passed and all Convertible Notes are converted into Conversion Shares.

[*This number is approximate only as it does not take into account any rounding up required for any fractional shareholdings that may arise from the Consolidation.]

If Resolution 8 is passed (and Resolution 7 is also passed), the number of Options will decrease from 750,000 (as at the date of issue of this Notice and Explanatory Statement) to 187,500.

The proposed Consolidation will not affect shareholders percentage interests in the Company, except to the extent that any fractions of Shares need to be rounded up as a result of the Consolidation.

(b) **The proposed treatment of any fractional entitlements arising from the re-organisation; and**

Fractional entitlements will be rounded up to the nearest whole number. Rounding up will slightly affect the percentage interests of shareholders in the Company.

(c) **The proposed treatment of any convertible securities on issue**

The terms of the Convertible Notes as outlined for Resolution 7 provide for an adjustment of the number of Conversion Shares entitled to be issued in the event of a capital re-organisation by the Company. If Resolution 7 is passed, the number of Conversion Shares to be issued upon conversion of all of the Convertible Notes will be 9,741,034.

In accordance with Listing Rule 7.22.1, the number of Options will decrease from 750,000 (as at the date of issue of this Notice and Explanatory Statement) to 187,500 and the exercise price of the Options will become four (4) times the current specified exercise price.

Explanatory Statement

10. Resolution 9 – Change of Company Name

To avoid confusion as a result of the proposed consolidation of shares, shareholders will be asked to approve a change of the Company's name to "Orion Metals Limited". The present name of the Company is specific in nature and it is intended that the revised name will be more reflective of the diversified business activities that the Company may be conducting on both a national and international level.

11. Additional Information

Capital Structure

Set out below are details of the Company's share capital structure having regard to the each of Resolutions 7 and 8 listed above.

Shareholder	Current Shareholding	% of Total Share Capital	Shareholding upon issue of maximum number of Conversion Shares under Resolution 7	% of Total Share Capital	Shareholding following Consolidation under Resolution 8	% of Total Share Capital
Other Shareholders	52,116,667	87.12%	52,116,667	52.76%	13,029,167*	52.76%*
MLM	7,702,500	12.88%	46,666,633	47.24%	11,666,658	47.24%*
TOTAL	59,819,167	100%	98,783,300	100%	24,695,825*	100%

*This number is approximate only as it does not take into account any rounding up required for any fractional shareholdings that may arise from the Consolidation.

Voting Power

Set out below are details of the Company's share capital structure having regard to the each of Resolutions 7 and 8 listed above.

	Current	Following issue of maximum number of Conversion Shares under Resolution 7	Following Consolidation under Resolution 8
Total Voting Shares	59,819,167	98,783,300	24,695,825*
MLM Voting Shares	7,702,500	46,666,633	11,666,658
MLM Voting Power	12.88%	47.24%	47.24%*

*This number is approximate only as it does not take into account any rounding up required for any fractional shareholdings that may arise from the Consolidation.

Explanatory Statement

Share Price

The following is a summary of the Company's share price over the 3 month period immediately prior to the date of this Notice:

Event	Date	Share Price
High	25 June 2009	\$0.03
Low	14 April 2009	\$0.015
Last	25 June 2009	\$0.03

Balance Sheet

A pro-forma balance sheet showing the effect of the transactions contemplated by the Notice is attached to this Explanatory Memorandum.

12. INTERPRETATION

Annual General Meeting or Meeting means the annual general meeting of shareholders of the Company convened by the Directors and detailed in the Notice of meeting, or any adjournment thereof.

ASX means the Australian Securities Exchange.

Company means Queensland Gold and Minerals Limited ACN 096 142 737.

Consolidation means a consolidation of Shares and Options on a 1 for 4 basis to be approved under Resolution 8.

Constitution means the constitution of the Company from time to time.

Conversion Shares means 38,964,133 Shares issued to MLM upon the conversion of Convertible Notes to be approved under Resolution 7.

Convertible Loan Deed means the Convertible Loan Deed between the Company and MLM dated 25 November 2008.

Convertible Notes means the Convertible Notes to be issued to MLM by the Company as are to be approved under Resolution 7.

Corporations Act means the *Corporations Act* 2001 (Cth).

Directors means the board of directors of the Company from time to time.

Explanatory Memorandum means this explanatory memorandum accompanying this Notice.

Facility means the loan of \$292,231 by MLM to the Company under the Convertible Loan Deed.

Independent Expert's Report means the report prepared by Hayes Knight Partners, Chartered Accountants with respect to the fairness and reasonableness of the transaction under Resolution 7.

Listing Rules means the listing rules of the ASX.

Minister means the Minister for the Department of Mines and Energy in the State of Queensland.

MLM means Metallica Minerals Limited ABN 45 076 696 092.

Explanatory Statement

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Annual General Meeting, accompanying this Explanatory Memorandum.

Option means options to acquire ordinary shares in the capital of the Company.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders.

Shares means fully paid ordinary shares in the capital of the Company.

Special Resolution means a resolution passed by at least 75% of the votes at a general meeting of shareholders.

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Any inquiries in relation to the resolutions or the Explanatory Memorandum should be directed to Mr Theo Psaros (Company Secretary):

*1 Potts Street, East Brisbane QLD 4169
Tel - +61 7 3891 9611
Fax - +61 7 3891 9199*

ATTACHMENT
INDEPENDENT EXPERT'S REPORT

Queensland Gold and Minerals Limited

Independent Expert's Report

18 June 2009

In our opinion the proposals as outlined in Resolution 7 are, on balance, considered not to be fair but in view of the current financial position of the company may be considered to be reasonable to the non associated shareholders of QGM.

This opinion should be read in conjunction with the full text of this report, which sets out the detailed scope and findings.

Financial Services Guide

Anthony W Thomas (“AWT”) is a Partner in Hayes Knight Partners Chartered Accountants and carries on business at Level 19, 127 Creek Street, Brisbane, Qld, 4000. AWT holds Australian Financial Services Licence No 268504 authorising him to provide financial product advice on securities to retail clients.

The Corporations Act requires AWT to provide this Financial Services Guide (FSG) in connection with provision of an independent expert’s report (Report), which is included in a document (Disclosure Document) provided to members by the company or other entity (Entity) for which the Report is prepared.

AWT does not accept instructions from retail clients. AWT does not provide any personal retail financial product advice to retail investors nor does he provide market-related advice to retail investors.

When providing Reports, AWT’s client is the Entity to which the Report is provided. AWT receives remuneration from the Entity. In respect of the Report for Queensland Gold and Minerals Limited (QGM), AWT will receive a fixed fee of \$12,500 (exclusive of GST) for the preparation of the Report (as stated in Appendix 2 of the Report).

No related body corporate of AWT, or any of the fellow directors or employees of AWT or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

AWT is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities and Investments Commission. The following information in relation to independence is stated in Appendix 2 of the Report:

“Anthony W Thomas, Hayes Knight Partners and its associates have not previously had any shareholding or other relationships with QGM that would reasonably be regarded as capable of affecting its ability to provide an unbiased opinion on the proposed transaction. No role has been played in the formulation of the proposed transaction other than in the preparation of this report. Independence has been achieved in terms of Regulatory Guide 112 issued by ASIC.”

As the holder of an Australian Financial Services Licence, AWT has a complaints handling procedure and is a member of the Financial Ombudsman Service Limited, No 11898.

AWT is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to him or HayesKnight Partners. AWT will not respond in any way that might involve any provision of financial product advice to any retail investor.

18 June 2009

Strictly Private & Confidential

The Directors
Queensland Gold and Minerals Limited
1 Potts Street
EAST BRISBANE QLD 4169

Dear Sirs

**INDEPENDENT EXPERT'S REPORT FOR QUEENSLAND GOLD AND
MINERALS LIMITED**

1. Introduction

We have been requested by the directors of Queensland Gold and Minerals Limited (QGM) to prepare an Independent Expert's Report to determine the fairness and reasonableness of the transactions referred to in Resolution 7 as detailed in the Notice of Meeting to QGM shareholders (the Notice) to be issued to shareholders in late June 2009.

We are not reporting on the merits or otherwise of other resolutions referred to in the Notice.

2. Summary of Opinion

In our opinion the proposals as outlined in Resolution 7 are, on balance, considered not to be fair but in view of the current financial position of the company may be considered to be reasonable to the non associated shareholders of QGM.

This opinion should be read in conjunction with the full text of this report, which sets out the detailed scope and findings.

Yours faithfully



A W Thomas
Partner

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1 THE PROPOSED TRANSACTION

1.1 Introduction

Resolution 7 relates to the matter that the Company has entered into the Convertible Loan Deed with Metallica Minerals Limited (MLM) dated 25 November 2008 (Convertible Loan Deed), under which MLM has granted a facility of \$292,231 to the Company for the purposes of working capital (Facility). The continuation of the Facility is subject to it being converted into Convertible Notes on the terms and conditions contained in the Convertible Loan Deed.

Around the time of granting the facility MLM also took a placement in QGM of 7,702,500 shares at 0.75 of a cent per share. This same price applies on conversion of the Convertible Notes. From discussions it is clear that the Company faced some very considerable financial hurdles at that time. We observe that the share placement was approved by the QGM Board which included a representative of the major shareholder.

As there are reasonable grounds to believe that MLM will become a “related party” in the future, (namely that that 2 out of the 3 directors of the Company are nominees of MLM and MLM has the potential to control the Company if the Conversion Shares are issued to MLM), the Company is seeking to obtain shareholder approval for the issue of the Notes in accordance with Listing Rule 10.11 of the Listing Rules and Part 2E and Chapter 6 of the Corporations Act.

1.2 Material Terms of the Convertible Loan Deed

Under the Convertible Loan Deed, MLM has agreed to provide the Facility to the Company for the purposes of maintenance, exploration and evaluation of all tenements held by the Company and for general working capital. The conditions precedent contained in the Convertible Loan Deed have been satisfied and the Facility has now been fully drawn .

In consideration of MLM providing the Facility, the Company agreed to seek the approval of shareholders of the Company to the conversion of the Facility into the Convertible Notes, as contemplated by Resolution 7 (Approval Condition). In the event that the Approval Condition is not satisfied by 31 August 2009 (Approval Date) (or approval is sought at a meeting before that date and is not given), then the Company must repay the Facility within thirty (30) days of the earlier of the Approval Date or the date of the Meeting and all obligations of the Company and MLM will cease.

At the option of MLM, the moneys owing pursuant to the Facility shall become immediately due and repayable and the Facility shall be terminated in certain circumstances, including:

- (a) if the Company breaches any provisions of the Convertible Loan Deed or any other agreement between the Company and MLM;
- (b) if in the opinion of MLM, there has been a substantial change in shareholding of the Company so as to result in an effective change in the control of the Company; and
- (c) if the Company ceases to be listed on the ASX or has its securities suspended from trading on the ASX for more than ten (10) consecutive business days.

The Company also provided a number of standard covenants for a deed of this nature which remain in effect whilst the Convertible Notes remain outstanding including that:

- (a) it will not issue any further shares or securities convertible into shares in the Company, without the prior written consent of MLM (which shall not be unreasonably withheld), except where such an issue was announced prior to the date of the Convertible Loan Deed; and
- (b) it will not pay any dividends while the payment of any money owing to the Lender is overdue.

Interest is payable at a rate of 10 percent p.a. on all moneys owing from time to time pursuant to the Facility and is payable quarterly in arrears. As security for the Convertible Notes the Company has granted a fixed and floating charge over the assets and undertakings of QGM.

The following is a summary of the material terms of the Convertible Notes and the Conversion Shares:

- (a) the Convertible Notes are to be issued by the Company to MLM on the Business Day after shareholder approval to the issue of the Convertible Notes is obtained;
- (b) the Convertible Notes will secure payment of all advances made pursuant to the Facility;
- (c) the Convertible Notes will be evidenced by a certificate, which shall be reissued from time to time, setting out the amount drawn down of the Facility, the number of Shares into which the Convertible Notes have been converted and the maximum number of Shares that MLM is entitled to receive upon conversion of the Convertible Notes as at the time of issue of the certificates;
- (d) the Convertible Notes will, at MLM's sole option, be convertible in whole or part from time to time on or before the date being two (2) years from the date of issue of the Convertible Notes into shares in the Company with an issue price of three-quarters of a cent (\$0.0075) per Share;

- (e) The number of Conversion Shares which the Convertible Notes may be converted into from time to time is calculated in accordance with the following formula: $N = CA/\$0.0075$

Where: N is the number of Shares to be issued; and

CA is the amount nominated by MLM to the Company of all advances drawn down under the Facility, as the amount which is to be converted into Shares (Conversion Amount);

- (f) upon conversion, in whole or part of the Convertible Notes into Shares, each Conversion Amount will be deemed to be repaid on issue of the respective Conversion Shares;
- (g) each Conversion Share will rank, as from the date of conversion, in all respects *pari passu* with the then existing Shares and the Company will apply to the ASX for official quotation of any Conversion Shares issued;
- (h) the Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Notes into Shares;
- (i) the Convertible Notes will not carry any entitlement to participate in future issues of securities by the Company prior to any conversion of the Convertible Notes into Shares:
- (j) if the Company reorganises its share capital in any way including consolidation, subdivision, bonus issue, reduction or return (Reorganisation Event) while the Convertible notes are on issue, the number of Shares issued on conversion after the Reorganisation Event will be:
1. adjusted so that the entitlement of the Shares issued upon conversion of the Convertible Notes to participate in profits and assets of the Company will be the same as the entitlement of the Shares into which the Convertible Notes would have been converted had there been no Reorganisation Event; and
 2. otherwise reorganised in accordance with the Listing Rules so that the Noteholder will not receive a benefit that the holders of Shares do not receive and vice versa.

Pursuant to the Convertible Loan Deed, the maximum number of Conversion Shares which may be issued to MLM, assuming that the Facility Limit is drawn down and MLM elects to convert all of the drawn down amounts into Conversion Shares, is 38,964,133 Conversion Shares.

No funds will be raised by the issue of the Conversion Shares, as the Conversion Shares are being issued for no cash consideration. It is however noted that the issue of any conversion Shares will be in satisfaction of the obligations of the Company to repay the Conversion Amount pursuant to the Facility.

2 SCOPE OF THE REPORT

2.1 Purpose of the Report

As shown in this report in Table 3, MLM currently holds 12.88% of the issued capital of QGM.

If Resolution 7 is passed by shareholders and shares allotted and issued as a result of conversion of all the Convertible Notes to be issued to MLM, the latter may own or be associated with 46,666,633 of the total of 98,783,300 ordinary shares that would then be on issue (in the absence of any capital raisings) representing approximately 47.24% of the issued capital of QGM.

2.1.1 The Corporations Act

Section 606 of the Corporations Act (Section 606) does not allow a person to acquire more than 20% of a company's voting shares without making a takeover offer. MLM will hold more than 20% of QGM upon conversion of the Convertible Notes.

Section 611 of the Corporations Act (Section 611) provides an exemption to Section 606 if the Proposed Transaction is approved by a resolution at a general meeting of shareholders.

Regulatory Guide 111 issued by the Australian Securities & Investments Commission (ASIC) requires that the Notice of Meeting include, amongst other things, an analysis of the Proposed Transaction by the independent Directors.

2.1.2 ASX Listing Rules

ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities). An asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. The granting of security by the Company in favour of MLM (by way of a first ranking fixed and floating charge over the Company's assets) is deemed under Listing Rule 10.1 to be a disposal of the underlying assets and the value of the debt secured is greater than 5% of the equity interests of the Company as set out in its last accounts given to ASX. As such, shareholder approval is required for the purpose of ASX Listing Rule 10.1.

The Directors have requested preparation of this report to assist non associated shareholders in determining how to vote on Resolution 7 as outlined in the Notice.

2.2 Basis of Evaluation

In determining the fairness and reasonableness of the transactions pursuant to Resolution 7, we have had regard for the definitions set out by ASIC in its Regulatory Statement 111. The latter states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). Regulatory Statement 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7), a report by an independent expert stating whether or not the proposals pursuant to Resolution 7 are fair and reasonable, having regard to the interests of shareholders other than the proposed allottees (in this case, MLM and its associates), and whether a premium for potential control is being paid by the allottees, will be required. Policy Statement 74 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transaction proceeds compared with if it does not.

Accordingly, our report relating to Resolution 7 is concerned firstly with the fairness and reasonableness of the proposals from the point of view of the existing non associated shareholders of QGM, and secondly whether the price payable for the potential to obtain an increased significant shareholding interest if Convertible Notes are converted includes a premium for control.

2.3 Limitations and Reliance on Information

This opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should also be read in conjunction with the declarations outlined in Appendix 2.

3 QUEENSLAND GOLD AND MINERALS

3.1 Capital Structure and Shareholders

Securities on issue as at 22 May 2009, can be summarised as follows:

Table 1

	Number of Securities
Fully paid Ordinary Shares	<u>59,819,167</u>
<hr/>	
Options – 20 cents strike price 30 June 2009	5,500,000
3 January 2011	<u>2,000,000</u>
	<u>7,500,000</u>

Table 2

Distribution of Equity Securities	
Number of Equity Securities Held	Number of Security Holders
1-1,000	5
1,001-5,000	48
5,001-10,000	195
10,001-100,000	240
100,001-over	58

Table 3

Top 20 Shareholders at 22 May 2009

	%	Number of Shares
Angus & Ross Plc	24.52	14,666,667
Metallica Minerals Limited	12.88	7,702,500
Nedex Pty Ltd	5.74	3,340,728
Alcardo Investments Limited	3.93	2,348,407
Australasian Asiatic Gems Pty Ltd	3.12	1,865,000
Danamore Pty Ltd	2.27	1,355,758
National Nominees Limited	1.88	1,125,000
Rivercrest Enterprises Pty Ltd	1.67	1,000,000
Mr Friend Nothers	1.42	846,600
M&S Maycock Pty Ltd	1.22	730,000
Mr Ianaki Semerdziev	1.14	680,100
Mr Jock Banks	1.00	600,000
HSBC Custody Nominees (Australia) Limited	1.00	600,000
Victory Crest Pty Limited <Samuel Tusa Family No 2 A/C>	1.00	600,000
Leet Investments Pty Ltd	0.93	556,000
Mr Simon Timothy Hartley & Mrs Katherine Mary Hartley <Hartley Superfund A/C>	0.90	540,000
Super 1136 Pty Ltd	0.84	500,000
Bahulu Holdings Pty Ltd	0.68	405,626
Marloss Fifteen Pty Ltd	0.67	400,000
Monk Nominees Pty Ltd <Monk Super Fund A/C>	0.67	400,000
	67.48	

3.2 Share Price History

The share price trading history over the past year is as follows:

Table 4

	Closing Price (cents)		Vol (000s)
	High	Low	
May 2009	2.2	2.1	175
April 2009	2.8	1.5	2,931
March 2009	3.0	1.7	857
February 2009	1.9	1.5	466
January 2009	1.9	1.3	1,100
December 2008	1.8	1.5	508
November 2008	2.0	1.2	789
October 2008	1.7	1.0	2,494
September 2008	3.0	1.1	5,941
August 2008	3.4	3.0	632
July 2008	6.9	3.3	1,029
June 2008	7.5	4.3	1,015

3.3 Financial Performance

The audited income statements for the 12 months ended 28 February 2009 and 28 February 2008, are presented in the table below.

Table 5

	2009 \$	2008 \$
Continuing operations		
Revenue	117,863	154,469
Depreciation expense	(75,317)	(80,712)
Employment expenses	(10,960)	(372,933)
Exploration Expenditure (write off)	(2,405,278)	-
Interest expense	(7,686)	-
Finance costs	(899)	(4,631)
Other expenses	(433,625)	(274,791)
Loss before income tax	(2,815,902)	(578,598)
Income tax expense	-	-
Loss from continuing operations	(2,815,902)	(578,598)

3.4 Financial Position

QGM's audited Balance Sheets as at 28 February 2009 and 28 February 2008 are presented in the table below.

Table 6

	2009 \$	2008 \$
Current assets		
Cash assets and cash equivalents	286,130	828,472
Trade and other receivables	32,538	101,148
Total current assets	<u>318,668</u>	<u>929,620</u>
Non current assets		
Other assets	11,459	11,459
Property, plant and equipment	152,335	384,214
Exploration and evaluation expenditure	1,493,988	3,379,405
Total non current assets	<u>1,657,782</u>	<u>3,775,078</u>
Total assets	<u>1,976,450</u>	<u>4,704,698</u>
Current liabilities		
Trade and other payables	142,530	284,969
Financial liabilities	292,231	45,203
Provisions	-	5,613
Total current liabilities	<u>434,761</u>	<u>335,785</u>
Non current liabilities		
Financial liabilities	-	47,891
Total non current liabilities	<u>-</u>	<u>47,891</u>
Total liabilities	<u>434,761</u>	<u>383,676</u>
Net assets	<u>1,541,689</u>	<u>4,321,022</u>
Equity		
Issued Capital	5,716,240	5,679,669
Reserves	302,050	302,050
Accumulated losses	(4,476,601)	(1,660,697)
Total Equity	<u>1,541,689</u>	<u>4,321,022</u>

3.5 Going Concern

The independent audit report issued by BDO Kendalls on the 2009 financial statements contains the following emphasis of matter:-

As set out in Note 1(a), the financial statements have been prepared on a going concern basis. The ability of the company to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent upon the matters referred to in Note 1(a) including the ability of the company to successfully approve the convertible loan at a meeting of its shareholders, raise capital, and or successfully explore and subsequently exploit the company's tenements.

Should the matters referred to in Note 1(a) not eventuate, there would be significant uncertainty in the company's ability to continue as a going concern. No adjustments have been made to the carrying value of assets or recorded amount of liabilities should this eventuate.

Note 1(a) to the financial statements states that the financial statements have been prepared on a going concern basis. However it adds:-

The ability of the Company to continue to adopt the going concern assumption will depend upon a number of matters including:

- *The containment of operating expenses at a level that is commensurate with the Company's revenue generating potential;*
- *The ability of the Company to raise sufficient capital and equity;*
- *The approval of the issue of the loan as detailed in Note 12;*
- *The Company continuing to enhance the value of retained assets including the development of these assets through joint venture agreements;*
- *The successful exploration and subsequent development of the company's tenements; and*
- *The potential disposal of assets at a fair value that generates adequate cash flow to the Company.*

4 MINERAL PROJECTS

4.1 Outline and Update

QGM's mining leases and Tenement details currently are:

Table 7

Tenement	Project Name	Registered Holder	Status	Date of Grant	Number of Sub-Blocks	Commodity
EPM 13271	Grants Gully	QGM 100%	Granted Renewal Lodged	18/07/2001	5	Tantalum Gold, Tin
EPM 13694	Grants Gully	QGM 100%	Granted Renewal Lodged	3/12/2002	12	Tantalum Gold, Tin
EPM 14224	Grants Gully	QGM 100%	Granted	30/07/2004	7	Tantalum Gold, Tin
EPM 14988	Grants Gully	QGM 100%	Appln (07/02/05)		5	Tantalum Gold, Tin
EPM 13744	Eveleigh	QGM 100%	Granted Renewal Lodged	3/12/2002	20	Gold, Tin
EPM 14231	Malcolm Creek	F H Skerritt 50% S B Terry 50%	Granted	26/08/2004	17	Gold
EPM 16961	Sundown	QGM 100%	Granted	11/02/2009	16	Tin
EPM 13831	Warroo	QGM 100%	Granted	14/05/2003	50	Gold Copper
Mining Lease	Project Name	Registered Holder	Status	Date of Grant	Area hectares	Commodity
MLs 2764 ML 2785 ML2786 ML 2792	Top Camp Top Camp Top Camp Top Camp	QGM 100% QGM 100% QGM 100% QGM 100%	Granted Granted Granted Granted		407	Gold Copper
ML 3311 ML 30123 MLA 30208	Grants Gully	QGM 100% QGM 100% QGM 100%	Granted Granted Application		96	Tantalum Gold, Tin
ML 1035 ML 1060	Rutherfords Table	QGM 100% QGM 100%	Granted Granted		244	Gold

In its Prospectus prepared for its IPO dated 28 July 2006, QGM included an independent expert's report prepared by IMC Consultants Pty Ltd on the company's exploration projects. The expert's report contains a detailed narrative and assessment of each of the company's projects.

The company raised \$5m in its initial share offer prior to listing on the ASX in early 2007. Since that time it has continued with its exploration efforts.

As noted in its quarterly report to the ASX, exploration activities have recently been significantly reduced due to a combination of a severe downturn of metal markets and to conserve QGM's diminished cash reserves.

In April 2009 QGM did announce that a formal agreement was signed with Newmont Exploration Pty Ltd (Newmont) to fund further exploration on the Malcolm Creek project. Newmont will conduct a minimum initial \$250,000 exploration program within one year of signing the Farm-in Agreement, which will form part of the earn-in expenditure of up to \$2 million to earn an interest of up to 70% over four years. QGM retains the right to contribute in proportion to its equity at decision points of 51%: 49%, 60%: 40%, and 70%: 30%. If QGM fails to contribute at these equity positions, Newmont may then spend an additional \$1 million for a cumulative expenditure of \$3 million to earn equity of 80%.

In the process of preparing its financial statements for the year ended 28 February 2009 (signed by the Directors on 28 May 2009) the Company conducted a detailed impairment review of its capitalised exploration expenditure. Some \$2.4 million of previously capitalised expenditure was written off, leaving \$1.5 million as carried forward.

5 EVALUATION

5.1 Introduction

5.1.1 In considering the proposal as outlined in Resolution 7 we have sought to determine if the conversion price of the Notes by MLM is in excess of the current fair value of the shares in QGM on issue and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of QGM.

5.1.2 The proposals pursuant to Resolution 7 would be fair to the existing non associated shareholders if the conversion price of the potential loans (via the Convertible Notes) referred to above are greater than or equal to the implicit value of the shares in QGM currently on issue. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on QGM shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a QGM share are:

- Capitalised maintainable earnings/discounted cash flow,
- Takeover bid – the price which an alternative acquirer might be willing to offer,
- Adjusted net asset backing and windup value, and
- The market value price of QGM shares.

5.2 Capitalised Maintainable Earnings/DCF's

5.2.1 QGM currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not appropriate. Currently, QGM does not have the funds and thus any perceived technical value of mineral projects is theoretical as without funds they will not be developed.

5.3 Takeover Bid

We have been advised by the Directors of QGM that they do not believe that there would be any person with an interest in taking over the company by way of a formal takeover bid. To our knowledge, there are no current bids in the market place and the Directors of QGM have formed the view that there is unlikely to be any takeover bids made for QGM in the immediate future.

5.4 Net Asset Backing and Wind-Up Value

5.4.1 As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. The audited balance sheet as at 28 February 2009 of QGM is shown below along with pro-forma balance sheet after allowing for the following:

- the issuing and conversion of Convertible Notes to MLM.
- the lapsing of current outstanding share options.
- no subsequent losses or interest on the Convertible Notes.

Table 8

	Audited 28 February 2009 \$	Pro-forma 28 February 2009 \$
Current assets		
Cash assets and cash equivalents	286,130	286,130
Trade and other receivables	32,538	32,538
Total current assets	318,668	318,668
Non current assets		
Other assets	11,459	11,459
Property, plant and equipment	152,335	152,335
Exploration and evaluation expenditure	1,493,988	1,493,988
Total non current assets	1,657,782	1,657,782
Total assets	1,976,450	1,976,450
Current liabilities		
Trade and other payables	142,530	142,530
Financial liabilities	292,231	-
Total current liabilities	434,761	142,530
Non current liabilities		
Financial liabilities	-	-
Total non current liabilities	-	-
Total liabilities	434,761	142,530
Net assets	1,541,689	1,833,920
Equity		
Issued Capital	5,716,240	6,008,471
Reserves	302,050	302,050
Accumulated losses	(4,476,601)	(4,476,601)
Total Equity	1,541,689	1,833,920

- 5.4.2 Based on the audited balance sheet at 28 February 2009 net asset backing per share (59,819,167 shares on issue) would equate to approximately 2.5 cents (ignoring the value, if any, of non-booked tax benefits).
- 5.4.3 Based on the pro-forma balance sheet the net book assets after taking the matters listed into account is \$1,833,920. Thus the net book asset backing per share (98,783,300 shares on issue) would approximate 1.8 cents.

5.5 Market Price of QGM shares

Section 3.2 above sets out a summary of share prices of QGM over the past 12 months.

The share price had been falling steadily from mid 2008 to the end of calendar 2008 in part due to a fall in the market generally and particularly for resource companies. In 2009 there has been a slight firming in the QGM share price possibly in view of the announcement of the arrangement with Newmont.

- 5.5.1 No independent valuations have been prepared on the mineral prospects of QGM and we do not consider it necessary to obtain an independent valuation of the mineral prospects for the purposes of this report. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between QGM and other parties. We also note it is not the present intention of the Directors of QGM to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in QGM based on the market perceptions of what the market considers a QGM share to be worth.

The market capitalisation of QGM broadly equates to the net equity position shown in Section 5.4 above. In the case of QGM the monthly volume of trades in the recent past on the ASX is enough to argue that an orderly market exists for the Company's shares. The market arguably is fully informed of the Company's activities notwithstanding that two thirds of the Company's shares are under the control of twenty shareholders (and three shareholders control 43% as at 22 May 2009). We are of the opinion that it is fair to use a range of market values over the past three months as one of the indicators of what a QGM share is worth but this is not exclusive as we have also considered the net asset backing of the Company.

5.6 Preferred value of QGM shares (range) to arrive at fairness conclusion

As noted above the market appears to be kept fully informed on the operations of the Company and thus the recent share price is a fair indicator of what the market considers the Company's shares to be worth. This price range of 2 to 2.5 cents per share is also consistent with the reported book net asset backing. As stated, share prices do not necessarily reflect fair values in the current economic circumstances of the Company.

The future ultimate value of a QGM share will, inter alia, depend upon :

- the future prospects of its mineral assets;
- the state of the gold and base metal market (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the strength of the Board and/or who makes up the Board;
- general economic conditions;
- the liquidity of shares in QGM; and
- possible ventures and acquisitions entered into by QGM.

As the market value of a QGM share currently exceeds the conversion price of the Convertible Notes, prima facie, Resolution 7 is not fair to the non associated shareholders of QGM.

5.7 Premium for Control

5.7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.

5.7.2 Under the Corporations Act, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, if MLM converted all of the Convertible Notes to ordinary fully paid shares in QGM its shareholding in QGM could increase to approximately 47.24% of the expanded issued capital of QGM. Accordingly, we have addressed whether a premium for control will be paid.

5.7.3 We further note that MLM does control the Board of QGM holding two of the current three Board positions.

5.7.4 The recent market value of a QGM share lies in the range of 2 to 2.5 cents a share. The conversion price of the 46,666,633 shares that would be issued to MLM on conversion of the Convertible Notes is 0.75 of a cent per share. Therefore MLM may not be considered to be paying a premium for potential control.

5.8 Reasonableness of the Proposals

To decide whether or not the Proposed Transaction in Resolution 7 is reasonable to the non associated shareholders, we have considered:

- The likely advantages and benefits to the non associated QGM shareholders derived from the Proposed Transaction; and
- The likely disadvantages and costs associated with the Proposed Transaction.

Both aspects above have been assessed independently and in addition to the financial assessment made in the previous section.

The likely advantages and disadvantages for QGM shareholders if the Proposed Transaction proceeds are discussed below.

Advantages

- Given the conversion price is set at 0.75 of a cent a share and QGM's portfolio of mineral assets, there is an incentive for MLM to make QGM a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.
- In Section 1.1 we noted that MLM took up a share placement in November 2008 at the same price per share that applies on conversion of the Convertible Notes (ie 0.75 of a cent per share). We also observe that in recent times in the market it is not unusual for share issues (including placements) to be made at deep discounts to the prevailing market price.
- As can be seen from the company's balance sheet at 28 February 2009 QGM has poor liquidity. We note the prima facie improvement in the company's current ratio from a deficiency of \$116,093 to a surplus of \$176,138 due to conversion of the Notes.
- MLM has indicated its preparedness to provide financial support to QGM. The absence of this support would have been of serious detriment to the Company and in the absence of other capital raisings (that would have been very difficult to consummate) may have seen QGM in some form of Administration.

Disadvantages

- A significant number of shares will be issued by QGM if the Convertible Notes are ultimately converted. This will dilute the ownership proportions and voting rights of existing QGM shareholders.
- There is an interest cost in entering into the Convertible Notes although there is no cash outlay until such time as the Convertible Notes are repaid (up to two years hence). QGM may not be in a financial position to repay the Convertible Notes unless in the meantime the Company's financial fortunes improve.
- QGM as part of the Convertible notes issue with MLM has agreed to allow MLM to take a fixed and floating charge over the assets and undertakings of QGM. Whilst it is not unusual to protect the lender, by allowing MLM to take the charge there is a risk MLM obtains control of the assets if the Company could not repay the Convertible Notes when they fall due (in the event that MLM does not convert the Convertible Notes to share equity).

Having regard to the advantages and disadvantages, the position of the shareholders if the Resolution 7 is not approved and the other considerations, as set out in this section of this report, it is concluded that the Proposed Transaction in Resolution 7 is reasonable when considering solely the interests of the non associated shareholders.

6 CONCLUSION AS TO FAIRNESS AND REASONABLESS

After taking into account the factors referred to in Section 5 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 7 are, **on balance, considered not to be fair but in view of the current financial position of the Company may be considered to be reasonable to the non associated shareholders of QGM.**

The shareholders should be aware that MLM has the ability to take control of the assets of QGM in the event that QGM defaults on repayment of the Convertible Notes.

APPENDIX 1: SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- The financial statements of QGM for the periods ended 28 February 2009 and 28 February 2008.
- Prospectus dated 28 July 2006.
- Independent experts report on mineral projects held by QGM prepared by IMC Consultants Pty Ltd and included in company's prospectus of 28 July 2006.
- Convertible Loan Deed between the Company and Metallica Minerals Limited dated 25 November 2008.
- Draft Notice of Meeting and Explanatory Statement to be issued to QGM shareholders.
- Quarterly Report issued to the ASX by QGM dated 31 March 2009.
- Announcement to ASX of 14 November 2008 of placement of 7,702,500 QGM shares to MLM.
- Announcement to ASX dated 16 April 2009 in relation to a farm-in and joint venture agreement with Newmont in relation to Malcolm Creek Gold Project.
- Discussions with and management representations from Mr Theo Psaros (Company Secretary) and Mr Adrian Day (Director) of QGM.
- Other publicly available information about QGM including the announcements made about the proposed transaction.

APPENDIX 2: QUALIFICATIONS, DECLARATIONS AND CONSENTS

This report has been prepared at the request of the independent Directors of QGM. Accordingly, it has been prepared only for the benefit of the independent Directors in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose.

The Partner of Hayes Knight Partners solely responsible for the preparation of this report is Anthony W Thomas ("AWT") B.Com, MFM, FCA, FCPA. He has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. He is the holder of a Financial Services Licence under the Corporations Act.

The report represents solely the expression by AWT of his opinion as to whether the Proposed Transaction is fair and reasonable.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, AWT has relied upon the information provided by the Directors and Executives of QGM, which he believes, on reasonable grounds, to be reliable, complete and not misleading. AWT and Hayes Knight Partners does not imply, nor should it be construed, that it has carried out any form of audit verification on the information and records supplied to us. Drafts of this report were issued to QGM and management for confirmation of factual accuracy.

Furthermore, recognising that AWT may rely on information provided by QGM and its officers and/or associates, QGM has agreed to make no claim by it or its officers and/or associates against AWT to recover any loss or damage which QGM or its associates may suffer as a result of that reliance and also has agreed to indemnify against any claim arising out of the assignments to give this report, except where the claim has arisen as a result of any proven wilful misconduct or negligence by AWT.

AWT, Hayes Knight Partners and its associates have not previously had any shareholding or other relationship with QGM that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion on the Proposed Transaction. No role has been played in the formulation of the Proposed Transaction other than in the preparation of this report. Independence has been achieved in terms of Regulatory Guide 112 issued by ASIC.

There is a fixed fee of \$12,500 (exclusive of GST) for preparation of this report. It is not contingent on the outcome of the Proposed Transaction.

ATTACHMENT
PRO FORMA BALANCE SHEET

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

PRO FORMA BALANCE SHEET
AS AT 28 FEBRUARY 2009

	Pro forma Balance Sheet 28 February 2009 \$	Audited Balance Sheet 28 February 2009 \$
Current assets		
Cash and cash equivalents	286,130	286,130
Trade and other receivables	32,538	32,538
Total current assets	318,668	318,668
Non-current assets		
Other assets	11,459	11,459
Property, plant and equipment	152,335	152,335
Exploration and evaluation expenditure	1,493,988	1,493,988
Total non-current assets	1,657,782	1,657,782
Total assets	1,976,450	1,976,450
Current liabilities		
Trade and other payables	142,530	142,530
Financial liabilities*	292,231	292,231
Total current liabilities	434,761	434,761
Total liabilities	434,761	434,761
Net assets	1,541,689	1,541,689
Equity		
Issued capital	5,716,240	5,716,240
Reserves	302,050	302,050
Accumulated losses	(4,476,601)	(4,476,601)
Total equity	1,541,689	1,541,689

The pro forma Balance Sheet as at 28 February 2009 is identical to the Balance Sheet in the audited financial statements as at that date. The transactions contemplated by the Notice of Meeting will not have an effect on the presentation of the Queensland Gold and Minerals Balance Sheet.

*The audited Balance Sheet has disclosed the Metallica Minerals debt funding received in November 2008 as a Current Financial Liability. Should the transaction contemplated by Resolution 7 be approved by shareholders, this debt will become Convertible Notes and will remain a Financial liability. This will apply until the Convertible Notes are converted into shares of Queensland Gold and Minerals in accordance with the terms of the Convertible Notes.

Proxy Form

Proxy, representative and voting entitlement instructions

Shareholders are entitled to appoint up to two (2) individuals to act as proxies to attend and vote on their behalf. Where more than one (1) proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, the appointment will be of no effect.

A shareholder who is a body corporate is able to appoint representatives to attend and vote at the meeting under Section 250D of the Act.

The proxy form (and unless previously noted on the share registry, the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at, posted to, or sent by facsimile transmission to the Company's share registry Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000, Locked Bag A14, Sydney South NSW 1235 or fax number 02 9287 0309, to be received not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Act.

The proxy may, but need not, be a shareholder of the Company. In the case of shares jointly held by two (2) or more persons, all joint holders must sign the proxy form. A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on Tuesday, 28 July 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

- Individual: Where the holding is in one name, the holder must sign.
- Joint Holding: Where the holding is in more than one name, all of the security holders should sign.
- Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.
- Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.
- Please indicate the office held by signing in the appropriate place.

Proxy Form

I / We

of

being shareholder(s) of Queensland Gold and Minerals Limited (**Company**)

hereby appoint:

of:

or failing him/her:

of:

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at HopgoodGanim Lawyers, Level 7 Waterfront Place, 1 Eagle Street, Brisbane, on Thursday, 30 July 2009 at 10AM at HopgoodGanim Lawyers, Level 7 Waterfront Place, 1 Eagle Street, Brisbane and at any adjournment thereof in respect of all of my/our shares in the Company unless otherwise specified below.

Use of Proxy

Direction on how to vote

If you wish to direct the Proxy how to vote, **please place a mark in the appropriate boxes below.**

I/we direct my/our proxy to vote as indicated below:

Resolution	For	Against	Abstain
1. Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of David Keith Barwick as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Andrew Langham Gillies as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of Adrian Day as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratification of Issue of Shares to John Brady	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ratification of Issue of Shares to Metallica Minerals Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Conversion of Loan to Convertible Notes and the Issue of Shares on Conversion of the Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

No direction on how to vote - Chairman as Proxy (Excluded Resolutions)

If the Chair of the meeting is appointed as your proxy, or may be appointed by default, and you do **NOT** wish to direct your proxy how to vote as your proxy in respect of the resolution/s, **please place a mark in the box opposite.**

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2 and 7 (**Relevant Resolutions**) and that votes cast by the Chair of the meeting for the Relevant Resolutions other than as proxy holder will be disregarded because of that interest.

If the Chair of the meeting is your proxy and you do not mark this box or direct the Chair of the meeting how to vote above, the Chair of the meeting will not cast your votes on the Relevant Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Relevant Resolutions.

The Chair intends on voting in favour of all undirected proxies.

Proxy Form

No Direction on how to vote - General

If you do **not** direct your proxy on how to vote as your proxy in respect of the resolutions, the Proxy may cast your vote as the Proxy thinks fit or may abstain from voting. By signing this appointment you acknowledge that, subject to the *Corporations Act 2001* (Cth), the Proxy may exercise your proxy even if he/she has an interest in the outcome of the resolutions and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest.

Apportionment - Multiple Proxies

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is%. (An additional proxy form will be supplied by the Company on request)

Apportionment – Multiple Shares

If you wish to appoint the proxy to exercise voting power over only some of your shares, the number of shares in respect of which this proxy is to operate is shares. (Note: proxy will be over all shares if left blank)

Individual or Security holder 1

**Sole Director and
Sole Company Secretary (If appointed)**

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date