QUEENSLAND GOLD AND MINERALS LIMITED

ACN 096 142 737

FINANCIAL REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2009

Contents | **Page No**

Directors' report

The Directors of Queensland Gold and Minerals Limited ("QGM or the Company") submit herewith the annual financial report of the Company for the year ended 28 February 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors and Directors' Details

The names and particulars of the Directors of the Company in office during the year and up until the date of this report are:

David K Barwick

(Chairman – appointed 28 November 2008)

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

In addition to his position as Chairman of the Company, Mr Barwick is also Chairman of Metallica Minerals Limited (ASX-MLM), Chairman of Manaccom Corporation (ASX-MNL) and Chairman, President and CEO of Macarthur Minerals Limited (TSXV-MMS).

Interests in shares and options

Mr Barwick holds the following securities in the Company:-

100,000 ordinary shares via an indirect holding in Queensland Gold and Minerals Limited.

Wayne Reid OBE

(Executive Chairman – resigned 3 November 2008)

Mr Reid is one of Australia's foremost sporting administrators having been President of Tennis Australia for 8 years, the Melbourne Football Club, The Confederation of Australian Sport, The International Assembly of Sport and as a Director of the Institute of Sport.

Wayne commenced his business experience as CEO of one of Australia's largest quarrying, ready mix concrete and asphalt companies. He has since been a director of over 12 Australian publicly listed companies covering a very wide range of industries, including such companies as Nicholas Kiwi, Nabisco, Adriatic Insurance (now Tower Life) and Georges of Collins Street. He was for many years a Director of Melbourne Moomba, Director of the Association for the Blind and Chairman of Low Vision Aid Clinic.

Wayne has recently returned to Australia having resided overseas for most of the past 20 years and during that time served as the executive director of a listed European Investment Bank which was also a member company of the London Stock Exchange, a major European airline and one of Europe's largest travel conglomerates. He is also a director of CityView Corporation Limited.

Interests in shares and options

Wayne holds the following securities in the Company:-

2,000,000 options over ordinary shares in Queensland Gold and Minerals Limited.

Andrew Gillies

(Non-Executive Director – appointed 28 November 2008)

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.

John Nethery

(Director and Exploration Manager)

John Nethery has over 40 years of professional mineral exploration experience commencing with 18 years for Australian Oil and Gas Corporation Ltd, and 1981 offshoot AOG Minerals Ltd, to the level of General Manager–Minerals. He then established a geological consultancy as Nedex Pty Ltd in 1987 and in recent years has played a consulting role in exploration projects including the Red Dome mine and the Mungana gold–base metal deposit, now in production, around Chillagoe, North Queensland. He has worked throughout Australia, and on projects in many overseas countries in detailed exploration, reconnaissance and evaluation, primarily for gold deposits associated with volcanic rocks and co-discovered the +2 million ounce epithermal gold deposit on Milos in the Aegean Sea. John has been exploring in Queensland, particularly for gold, for more than 30 years, and was instrumental in several key porphyry and epithermal gold discoveries such as Anastasia, Bald Mountain and Triple Crown.

Interests in shares and options

Through his holding company John Nethery holds the following securities:-

3,480,728 ordinary shares in Queensland Gold and Minerals Limited

1,000,000 options over ordinary shares in Queensland Gold and Minerals Limited.

Adrian Day

(Director)

Adrian 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 Adrian 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 Adrian 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.

Interests in shares and options

Through his holding company Adrian Day holds the following securities:-

1,865,000 ordinary shares in Queensland Gold and Minerals Limited

1,000,000 options over ordinary shares in Queensland Gold and Minerals Limited.

Robert Andrews MA

(Non-Executive Director – resigned 25 November 2008)

Robert Andrews established Angus & Ross plc in 1997, which is the major shareholder in QGM, and as Chairman oversaw its initial growth and listing on the Alternative Investment Market in London. He has extensive experience in financing resource companies and projects. He began his business career as an investment analyst with de Zoete & Gorton in London before spending 30 years in investment banking with AE Ames, James Capel and Mead & Co. Robert graduated from Edinburgh University having studied civil engineering and economics, and is presently concentrating on bringing the defunct Black Angel zinc mine in Greenland back into production.

Interests in shares and options

Robert holds the following securities in the Company:-

1,000,000 options over ordinary shares in Queensland Gold and Minerals Limited.

John Haley, BCom, MBA, FCA

(Company Secretary – resigned 2 December 2008)

Mr John Haley has been the Company Secretary since inception.

John is a Chartered Accountant (Fellow of the Institute of Chartered Accountants) with over 20 years experience in tax (with Coopers & Lybrand and Arthur Andersen & Co), general management, financial reporting and company secretarial duties. He has extensive experience in the preparation of Prospectuses and has been involved in the listing of Companies in Australia and Canada. His work experience is in a diverse range of industries including mineral exploration, and he has participated as a seed capitalist in a number of mineral exploration companies. He is also an Associate of the Institute of Chartered Secretaries and Administrators, the Securities Institute of Australia and the Taxation Institute of Australia. He is also a director of Metallica Minerals Limited.

Interests in shares and options

Through his holding company John Haley holds the following securities:-

50,000 shares in Queensland Gold and Minerals Limited.

450,000 options over ordinary shares in Queensland Gold and Minerals Limited.

He also holds 10,000 shares and 2,500 options over ordinary shares in Queensland Gold and Minerals Limited in his own name.

Theo Psaros, BFin Admin, CA

(Company Secretary – appointed 28 November 2008)

Mr Psaros is a Chartered Accountant with considerable experience in financial management and administration. He holds a Bachelor of Financial Administration from the University of New England. His long and impressive career in management includes working with some of Australia's biggest financial and sporting names. He has extensive experience in finance, project management, strategic planning and government relations.

In his role as a Chartered Accountant, he worked for Coopers & Lybrand and for PricewaterhouseCoopers. He developed his specialist skills and expertise to provide business advisory services, valuations and corporate finance transactions and worked in London for three years in a variety of roles gaining international experience in the financial sector. He was CEO of Queensland Rugby Union and more recently was CEO of the Porsche Carrera Cup Australia.

Principal activities

The principal activity of the Company is the exploration for gold and other minerals including tantalite.

Operating results

The net result of operations of the Company for the year ended 28 February 2009 was a loss of $2,815,904 (2008 – loss of $578,598).

Review of operations

The Company's business strategy has been to focus shareholder funds into exploration for major new discoveries, and further evaluation of the Company's existing projects. During the year ended 28 February 2009, the Company focused its operations on minimising all expenditure and was pleased to welcome a strategic investment from Metallica Minerals Limited (ASX – MLM) in November 2008.

The Company's activities have involved:-

- MLM acquired 7,702,500 shares @ 0.75 cents per share for $57,769 and a further $292,231 (38,964,133 shares at 0.75 cents per share) in convertible debt funding was provided to QGM.
- David Barwick was appointed Chairman of QGM along with Andrews Gillies as Director following MLM's strategic investment in QGM.
- Exploration activities have been significantly reduced to all tenements and field crews have been terminated to minimise expenditure and conserve QGM's cash position;
- QGM has withdrawn from the JV option agreement to explore the Walwa tin-tantalite tenement in Victoria.
- QGM has assessed the economic value of its Mining Leases and tenements and has impaired the value of these assets for $2,405,278.

Changes in state of affairs

During the year the Company began investigating opportunities that would provide income to supplement exploration funds as well as seeking potential farm-in partners to defray committed expenditure so as to ease the financial burden of its expansive exploration programme.

Subsequent events

On 16 April 2009 the Company announced that it has signed a farm-in and joint venture agreement with Newmont Exporation Pty Ltd for exploration relating to the Malcolm Creek Gold Project 40km south of Forsayth in north Queensland. Newmont will be conducting an 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.

On 3 April 2009 Mr John Nethery resigned as a Director of the Company. Mr Nethery continues in his role of Exploration Manager.

The Company will be holding an Annual General Meeting of shareholders on or before 31 July 2009. It is the intention of the Directors to seek shareholder approval to convert the debt of $292,231 from Metallica Minerals Ltd to convertible notes at a price per note of $0.0075. This is in accordance with the Convertible Loan Deed signed on 27 November 2008 between the company and Metalica Minerals Ltd

Future developments

With the current global financial crisis, the Company is in a period of limited exploration activity in order to conserve cash flow.

The Directors of QGM are seeking new mineral opportunities that not only fit QGM's strategic intent, but will deliver shareholder value when the metals commodities market improves in the future.

Company Health & Safety Policy

QGM is committed to developing a culture that supports its safety and health values by encouraging behaviours and implementation of processes that ensure the safety and health of all employees, contractors, customers and the communities associated with its business. In support of this QGM believes that:

- No business activity will take priority over safety and health;
- All incidents and injuries are preventable on and off the job;
- Responsibility for safety and health rests with every individual;
- Its people will be involved in implementing their own simple and robust safety and health system;
- Individuals must identify, assess and manage hazards;
- Each person will recognise our legal obligation to our workmates and associates; and
- Individuals will be trained and equipped to ensure an incident free workplace.

Cultural and community performance

QGM has formal access agreements with the Traditional Landowners of the Georgetown region, the Ewamian People, including an ILUA to allow mining of a new Grant's Gully mining lease. In keeping with its obligations under these agreements, QGM employs and trains Ewamian members as field technicians for its field activities and has two fulltime employees from this group in this capacity. One of the employees is a ground clearance officer whose responsibility it is to recognise, formally notify proper authorities and direct exploration activities away from sites of possible cultural significance.

Similarly, the Company exercises the highest degree of liaison and relationships with respect to the cattle graziers and landholder of the region and the infrastructure on their land. It is the Cultural and Community policy that pledges that its activities will not cause disturbance or encroachment or offense to any cultural site or belief or member of traditional landowner groups or to any landholder or business enterprise falling within the exploration tenements of the Company.

Environmental regulation and performance

The Company is subject to environmental regulation in relation to its mining activities in North Queensland by the Environmental Protection Agency of Queensland. The Company complies with the Mineral Resources Act (1989) and the Environmental Protection Act (1994).

QGM is committed to being an efficient and effective mineral exploration/mining company embracing sound environmental management practices and world best practices.

The following policy has been adopted as the official Environmental Policy of the Company:-

- to abide by the concepts and principles of sustainable development;
- to carry out operations in an environmentally responsible manner having consideration for individual and community welfare;
- to ensure that, at a minimum, business is conducted in compliance with existing environmental legislation and regulations; and
- to educate staff and employees in the importance of understanding their environmental responsibilities for the sensitive implementation of all Company operations.

Dividends

No dividends have been paid or proposed since the start of the year, and the Directors do not recommend the payment of a dividend in respect of the year.

Share options

Unissued ordinary shares of Queensland Gold and Minerals Limited under option at the date of this report are as follows:

Expiry Date	Exercise Price	Number under option
30 June 2009	20 cents	5,500,000
4 January 2011	20 cents	2,000,000

Option holders do not have any rights under the options to participate in any share issue of the Company. No options were issued to directors, officers or employees during the year as part of their remuneration.

Shares issued on the exercise of options

No QGM shares were issued during the year ended 28 February 2009 as a result of the exercise of options over unissued shares in the Company.

Indemnification of Officers and Directors

During the year, QGM paid a premium of $7,500 to insure the Directors and Officers of the Company in relation to all liabilities and expenses arising as a result of the performance of their duties in their respective capacities to the extent permitted by law.

Directors' Meetings

The following table sets out the number of Directors' Meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the year seven board meetings, one audit committee meeting and no nomination or remuneration committee meetings were held.

	Board of Directors		Audit and risk committee	
Directors	Held	Attended	Held	Attended
David Barwick	3	3		
Wayne Reid	4	4	1	1
Andrew Gillies	3	3		
Robert Andrews	4	1		
John Nethery	7	7	1	1
Adrian Day	7	7	1	1

Audit Committee

The Audit Committee oversees and appraises the quality of audits conducted by the Company's external auditors, as well as determining the adequacy of administrative, operating and accounting controls. It is responsible for ensuring that the Company properly complies with all legislation and policies affecting its daily operations. It maintains open lines of communication between the Board and external advisers and oversees the identification of risk to ensure its proper management. During the year the Company held one audit committee meeting.

Members of the Audit Committee during the year were:

Wayne V Reid, Chairman

Adrian C Day

John E Nethery.

As the Company Board now consists of three Directors, Messrs Barwick, Gillies and Day are the current members of the Audit Committee

Remuneration report - audited

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation.

A Principles used to determine the nature and amount of remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for directors and senior executives. The Board also reviews and ratifies management recommendations on the remuneration of key management and staff.

Short-term and long-term incentive structure

Contracts for services are reviewed on a regular basis to ensure that they properly reflect the duties and responsibilities of the individuals concerned. The Executive remuneration is based on a number of factors including length of service, relevant market conditions, knowledge and experience within the industry, organisational experience, performance of the Company, and ensuring that the remuneration is competitive in retaining and attracting motivated people. There is no guaranteed pay increases included in senior executives' contracts.

The Board considers that the above compensation structure is generating the desired outcome. It is important to note, however, that as the Company is a mineral exploration company and its exploration activities are currently on hold to preserve cash, all costs, including employee and contractor remuneration have been substantially reduced. The Board does not envisage that any remuneration package will be reviewed in the short-term.

The Directors are not entitled to any retirement benefits.

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Directors have regard to the following indices in respect of the current financial year and the previous two financial years since the Company was admitted to the Australian Stock Exchange.

	2009 $	2008 $	2007 $
Net profit/(loss) attributable to equity holders	(2,815,904)	(578,598)	(453,011)
Dividends paid	Nil	Nil	Nil
Change in share price	0.019	0.12	0.21
Return on capital employed	(1.83)	(0.13)	(0.09)

The indices for 2006 and 2005 have not been added to this table as the company listed on the ASX in 3 January 2007.

Non-Executive Directors

Non-executive Directors received no share-based payments during the year. Non-executive Directors do not currently participate in any cash bonus or share or option plans. There are no retirement benefits provided to Non-executive Directors.

B Details of remuneration

The disclosures in this section relate to the executives listed below, being the Executive Directors and the senior executives with authority and responsibility for planning, directing and controlling the activities of the Company during the year. This group of executives are the key management personnel as defined in AASB124 "Related Party Disclosures" and includes the five most highly renumerated Company Executives during the year.

The Directors and other members of key management personnel of the Company during the period were:

- Mr David Barwick (Chairman) – appointed 28 November 2008
- Mr Wayne Vivien Reid (Executive Chairman) – resigned 25 November 2008
- Mr Andrew Langham Gillies (Director) – appointed 28 November 2008
- Mr. Adrian Clyde Day (Director)
- Mr. John Edward Nethery (Director)
- Mr. Robert Michael Andrews (Non-Executive Director) – resigned 25 November 2008
- Mr. John Kevin Haley (Company Secretary) – resigned 2 December 2008
- Mr. Michael Johann Ilett (Chief Financial Controller) – resigned 25 November 2008
- Mr Theo Psaros (Company Secretary) – appointed 28 November 2008

Director and executive remuneration

The Directors and the identified Company Executives received the following amounts as compensation for their services as directors and executives of QGM during the year:

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	
	Salary & fees *	Bonus	Non-monetary	Other	Super-annua-tion		Options & rights	Total
2009	$	$	$	$	$	$	$	$
Non-executive Directors								
Robert Andrews	30,000	-	-	-	-	-	-	30,000
David Barwick	9,000							9,000
Andrew Gillies	9,000							9,000
Executive Officers								
Wayne Reid	33,375	-	-	-	-	-	-	33,375
John Nethery	66,680	-	-	-	-	-	-	66,680
Adrian Day	89,520	-	-	-	-	-	-	89,520
John Haley	15,000	-	-	-	-	-	-	15,000
Michael Ilett	31,938	-	-	-	-	-	-	31,938
Theo Psaros	Nil	-	-	-	-	-	-	Nil
Total	284,513	-	-	-	-	-	-	284,513

* = All payments to key management personnel are sub-contractor payments.

Remuneration report – audited (continued)

	Short-term employee benefits				Post-employ-ment benefits	Other long-term employee benefits	Share-based payment	
	Salary & fees *	Bonus	Non-monetary	Other	Super-annua-tion		Options & rights	Total
2008	$	$	$	$	$	$	$	$
Non-executive Directors								
Robert Andrews	12,000	-	-	-	-	-	-	12,000
Executive officers								
Wayne Reid	125,400	-	-	-	-	-	-	125,400
John Nethery	233,974	-	-	-	-	-	-	233,974
Adrian Day	187,000	-	-	-	-	-	-	187,000
John Haley	3,780	-	-	-	-	-	-	3,780
Michael Ilett	32,950	-	-	-	-	-	-	32,950
Total	**595,104**	-	-	-	-	-	-	**595,104**

* = All payments to key management personnel are sub-contractor payments.

No element of remuneration this year or last year is dependent on satisfaction of performance conditions.

Analysis of options granted as compensation - audited

	Options Number	Date	% vested	% forfeited	Years in which grant vests
Directors					
Robert Andrews	1,000,000	**3 October 2006**	100%	-	28 February 2007
Wayne Reid	2,000,000	**3 October 2006**	100%	-	28 February 2007
Adrian Day	1,000,000	**3 October 2006**	100%	-	28 February 2007
John Nethery	1,000,000	**3 October 2006**	100%	-	28 February 2007
Other key management					
John Haley*	450,000	**3 October 2006**	100%	-	28 February 2007

* John Haley has transferred 50,000 options to another party and these are no longer held in his name or for his benefit

C Service agreements

Contracts for services of key management personnel

Remuneration and other terms of employment for the directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature.

Non-executive Directors fees

Robert Andrews

He was entitled to and has been paid $30,000pa in non-executive directors fees.

Remuneration report – audited (continued)

Executive Service Contracts

Australian Asiatic Gems Pty Ltd and Adrian Day.

The Company entered into a agreement with Australian Asiatic Gems Pty Ltd (an entity associated with Mr Adrian Day) (AAG) and Mr Adrian Day dated 26 April 2006 pursuant to which AAG has agreed to provide certain consultancy services to the Company in which the services of Mr Adrian Day to be appointed as an executive Director and operations manager of the Company. This agreement was terminated in November 2008.

The Company entered into a new agreement with AAG dated 12 November 2008 pursuant to which AAG has agreed to provide certain consultancy services to the Company in which the services of Mr Adrian Day to be appointed as a consultant to the Company and the continuation of his Directorship.

The agreement contains the following details:-

- Term of agreement – commences from 12 November 2008 and is an ongoing basis.
- Base fee - $600 per day (exclusive of GST) with provision to reimburse AAG for all reasonable expenses.
- Termination – the Company can terminate the agreement upon happening of various events in respect to AAG's insolvency or failure to remedy a breach of contract or four (4) weeks notice given by either party.

Nedex Pty Ltd and John Nethery

The Company entered into an agreement with Nedex Pty Ltd (an entity associated with Mr John Nethery) (Nedex) and Mr John Nethery dated 19 May 2006 pursuant to which Nedex has agreed to provide certain consultancy services to the Company in which the services of Mr John Nethery to be appointed as an executive Director and Exploration Manager of the Company. This agreement was terminated in November 2008.

The Company entered into a new agreement with Nedex dated 12 November 2008 pursuant to which Nedex has agreed to provide certain consultancy services to the Company in which the services of Mr John Nethery to be appointed as a consultant to the Company and the continuation of his Directorship.

The agreement contains the following details:-

- Term of agreement – commences from 12 November 2008 and is an ongoing basis.
- Base fee - $600 per day (exclusive of GST) with provision to reimburse Nedex for all reasonable expenses.
- Termination – the Company can terminate the agreement upon happening of various events in respect to Nedex's insolvency or failure to remedy a breach of contract or four (4) weeks notice given by either party.

WVR Pty Ltd and Wayne Reid

The Company entered into an agreement with WVR Pty Ltd (an entity associated with Mr Wayne Reid) (WVR) and Mr Wayne Reid dated 26 April 2006 pursuant to which WVR has agreed to provide certain consultancy services to the Company in which the services of Mr Wayne Reid to be appointed as an executive Director and manager of the corporate affairs of the Company. The agreement was terminated in November 2008.

JKH Investments Pty Ltd and John Haley

- Base fee - $100 per hour (exclusive of GST) with provision to reimburse JKH Investments Pty Ltd for all reasonable expenses. This arrangement was terminated in November 2008 when Mr Haley resigned as the Company's Secretary.

Kaus Australis Pty Ltd and Michael Ilett

- Base fee - $100 per hour (exclusive of GST) with provision to reimburse Kaus Australis Pty Ltd for all reasonable expenses. This arrangement was terminated when Mr Ilett resigned as Chief Financial Officer.

Remuneration report – audited (continued)

D Share-based compensation

During the year there were no option or share based compensation with Directors or Executives of the Company in respect of remuneration.

End of Remuneration Report

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 19. Section 307C of the Corporations Act 2001, requires the Company's auditors, BDO Kendalls (Qld), to provide the Directors with a written Independence Declaration in relation to this audit of the financial report for the year ended 28 February 2009.

Corporate governance

The Board of Directors is responsible for the Corporate Governance of the Company. The Board is committed to achieving the highest standards of corporate behaviour and accountability. The Company's corporate governance statement is contained in the following section of this report.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those procedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

David K Barwick
Chairman
Brisbane, 28 May 2009

Corporate governance statement

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations that have not been followed and give reasons for not following them.

A table has been included at the end of this statement which sets out the ASX Best Practice Recommendations and states whether the Company has complied with each recommendation in the reporting period. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes referenced in the table.

Role of the Board

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders which it accomplishes by:

- establishing corporate governance, and ethical, business standards;
- setting and monitoring objectives, goals and strategic direction with a view to maximising shareholder value;
- approving and monitoring budgets and financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving of financial and other reporting, and announcements prior to lodgement with the ASX and release to shareholders;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors; and
- setting remuneration policy.

The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day-to-day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Board approval.

Board processes

The Board of QGM meets on a regular basis. The agenda for these meetings is prepared by Adrian Day, Director and the Company Secretary in conjunction with the Directors. Relevant information is circulated to Board members in advance of the meetings.

Composition of the Board

At the date of this report the Board comprises three non-executive directors, none of whom are independent directors.

Although not qualifying as Independent Directors, the current Directors have a broad range of qualifications, experience and expertise in managing mineral exploration companies – refer to the Directors section of the Directors' Report.

Ethical standards

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with clients, customers and consumers;
- conflicts of interest;
- employment practices; and
- responsibility to the community.

Board Committees

As at the date of this report, the Company has an Audit and Risk Management Committee, but does not have a Nomination or Remuneration Committee of the Board of Directors. The full Board of Directors undertake the role of these two individual committees. Given the composition of the Board and the size of the Company, it is felt that individual committees are not yet warranted, however it is expected that as the Company's operations expand that each of these committees will be established.

Continuous disclosure and shareholder communication

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. All information disclosed to the ASX is posted on the Company's website www.qgm.com.au.

Shareholders are forwarded documents relating to each Annual General Meeting, being the Annual Report, Notice of Meeting and Explanatory Memorandum and Proxy Form, and are invited to attend these meetings. The Company's External Auditor is also present at Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

Managing business risk

The Board through the Audit and Risk Management Committee constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate recommend or provide solutions through designated channels;
- verify the implementation of solutions; and
- communicate and consult internally and externally as appropriate.

Board performance evaluations

The evaluation of individual board members' performance is undertaken by the Chairman.

General

The Board of the Company have considered and established various board policies with particular emphasis on the policies for the governance of the Company. In doing so the Board has considered the "Principles of Good Corporate Governance and Best Practice Recommendations" published by the ASX Corporate Governance Council in March 2003 and has resolved to implement those recommendations insofar as they are relevant to the size of the Company and the nature of its activities as they develop over time. Accordingly, the Directors have adopted an initial corporate governance charter which they consider appropriate for this stage of the Company's development and its intended application for ASX listing. This charter will be reviewed and developed on a regular basis. The key principles of the initial corporate governance charter which has been adopted are set out on the Company's website at www.qgm.com.au.

Composition of the Board

The Board comprises three Directors. The names, qualifications and relevant experience of each Director are set out in the section Directors and Directors' Details of this report. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company's activities determined within the limitation imposed by the Constitution.

ASX Best Practice Recommendations

The table below contains each of the ASX Best Practice Recommendations. Where the Company has complied with a recommendation during the reporting period, this is indicated with a "Yes" in the appropriate column. Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a "No" and the Company's reasons are set out in the corresponding note appearing at the end of the table.

	Description	Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	
2.1	A majority of the Board should be independent directors	No	1
2.2	The Chairperson should be an independent director.	No	1
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes	
2.4	The Board should establish a Nomination Committee.	No	2
2.5	Provide the information indicated in the Guide to reporting on Principle 2.	No	N/A
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key executives as to:		
3.1.1	the practices necessary to maintain confidence in the Company's integrity;	Yes	
3.1.2	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2	Disclose the policy concerning trading in company securities by Directors, Officers and Employees.	Yes	
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.	Yes	
4.2	The Board should establish an Audit Committee.	Yes	
4.3	Structure of the Audit Committee so that it consists of:		
	only Non-Executive Directors	No	1
	a majority of Independent Directors	No	1
	an independent Chairperson, who is not chairperson of the Board	No	3
	at least three members.	Yes	
4.4	The Audit Committee should have a formal charter.	Yes	
4.5	Provide the information indicated in the Guide to reporting on Principle 4	Yes	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior management level for that compliance.	Yes	
5.2	Provide the information indicated in the Guide to reporting on Principal 5.	Yes	
6.1	Design and disclose a communication strategy to promote effective communication with the shareholders and encourage effective participation at general meetings.	Yes	
6.2	Request the external auditor to attend the Annual General Meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditors report.	Yes	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.	Yes	
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:		
7.2.1	the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;	Yes	
7.2.2	the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	

	Description	Complied	Note
7.3	Provide the information indicated in the Guide to reporting on Principal 7.	Yes	
8.1	Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives.	Yes	
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.	No	2
9.2	The Board should establish a Remuneration Committee.	No	2
9.3	Clearly distinguish the structure of Non-Executive Directors remuneration from that of Executives.	Yes	
9.4	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	
9.5	Provide the information in the Guide to Reporting on Principal 9.	Yes	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations.	Yes	

Notes

1. The Company has three Directors, none of whom are considered to be independent. Best practice recommendation 2.1 requires a majority of the Board and of the Board Committees to be independent Directors. QGM considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board Members. The Board believes that, given the size of the Company and its stage of commercial maturity, it is not practical to appoint independent Directors to the Board, and therefore also to the Board committees.

2. As at the date of this report, the Company does not have a Remuneration or Nomination Committee of the Board of Directors. The full Board of Directors undertake the role of these individual committees. Given the composition of the Board and the size of the Company, it is felt that these individual committees are not yet warranted, however it is expected that as the Company's operations expand that each of these committees will be established.

3. The Chairman of the Company is also Chairman of the Audit Committee as he is deemed to be the only available Director with the appropriate experience to undertake the position.

BDO Kendalls

BDO Kendalls (QLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN 70 202 702 402

28 May 2009

The Directors
Queensland Gold and Minerals Ltd
GPO Box 122
BRISBANE QLD 4001

Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION

In relation to our audit of the Financial Report of Queensland Gold and Minerals Ltd for the year ended 28 February 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours faithfully,
BDO Kendalls (QLD)

Craig Jenkins
Partner

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

INCOME STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2009

	Note	2009 $	2008 $
Continuing operations			
Revenue	5	**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)**
Profit / (Loss) before income tax		**(2,815,904)**	**(578,598)**
Income tax expense	4	**-**	**-**
Profit/(Loss) from continuing operations		**(2,815,904)**	**(578,598)**
Profit / (Loss) attributable to members of QGM		**(2,815,904)**	**(578,598)**
Earnings/(loss) per share			
Basic (cents per share)	17	**(4.70)**	**(1.11)**
Diluted (cents per share)	17	**(4.70)**	**(1.11)**

The Income Statement should be read in conjunction with the notes to the financial statements

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

BALANCE SHEET
AS AT 28 FEBRUARY 2009

	Note	2009 $	2008 $
Current assets			
Cash and cash equivalents	6	**286,130**	828,472
Trade and other receivables	7	**32,538**	101,148
Total current assets		**318,668**	929,620
Non-current assets			
Other assets	8	**11,459**	11,459
Property, plant and equipment	9	**152,335**	384,214
Exploration and evaluation expenditure	10	**1,493,988**	3,379,405
Total non-current assets		**1,657,782**	3,775,078
Total assets		**1,976,450**	4,704,698
Current liabilities			
Trade and other payables	11	**142,530**	284,969
Financial liabilities	12	**292,231**	45,203
Provisions	13	**-**	5,613
Total current liabilities		**434,761**	335,785
Non-current liabilities			
Financial liabilities	12	**-**	47,891
Total non-current liabilities		**-**	47,891
Total liabilities		**434,761**	383,676
Net assets		**1,541,689**	4,321,022
Equity			
Issued capital	14	**5,716,240**	5,679,669
Reserves	15	**302,050**	302,050
Accumulated losses	16	**(4,476,601)**	(1,660,697)
Total equity		**1,541,689**	4,321,022

The Balance Sheet should be read in conjunction with the notes to the financial statements

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2009

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
Balance at 1 March 2008	5,679,669	302,050	(1,660,697)	4,321,022
Profit /(loss) for the year recognised in income and expenses	-	-	(2,815,904)	(2,815,904)
Issue of shares	57,769	-	-	57,769
Share issue costs	(21,198)	-	-	(21,198)
Option reserve	-	-	-	-
Balance at 28 February 2009	5,716,240	302,050	(4,476,601)	1,541,689

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
Balance at 1 March 2007	5,679,669	302,050	(1,082,099)	4,899,620
Profit /(loss) for the year recognised in income and expenses	-	-	(578,598)	(578,598)
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Option reserve	-	-	-	-
Balance at 29 February 2008	5,679,669	302,050	(1,660,697)	4,321,022

The statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Interest received		**17,554**	111,836
Receipts from customers		**232,115**	15,133
Payments to suppliers and employees		**(628,893)**	(541,198)
Interest and other costs of finance paid		**(899)**	(4,631)
Income taxes paid		**-**	-
Net cash used in operating activities	22	**(380,123)**	(418,860)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**64,179**	-
Payments for property, plant and equipment		**(3,002)**	(221,546)
Payments for exploration and evaluation expenditure		**(519,861)**	(1,572,386)
Net cash used in by investing activities		**(458,684)**	(1,793,932)
Cash flows from financing activities			
Proceeds from issues of equity securities		**57,769**	-
Proceeds from borrowings		**292,231**	114,500
Payments for borrowings		**(32,337)**	(50,273)
Payment for share issue costs		**(21,198)**	-
Net cash provided by financing activities		**296,465**	64,227
Net increase (decrease) in cash and cash equivalents		**(542,342)**	(2,148,565)
Cash and cash equivalents at the beginning of the year		**828,472**	2,977,037
Cash and cash equivalents at the end of the year	6	**286,130**	828,472

The Cash Flow Statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report of Queensland Gold and Minerals Limited as an individual entity complies with all International Financial Reporting Standards (IFRS) in their entirety. Queensland Gold and Minerals Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report was approved by the Board of Directors on 27 May 2009. The accounting policies set out below have been consistently applied to all years presented.

The financial statements are presented in Australian dollars which is the functional and presentation currency of the Company.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Going Concern

The company has current liabilities exceeding current assets by $116,053. The Company also has finance arrangements that could expire in 30 days as detailed in Note 12.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. 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.

The Directors Messrs Barwick and Gillies have agreed to commit any outstanding directors' fees owed to them into equity on any future financing undertaken by the company.

At the date of signing it is expected that the Company will be able to raise enough funds and/or financial support to meet its minimum and committed expenditure for the next 12 months.

At the date of this report and having considered the above factors, the Directors are confident that the Company will be able to continue as a going concern and be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Income Tax

The charge for current income tax expenses is based on the profit/loss for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c) Non-current assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written-down to the lower value.

d) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flow that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

All assets are depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-33% per annum

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

f) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the economic entity are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the income statement on a straight line basis over the period of the lease.

g) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment losses.

Available for Sale Financial Assets
Available for sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise of investments in the equity or other entities where there is neither a fixed maturity nor fixed or determinable payments. These investments are measured at fair value with fair value adjustments going directly to the asset revaluation reserve. When the investment is de-recognised the cumulative gain or loss is removed from equity and transferred to profit and loss.

Fair Value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial instruments.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, comprising original debt less principal payments and amortisation.

Impairment
At each reporting date, the Company assesses whether there is objective evidence and a financial instrument has been impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

h) Impairment of Non-financial Assets
At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i) Cash and Cash Equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

j) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised using the effective interest method. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key judgements – exploration & evaluation expenditure

The Company performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

m) Comparative Figures

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current year.

n) Equity Settled Compensation

The company issues equity-settled share-based payment option to directors and officers of the company as part of their remuneration. The fair value of the options issued to directors and officers is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. To date all options issued have vested on grant date.

o) Issued Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory the current reporting periods. These standards and interrelations have not been adopted in the preparation of the financial report. The following standards, amendments to standards and interpretations have been identified as those which may have a material disclosure impact, but not measurement impact on the Company in the period of initial application. The Directors do not anticipate any material financial impact on the financial statements in future periods from the adoption of standards and interpretations that are not currently mandatory.

(i) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.
A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The economic entity intends to apply the revised standard from 1 March 2009.

2. FINANCIAL RISK MANAGEMENT

Risk management is carried out under policies set by the Board of Directors.

The Board provides principles for overall risk management, as well as policies covering specific areas.

(a) Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Company. The Company's activities include exposure to market risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on the unpredictability of the finance markets and seeks to mininise the potential adverse effects on the financial performance. Risk management is carried out under the direction of the Board of Directors.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(d) Fair value of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholdrs through optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the financial liabilities disclosed in Note 12, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in Notes 14, 15 and 16 respectively.

The gearing ratio at year end was:

	2009 $	2008 $
Financial assets	**32,538**	101,148
Debt	**(434,761)**	(378,063)
Cash	**286,130**	828,472
Net debt	**(116,093)**	551,557
Equity	**1,541,689**	4,321,022
Net debt to equity ratio	**(0.08)**	0.13

(f) Liquidity risk management

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Contractual cashflows from trade and other payables and financial liabilities approximate their carrying amount. Trade and other payables are contractually due within 6 months of year end.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Company operates predominately in one business segment being the evaluation and exploration of gold and mineral deposits in Australia.

4. INCOME TAXES

(a) **The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:**

	2009 $	2008 $
Profit/(loss) before income tax	(2,815,904)	(578,598)
At the statutory income tax rate of 30% (2007: 30%)	(844,771)	(173,579)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	(844,771)	173,579
Income tax expense	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(b) Unrecognised net deferred tax assets:

	2009	2008
Unused tax losses for which no deferred tax asset has been recognised	6,417,649	5,310,582
Temporary differences for which no deferred tax asset/(liability) has been recognised:		
- Employee Entitlements	-	5,613
- Capital raising costs	282,725	422,494
- Accruals	12,000	22,000
- Exploration expenditure	(1,493,988)	(3,379,405)
	5,218,386	2,381,284
Potential tax effect at 30%	1,565,516	714,385

The above deferred tax liability has not been recognised as there are sufficient tax losses for which no deferred tax asset has been recognised to offset the potential deferred tax liability.

Unused losses which have not been recognised as an asset, will only be obtained if:
(i) the company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
(ii) the company continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adverely affect the company in realising the losses.

5. REVENUE

	2009 $	2008 $
Continuing Operations		
Hire revenue	**97,291**	5,842
Fuel rebate	**3,018**	11,791
Government subsidies	**-**	25,000
Interest – unrelated parties	**17,554**	111,836
	117,863	154,469

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**17,269**	265,029
Deposits on call	**268,861**	563,443
	286,130	828,472

7. TRADE AND OTHER RECEIVABLES

Other	**32,538**	101,148
	32,538	101,148

There is no material credit risk expense on receivables for the Company.

8. OTHER NON-CURRENT ASSETS

Security Deposits	**11,459**	8,881
	11,459	8,881

The security deposits are lodged with the Department of Mines and Energy and will not be refundable until the Company has received clearance advice from the Environmental Protection Authority and when the Company surrenders its exploration permits.

9. PROPERTY, PLANT AND EQUIPMENT

2009 Reconcilation	Plant and equipment at cost $	Equipment under finance lease at cost $	Total $
Balance at beginning of year	448,359	51,785	500,144
Additions	3,002	-	3,002
Disposals	(177,002)	(51,785)	(228,787)
Balance at 28 February 2009	274,359	-	274,359
Accumulated depreciation/ amortisation and impairment			
Balance at beginning of year	(102,650)	(13,280)	(115,930)
Depreciation expense	(71,060)	(4,257)	(75,317)
Disposals	51,686	17,537	69,223
Balance at 28 February 2009	(122,024)	-	(122,024)
Net book value			
As at 28 February 2009	152,335	-	152,335
2008 Reconciliation			
Balance at beginning of year	226,812	51,785	278,597
Additions	221,547	-	221,547
Balance at 29 February 2008	448,359	51,785	500,144
Accumulated depreciation/ amortisation and impairment			
Balance at beginning of year	(29,706)	(5,512)	(35,218)
Depreciation expense	(72,944)	(7,768)	(80,712)
Balance at 29 February 2008	(102,650)	(13,280)	(115,930)
Net book value			
As at 29 February 2008	345,709	38,505	384,214

	2009 $	2008 $
Net loss on disposals	34,629	-

10. EXPLORATION AND EVALUATION EXPENDITURE

	2009 $	2008 $
Gross carrying amount		
Balance at beginning of year	**3,379,405**	1,818,323
Additions	**519,861**	1,561,082
Disposals	**-**	-
Balance at the end of the year (1)	**3,899,266**	3,379,405
Accumulated depreciation/ amortisation and impairment		
Balance at beginning of year	**-**	-
Impairment expense (2)	**2,405,278**	-
Balance at the end of the year	**2,405,278**	-
Net book value	**1,493,988**	3,379,405

(1) The above amounts represent capitalised costs of exploration areas of interest carried forward as an asset in accordance with the accounting policy set out in note 1. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect to each relevant area of interest is not charged to the income statement until a mining operation is commenced.

(2) An impairment loss was identified for the period ended 28 February 2009 of $2,405,278 (29 February 2008: Nil).

11. TRADE AND OTHER PAYABLES

	2009 $	2008 $
Trade payables (1)	**97,351**	222,045
Accrued expenses	**28,686**	22,000
Other payables	**16,493**	40,924
	142,530	284,969

(1) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables.

12. FINANCIAL LIABILITIES

	2009 $	2008 $
Current		
Hire purchase (1)	-	35,577
Convertible debt (3)	292,231	-
Finance lease liabilities (2) (note 20)	-	7,626
	292,231	43,203
Non-current		
Hire purchase (1)	-	47,891
	-	47,891

(1) Secured by a first registered bill of sale/ chattel mortgage in the favour of the lender over a Doosan Daewoo Loader. The borrowings are fixed interest rate debt with repayment periods not exceeding 3 years. The current weighted average effective interest rate on the bank loan is 8.2%p.a. The current amount for the hire purchase on the Doosan Daewoo Loader represents the total expected to be settled within 12 months of the reporting date and the non-current amount of the hire purchase represents amounts owing that are expected to be settled over 12 months from reporting date. The obligation for this hire purchase during the period were novated to Phoenix Lime Pty Ltd, a director related entity following sale of the equipment to that Company.

(2) Secured by a mortgage over the Toyota Landcruiser leased. The borrowings are fixed interest rate debt with repayment periods not exceeding 2 years. The current weighted average effective interest rate on the financial lease is 11.23%p.a. (2008: 11.23%p.a.). The current amount for the financial lease liabilities on the Toyota Landcruiser represent the total expected to be settled within 12 months of the reporting date and the non-current amount of the bank loan represents amounts owing that are expected to be settled over 12 months from reporting date.

(3) The convertible loan from Metallica Minerals Limited, a director related entity, has a maturity date of 2 years from the date the notes were issued on 25 November 2008. The Company is required to hold a general meeting of shareholders to approve the issue of the notes. If approval is not obtained, the company must repay the convertible loan within 30 days. As at the date this financial report was issued for authorisation, this meeting has not yet occurred. Although a meeting is planned as disclosed in Note 28, the convertible loan has been recognised as a current liability. Interest is calculated at 10% per annum payable quarterly. The Convertible loan is secured by a charge over all rights and assets of the Company and is subordinated only by specific project finance security. The convertible loan once approved allows for conversion into shares at an issue price of $0.0075.

13. PROVISIONS

	2009 $	2008 $
Current		
Employee benefits (1)	-	5,613
	-	5,613

(1) There are currently no employees of the Company and therefore no provisions are carried (2008 - the provision for employee benefits represents annual leave expected to be taken in 2009. The average number of employees for the previous year was 3).

14. ISSUED CAPITAL

	2009 $	2008 $
59,819,167 fully paid ordinary shares (2008: 52,016,667)	**5,716,240**	5,679,669

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Movements in ordinary share capital:

	2009		2008	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of the year	**52,016,667**	**5,679,669**	52,016,667	5,679.669
Issue of capital	**7,802,500**	**57,769**	-	-
Issue of shares under prospectus	-	-	-	-
Share issue costs	-	**(21,198)**	-	-
Balance at end of the year	**59,819,167**	**5,716,240**	52,016,667	5,679,669

The share issue costs are the repayment of GST on previous issue costs that were incorrectly claimed back from the Australian Taxation Office in previous years.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Options to acquire issued share capital

Each option entitles the holder to purchase one share. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the Company or any other body corporate.

Movements in options to acquire share capital:

	2009 No.	2008 No.	
Balance at beginning of the year	**19,216,469**	19,216,469	(1)
Issue of seed capital	-	-	
Issue to the broker	-	-	
Options expired during the year	**(11,716,469)**	-	
Balance at end of the year	**7,500,000**	19,216,469	

(1) Options issued to Directors and Officers for nil consideration which are exercisable at 20 cents each on or before 30 June 2009. Of these 5,000,000 are escrowed for two years from date of quotation.

15. RESERVES

Equity based payments – option reserve	2009 $	2008 $
Balance at beginning of financial period	**302,050**	302,050
Options issued as share based compensation	-	-
Balance at end of financial period	**302,050**	302,050

Equity based payments – option reserve	2009 $	2008 $
Balance at beginning of financial period	**302,050**	302,050
Options issued as share based compensation	-	-
Balance at end of financial period	**302,050**	302,050

Nature and purpose of the reserve

The option reserve of $302,050 is made up of prior period's equity based payment of $63,050 and an amount of $239,000 that represents fair value of 2,000,000 options issued to the brokers for nil considered as part of the initial public offering which were taken to share issue costs in the previous financial year. Amounts are taken out of the reserve and into issued capital at the time when the options are exercised.

16. ACCUMULATED LOSSES

	2009 $	2008 $
Balance at beginning of financial period	**(1,660,697)**	(1,082,099)
Net loss for the period	**(2,815,904)**	(578,598)
Balance at end of financial period	**(4,476,601)**	(1,660,697)

17. EARNINGS/(LOSS) PER SHARE

	2009 Cents per share	2008 Cents per share
Basic earnings/(loss) per share		
From continuing operations	**(4.70)**	(1.11)
Total basic earnings per share	**(4.70)**	(1.11)
Diluted earning/(loss per share		
From continuing operations	**(4.70)**	(1.11)
Total diluted earnings per share	**(4.70)**	(1.11)

Basic and Diluted earnings per share

The earnings used in the calculation of the basic and diluted loss per share is as follows:

	2009 $	2008 $
Net loss	**(2,815,904)**	**(578,598)**
Loss used in the calculation of the basic and diluted loss per share from continuing operations	**(2,815,904)**	**(578,598)**

	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**59,819,167**	**52,016,667**

Options granted to the Directors, issued as a result of seed capital and issued under the prospectus are considered to be potential ordinary shares and have not been included in the determination of diluted loss per share because they are not considered to be dilutive. The options have not been included in the determination of the basic loss per shared. Details relating to the options are set out in note 14.

The Convertible Loan detailed in Note 12 has not yet been approved by shareholders. Accordingly, the motes attached to that loan are not yet issued but would otherwise be considered to be potential ordinary shares to be included in the determination of diluted earnings per share. Because the Company is in a loss postion, there is no impact on diluted earnings per share.

18. DIVIDENDS

No dividends have been paid or proposed since the start of the year, and the Directors do not recommend the payment of a dividend in respect of the year.

19. COMMITMENTS FOR EXPENDITURE

(a) Exploration tenement expenditure requirements

In order to maintain current rights to tenure of exploration tenements, the Company will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. It is likely that variations to the terms of the current and future tenement holdings, the granting of new tenements and changes at renewal or expiry, will change the expenditure commitments for the Company from time to time.

These outlays (exploration expenditure and rent) which arise in relation to granted tenements inclusive of tenement applications granted subsequent to 28 February 2009 but not recognised as liabilities are as follows:-

	2009 $	2008 $
Not longer than 1 year	**164,214**	720,433
Longer than 1 year and not longer than 5 years	-	1,705,033
Longer than 5 years	-	-
	164,214	2,425,466

Included in the commitments is a minimum expenditure of $121,535 by Newont Exploration Pty Ltd on EPMs 14231 and 17739 whereby Newmont has to spend a minimum of $250,000 on these tenements.

Also expenditures during the year on some projects exceeded the minimum commitment required by the terms of the permits, so the excess expenditure may be carried forward into the following year.

(b) Doosan Daewoo Loader

These previous commitments relate to the Doosan Daewoo Loader with borrowings that had a fixed interest rate and a repayment period not exceeding 3 years. The Doosan Daewoo Loader was sold during the year.

	2009 $	2008 $
Not longer than 1 year	-	43,185
Longer than 1 year and not longer than 5 years	-	50,383
Longer than 5 years	-	-
	-	93,563

(c) Remuneration commitments

Commitments for payment of salaries under long term employment contracts in existance at reporting date but not recognised as a liability payable:

	2009 $	2008 $
Not longer than 1 year	-	448,400
Longer than 1 year and not longer than 5 years	-	734,360
Longer than 5 years	-	-
	-	1,182,760

Amounts disclosed in remuneration commitments including commitments arising from the service contracts of key personnel referred to in remuneration report in the Directors' Report that are not recongised as liabilities and are not included in the key management personnel compensation.

20. LEASES

Finance leases

Leasing arrangements

Finance leases relate to a motor vehicle with lease terms of 2 years. The Company has an option to purchase the motor vehicle for a nominal amount at the conclusion of the lease agreements. The motor vehicle had a carrying value of $38,506 at 29 February 2008. The weighted average interest rate for the financial lease is 11.2%.

Finance lease and Hire Purchase liabilities

	2009 $	2008 $
Not longer than 1 year	-	56,032
Longer than 1 year and not longer than 5 years		53,982
Longer than 5 years		-
	-	110,014
Less unexpired lease and hire purchase charges	-	(18,920)
	-	91,094
Disclosed in financial statements (note 12)		
Current borrowings	-	43,203
Non-current borrowings		47,891
	-	91,094

Operating lease commitments

Leasing arrangements

Operating leases relate to office lease with lease terms of 3 years, with an option to extend for a further 3 years. The Company does not have an option to purchase the leased asset at the expiry of the lease period. The lease was transferred to a third party on 7 May 2009 effective from 23 February 2009..

Non-cancellable operating lease commitments

	2009 $	2008 $
Not longer than 1 year	-	21,478
Longer than 1 year and not longer than 5 years	-	22,411
Longer than 5 years		-
	-	43,889
Annual office lease expenditure	**19,786**	11,171

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the accounts for the possibility of a native title claim application.

Otherwise the Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the Company as disclosed in these financial statements.

22. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2009 $	2008 $
Cash and cash equivalents	**286,130**	828,472

(b) Reconciliation of loss for the period to net cash flows from operating activities

	2009 $	2008 $
Net loss	**(2,815,904)**	(578,598)
Depreciation	**75,317**	80,712
Loss on sale of PPE	**34,629**	-
Exploration expenditure written off	**2,405,278**	66,031
(Increase)/decrease in assets:		
(Increase)/decrease in prepayments and receivables	**68,610**	(36,898)
Increase/(decrease) in employee benefits	**(5,613)**	1,409
Increase/(decrease) in creditors and payables	**(142,439)**	48,484
Net cash from operating activities	**(380,123)**	(418,860)

(c) Non-cash Financing Activities

During the year the company sold property, plant and equipment with a value of $142,255 (2008:$142,255) and transferred the related hire purchase liability of $97,167. The asset was originally acquired under a Hire Purchase arrangement. The disposal is not reflected in the cash flow statement.

23. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Equity interests in ventures

Details of interests in joint ventures are disclosed in note 25 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in the remuneration report.

ii. Director related shareholdings

Angus & Ross plc (incorporated in the United Kingdom) held at 28 February 2009: 24.52% (2008: 24.22%) of the issued ordinary shares in Queensland Gold and Minerals Limited.

Metallica Minerals Ltd held at 28 February 2009: 12.88% (2008: nil) of the issued ordinary shares in Queensland Gold and Minerals Limited.

Ordinary shares holdings

The number of ordinary shares in the Company held during the year by each Director of the Company and other key management personnel of the Company, including their personally related parties, are set out below:

	Balance at beginning of financial period	Granted as compensation	Received on exercise of options	Net other change	Balance at end of financial period	Balance held nominally
	No.	No.	No.	No.	No.	No.
2009						
Directors						
David Barwick	-	-	-	100,000	100,000	100,000
Andrew Gillies	-	-	-	-	-	-
Robert Andrews	-	-	-	-	-	-
Wayne Reid	-	-	-	-	-	-
Adrian Day	1,865,000	-	-	-	1,865,000	-
John Nethery	3,480,728	-	-	-	3,480,728	-
Other key management personnel of the Company						
John Haley	40,000	-	-	10,000	50,000	-
Michael Ilett	-	-	-	-	-	-
2008						
Directors						
Robert Andrews	-	-	-	-	-	-
Wayne Reid	-	-	-	-	-	-
Adrian Day	1,865,000	-	-	-	1,865,000	-
John Nethery	3,480,728	-	-	-	3,480,728	-
Other key management personnel of the Company						
John Haley	90,000	-	-	(50,000)	40,000	-
Michael Ilett	-	-	-	-	-	-

Option holdings

The number of options over ordinary shares in the Company held during the year by each Director of the Company and other key management personnel of the Company including their personally related parties, are set out below:

	Balance at beginning of financial period	Granted as compen-sation	Exercised	Net other change	Balance at end of financial period	Bal vested at 28 February 2009	Vested but not exerci-sable	Vested and exerci-sable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2009									
Directors									
David Barwick	-	-	-	-	-	-	-	-	-
Andrew Gillies	-	-	-	-	-	-	-	-	-
Robert Andrews	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
Wayne Reid	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-	-
Adrian Day	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
John Nethery	1,012,500	-	-	(12,500)	1,000,000	1,000,000	1,000,000	-	-
Other key management personnel of the Company									
John Haley	525,000	-	-	(75,000)	450,000	450,000	450,000	-	-
Michael Ilett	-	-	-	-	-	-	-	-	-
2008									
Directors									
Robert Andrews	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
Wayne Reid	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-	-
Adrian Day	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-	-
John Nethery	1,012,500	-	-	-	1,012,500	1,012,500	1,012,500	-	-
Other key management personnel of the Company									
John Haley	525,000	-	-	-	525,000	525,000	525,000	-	-
Michael Ilett	-	-	-	-	-	-	-	-	-

During the financial year no options and no shares were issued on the exercise of such options to key management personnel.

During the year the Company sold the Doosan Daewoo Loader to a director related entity, Phoenix Lime Pty Ltd. The Hire Purchase obligation of the Company for this item was novated to this related entity and the Company also received $20,000 (excluding GST) for this sale.

The Company issued a convertible debt to Metallica Minerals Limited, a Director related entity and shareholder in the Company to the value of $292,231. Interest accrued, but not paid to date amounts to $6,787.

24. REMUNERATION OF AUDITOR

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

	2009	2008
	$	$
Auditor of the Company		
Audit or review of the financial report	**35,329**	30,075
Total remuneration for audit services	**35,329**	30,075
Other assurance services		
Preparation of the independent accountants' report and due diligence matters	-	-
	35,329	22,550

The auditor and provider of other assurance services for QGM is BDO Kendalls (Qld) (2008 - Pitcher Partners).

25. JOINT VENTURE AGREEMENTS

A summary of the Joint Venture Agreements to which the Company is a party is set out below:

Skerritt Exploration Agreement

On 28 May 2004, the Company entered into an Exploration Agreement ("Exploration Agreement") with Simon Brosnan Terry and Frederick Hugh Skerritt ("the Applicants") who together applied for (and are now the holders of) Exploration Permit 14231 located at Malcolm Creek (southwest of Forsayth, Queensland) (EPM 14231).

Under the Exploration Agreement, the Applicants grant the Company the right to carry out exploration and ancillary activities as may be authorised by EPM 14231 and the right to make applications for mineral leases and other tenures at the cost of the Company. Should the Company make application for a production tenure and develop land within EPM 14231 into a producing mine, the Applicants shall receive royalty fees levied at the following rates:

(a) with respect to gold – the rate of 1% of production up to 1 million ounces, 1.5% for production up to 2 million ounces and 2% for production exceeding 2 million ounces; and

(b) with respect to minerals other than gold – the rate of 1% of net smelter return.

On 12 December 2008 this Agreement was amended by a variation whereby the Applicants shall receive a royalty fee set at 1% of total production.

On 12 August 2008 EPM 14231 was conditionally surrendered in favour of a new EPMA 17739 to increase the area under tenure and give an increased tenure period.

Under the terms of the Exploration Agreement the Applicants maintain the right to continue prospecting and metal detecting within EPM 14231 and EPMA 17739, subject to reporting requirements to the Company at intervals not to exceed three (3) calendar months and must be afforded a reasonable opportunity to tender for any exploration or mining operations services which the Company may utilise in carrying out its exploration and
mining operations.

Walwa Heads of Agreement

The Company had entered into a heads of agreement with John M Brady ("Tenement Holder") dated 9 November 2005. This Agreement was terminated on 20 November 2008.

Mega Georgetown Joint Venture

On 26 April 2007 an agreement was signed with Mega Georgetown Pty Ltd, the local subsidiary of Mega Uranium Inc. of Canada for the purpose of exploring for uranium. The Joint Venture Agreement was terminated on 17 October 2008.

Walwa Heads of Agreement – "Black Range"

On 26 July 2007 the Company entered into a heads of agreement with John M Brady ("Tenement Holder") whereby the Company was granted an option to examine data, make field inspections and conduct its own research on EL5057 ("the Black Range Mining Tenement") for a period of six (6) months commencing on the date of grant of the Mining Tenement.

This Agreement was terminated on 4 July 2008.

Zinifex-Drake Heads of Agreement

On 20 September 2007 the Zinifex - Drake Resources Alliance signed a joint venture heads of agreement with QGM to explore the Werrington - Oak Park area in Queensland within EPM 14128.

The Alliance failed to conduct any exploration on the project area and did not respond to correspondence, so the project was relinquished on 14 January 2009.

26. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 28 February 2009:

On 3 October 2006, 500,000 share options were granted to a key member of management by the Company under its employee option plan to take up ordinary shares at an exercise price of $0.20 each. The options are exercisable on or before 30 June 2009. The options hold no voting or dividend rights and are not transferable. At reporting date, these options have not been exercised.

On 3 October 2006, 5,000,000 share options were granted to directors to accept ordinary shares at an exercise price of $0.20. The options are exercisable on or before 30 June 2009 at an exercise price of $0.20 each. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

All options granted to key management personnel are ordinary shares in the Company, which confer a right of one ordinary share for every option held.

	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	5,537,500	0.20	5,537,500	0.20
Granted	-	-	-	-
Forfeited	(37,500)	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	5,500,000	0.20	5,537,500	0.20
Exercisable at year end	5,500,000		5,537,500	

There were no options exercised during the year ended 28 February 2009.

The options outstanding at 28 February 2009 had a weighted average exercise price of $0.20 and a weighted average remaining contractual life of four months. The Exercise price is $0.20 in respect of options outstanding at 28 February 2009.

27. SUBSEQUENT EVENTS

On 16 April 2009 the Company announced that it has signed a farm-in and joint venture agreement with Newmont Exporation Pty Ltd for exploration relating to the Malcolm Creek Gold Project 40km south of Forsayth in north Queensland. Newmont will be conducting an 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.

On 3 April 2009 Mr John Nethery resigned as a Director of the Company. Mr Nethery continues in his role of Exploration Manager.

The company will be holding an Annual General Meeting of shareholders on or before 31 July 2009. It is the intention of the Directors to seek shareholder approval to convert the debt of $292,231 from Metallica Minerals Limited to convertible notes at a price per note of $0.0075. This is in accordance with the Convertible Loan Deed dated 27 November 2008.

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

DIRECTORS DECLARATION

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

  (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's financial position as at 28 February 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

David Barwick
Chairman

Brisbane, 28 May 2009

BDO Kendalls

BDO Kendalls (QLD)
Level 18, 300 Queen St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Phone 61 7 3237 5999
Fax 61 7 3221 9227
info.brisbane@bdo.com.au
www.bdo.com.au

ABN 70 202 702 402

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUEENSLAND GOLD AND MINERALS LIMITED

Report on the Financial Report

We have audited the financial report of Queensland Gold and Minerals Limited, which comprises the balance sheet as at 28 February 2009, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUEENSLAND GOLD AND MINERALS LIMITED (CONTINUED)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion the financial report of Queensland Gold and Minerals Limited is in accordance with the Corporations Act 2001, including:

(a)
- (i) giving a true and fair view of the company's financial position as at 28 February 2009 and of its performance for the year ended on that date;
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 28 February 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Queensland Gold and Minerals Limited for the year ended 28 February 2009, complies with section 300A of the Corporations Act 2001.

Material Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following 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.

BDO Kendalls

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUEENSLAND GOLD AND MINERALS LIMITED (CONTINUED)

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.

BDO Kendalls (QLD)

BDO Kendalls

C R Jenkins
Partner

Brisbane
28 May 2009

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22 May 2009.

(a) Distribution of equity securities

Ordinary Fully Paid Shares

Ranges	Investors	Securities	% Issued Capital
1 to 1000	5	1,503	.00
1001 to 5000	48	152,460	0.26
5001 to 10000	195	1,899,690	3.18
10001 to 100000	240	9,908,849	16.57
100001 and Over	58	47,856,665	80.00
Total	546	59,819,167	100.00

(b) The number of security investors holding less than a marketable parcel of 23810 securities ($.021 on 22/05/2009) is 315 and they hold 3215878 securities.

Options Expiring 30/06/2009 at .20

Ranges	Investors	Securities	% Issued Capital
10001 to 100000	1	50,000	0.91
100001 and Over	5	5,450,000	99.09
Total	6	5,500,000	100.00

Options Expiring 03/01/201 at .20

Ranges	Investors	Securities	% Issued Capital
100001 and Over	1	2,000,000	100.0
Total	1	2,000,000	100.00

Issued Capital

Description	Previous Issued Capital	Current Issued Capital	Variance
Ordinary fully paid shares	42,244,273	59,819,167	17,574,894
Opt exp 30/6/08 @ 0.20	11,306,394	0	(11,306,394)
Opt exp 30/06/09 @ 0.20	500,000	500,000	0
24 month ord ASX escrow	9,772,394	0	(9,772,394)
24 month opt ASX escrow	410,075	0	(410,075)
ASX escrow opt 24 month DOQ	2,000,000	2,000,000	0
24 mth opt Jun 09 ASX escrow	5,000,000	5,000,000	0

QUEENSLAND GOLD AND MINERALS LIMITED
ACN 096 142 737

SHAREHOLDER INFORMATION

First Twenty Investors Report as at 22 May 2009

Ordinary Fully Paid Shares

Rank	Investor	Current Balance	% Issued Capital
1	Angus & Ross Plc	14,666,667	24.52
2	Metallica Minerals Limited	7,702,500	12.88
3	Nedex Pty Ltd	3,340,728	5.74
4	Alcardo Investments Limited	2,348,407	3.93
5	Australasian Asiatic Gems Pty Ltd	1,865,000	3.12
6	Danamore Pty Ltd	1,355,758	2.27
7	National Nominees Limited	1,125,000	1.88
8	Rivercrest Enterprises Pty Ltd	1,000,000	1.67
9	Mr Friend Nothers	846,600	1.42
10	M&S Maycock Pty Ltd	730,000	1.22
11	Mr Ianaki Semerdziev	680,100	1.14
12	Mr Jock Banks	600,000	1.00
13	HSBC Custody Nominees (Australia) Limited	600,000	1.00
14	Victory Crest Pty Limited <Samuel Tusa Family No 2 A/C>	600,000	1.00
15	Leet Investments Pty Ltd	556,000	.93
16	Mr Simon Timothy Hartley & Mrs Katherine Mary Hartley <Hartley Superfund A/C>	540,000	.90
17	Super 1136 Pty Ltd	500,000	.84
18	Bahulu Holdings Pty Ltd	405,626	.68
19	Marloss Fifteen Pty Ltd	400,000	.67
20	Monk Nominees Pty Ltd <Monk Super Fund A/C>	400,000	.67