



QUEENSLAND
GOLD & MINERALS

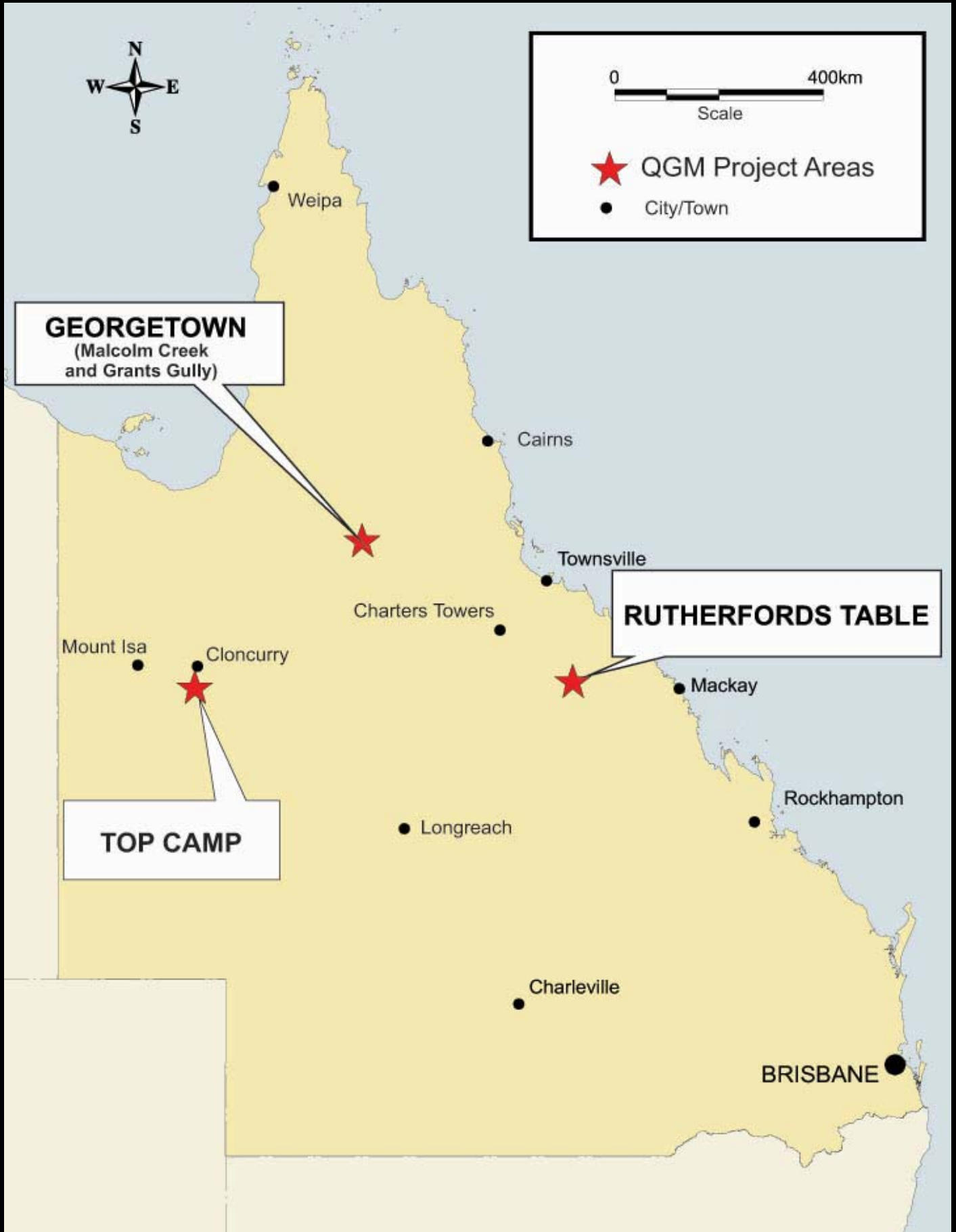
ANNUAL REPORT 2009

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KEY PROJECT LOCATIONS

Location map of Queensland Gold and Minerals Limited Project Areas



CHAIRMAN'S LETTER

Dear Shareholders

My first letter as Chairman comes to you at a time when many of us have faced significant economic challenges in the recent times. Our company has not been immune to the Global Financial Crisis, however, when Metallica Minerals Limited (MLM) invested in Queensland Gold & Minerals Limited (QGM), it did so to seek new opportunities as well as to develop the existing assets of the Company where possible.

The investment by MLM heralds a new beginning for QGM. Not only has my fellow MLM Director, Mr Andrew Gillies joined the Board, but the management of QGM has also seen Mr Theo Psaros join as QGM's CFO and Company Secretary. I wish to at this point also acknowledge the efforts of the retiring Directors, CFO and Company Secretary for their support of QGM in its formative years.

With the new Board and management in place, we are continuing our review of all projects. The Board's initial strategy is to review all existing tenements under application, retain our attractive mining leases and endeavour to add to our portfolio as strategic assets are identified.

It is the aim of QGM to seek your support in addition to changing the name of the company to Orion Metals Limited and recapitalise your shareholding with a consolidation of one for four shares. MLM is committed to its immediate support of QGM and I am pleased to advise that it has offered additional financial in the current year to ensure QGM has the foundation for future growth.

I look forward to meeting with you at our Annual General Meeting to be held on the 30th July 2009.

Yours truly



David K Barwick

Chairman

- In March a joint venture with Newmont Exploration Pty Ltd was signed which gives Newmont the right to earn a 70% interest in the Malcolm Creek Gold project.
- Field work on two priority target areas has commenced.
- The previous exploration target for gold in a shallow-dipping sheet of quartz mylonite at the Malcolm Creek Dome prospect was drill tested without success.
- A new drill target defined at Bald Mountain for Intrusive Related Gold Systems (IRGS) gold-bearing porphyry deposit remains untested and will be followed up in the next drill programme.

MALCOLM (GEORGETOWN) EPM 14231 CREEK

The Malcolm Creek project (EPM 14231) is located 40 kilometres south of Forsayth and 70 kilometres west of the former Kidston Gold Mine (that produced over 3 million ounces) and is considered to be geologically similar to the Bald Mountain gold prospect.

The Malcolm Creek quartz mylonite represented a new style of gold mineralisation in the Georgetown region. Reconnaissance revealed that this unit extends continuously for several kilometres around the edge of a shallow dome structure, giving scope for large low grade open pit gold mineralisation. On a district scale, this unit extends for some 20 kilometres. Drilling of a small section of the structure where coarse gold was found has so far failed to intersect the target mylonite horizon.

Previous exploration in the area by CRA defined a gold-in-soil geochemical anomaly sourced from the rocks immediately overlying the mylonite outcrop, but the relationship of the two remains unexplained.

The Malcolm Creek project area also contains several other gold prospects, plus tin and tantalum targets regionally. The current focus is on the Bald Mountain prospect, a gold-bearing volcanic porphyry and breccia system that covers a total surface area of six square kilometres and is considered to be in a similar setting and mineralisation style as the Kidston Gold Mine.

The Bald Mountain prospect, an IRGS gold-bearing rhyolite porphyry and breccia system was discovered in 1981 and saw extensive geological mapping, soil and rock chip sampling, Induced Polarisation geophysical surveys and RC drilling through to the late 1990s. This prospect has recently drawn the attention of Newmont

Exploration Pty Ltd resulting in a joint venture agreement being concluded in March 2009, whereby:-

- Newmont will conduct 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.
- QGM retains the right to contribute in proportion to its equity at decision points of 51%: 49%, 60%: 40%, and 70%: 30%.
- If QGM fails to contribute at these equity positions, Newmont may then spend an additional \$1 million for a cumulative expenditure of \$3 million to earn an equity of 80% and QGM will once again decide to contribute in proportion to its 20% equity, continue to dilute, or sell its participating interest, in which case Newmont will have pre-emptive rights over any third party offers.
- If QGM decides to dilute its interest at the 80%: 20% point, it does so at the rate of 1% for every additional \$1 million spent by Newmont on exploration or mine development.
- If diluted below a 10% interest, QGM must sell its participating interest to the other party or retire to a 1% Net Smelter Return royalty.

At the time of publication of this report, Newmont has completed reinterpretation of the previous geophysical and geochemical data, and commenced its own initial regional sampling. It plans further site work in the next few months to define drilling targets by the 2009 wet season.

- Trial mining of four small parcels of underground mined auriferous conglomerate was inconclusive in providing average gold grades.
- Scoping study underway to determine parameters for bulk underground sampling of virgin ground.
- Negotiations underway to mine a surface alluvial gold resource.
- Gold prices have risen to over US\$900/oz, providing encouragement for simple alluvial gold developments.

RUTHERFORDS TABLE

(UKALUNDA)
MLs 1035 & 1060

Rutherford's Table, located 150kms south-west of Bowen, is unusual for the Drummond Basin, in that the surface expression is a palaeoalluvial, an ancient gold bearing gravel, also commonly known as a "deep lead", covered by a mesa cap of barren sandstone. The palaeoalluvial also contains clasts of primary gold-bearing breccia, which suggest that it may be capping an epithermal gold deposit related to nearby volcanic related fluid activity. Previous underground mining, extending 250 metres horizontally, and with total extent of one hectare, exploited high-grade and commonly coarse free gold. The average grades of palaeoalluvial deposits are notoriously difficult to assess due to the uneven distribution of coarse nuggety gold, however the defined extent of over a square kilometre and the plus 2 metre consistent thickness of the gold bearing gravel unit in this case, combined with data from varied underground sampling methods, lend encouragement that a target of about 0.5 million ounces is possible.

An alluvial gold plant was purchased in 2006 for the purpose of bulk testing gold-bearing material and small trial parcels were treated with modifications to improve the throughput rate and ability to cope with clay-rich material. The programme was unsuccessful as the area from which the bulk sample was to be extracted was found to be "honeycombed" with partially caved workings of previous underground miners. Apart from the fact that high grade channels were to a large extent already extracted, the remaining material was diluted due to caving during overburden stripping.

The Company continues to investigate the technical parameters and potential costs of extracting and processing underground bulk samples of virgin palaeoalluvial material.

- The tenements host tantalum, tin and lithium-bearing pegmatites, which occupy the exposed tops of granite bodies and in a halo around such bodies.
- Significant tantalum, lithium and tin mineralisation was intersected in drill holes.
- Further drilling is warranted.
- Tantalum and lithium are high value metals used in the electronics and chemical industries.

GRANTS GULLY

BUCHANAN'S CREEK (GEORGETOWN)

EPM's 13694, 14224 & EPMA 14988
/ML's 3311, 30123 & 30208

Grant's Gully-Buchanan's Creek prospect, located 35kms west of Forsyth, hosts a little-known rare-metal province containing tantalite, cassiterite and rare lithium-bearing pegmatites, which occupy the exposed top of granite intrusive rocks. Tantalum and lithium are high value metals used in the electronics industry for such products as mobile phones, computers and lithium batteries and in the chemical and ceramic industries.

The pegmatite bodies are elongate up to 200m long and 10m wide, are sub-vertical, and are clustered in a halo around the periphery of a recently discovered granite body of half a square kilometre in area. Reverse circulation percussion drilling of these pegmatites has produced very encouraging results for tantalum and tin mineralisation. Drilling to date had covered only part of the project area and follow-up field work, bulk testing and additional drilling is planned.

A similar tantalite-bearing pegmatite system, albeit with less lithium minerals, at Grants Gully five kilometres to the south will be a high priority target as will bulk testing of alluvial ground in the creeks draining the hard rock pegmatite sources. The Company has had the new mining lease (ML30208) on the Grant's system granted by the DME during the year so bulk sampling programmes can commence.

- Cloncurry area is a world-class province for Iron Oxide Copper Gold deposits such as Ernest Henry, Osborne, and Selwyn.
- Ernest Henry and Osborne located under cover with strong magnetic signatures.
- Detailed magnetic survey interpretation highlights coincident strong positive anomaly with area shedding eluvial gold and with peripheral copper occurrences
- Top Camp covers central 4 square kilometres of historic 25,000 ounce goldfield and is located 40kms south of Cloncurry.
- Past drill intercepts of 2m @ 3.6 g/t Au, 6 m @ 3.38% Cu and 1.5 g/t Au.
- Multiple magnetic anomalies indicate good potential for a hidden soil geochemical gold and copper anomaly coincident with gold nugget dispersion pattern from a hidden primary source.

TOP (CLONCURRY) MLs 2764, 2785, 2786 & 2792 CAMP

The Cloncurry area, known as the Eastern Fold Belt, along with the adjacent Mt Isa district has developed in recent decades into a world-class province for Iron Oxide Copper Gold type of deposits. New discoveries using upgraded geophysics and enhanced geochemical sampling include Ernest Henry (+ 1.8 million t Cu, 80t Au), Osborne (+ 0.5 million t Cu, 16t Au), and Selwyn (0.2 million t Cu, 30t Au). Both Ernest Henry and Osborne were located under cover and had strong magnetic signatures. Prospectivity ranking of projects in the Cloncurry region based on criteria including magnetics puts Top Camp in the highest priority category.

Past exploration methods including magnetics, soil and rock outcrop geochemistry by previous companies have produced multiple magnetic anomalies and coincident soil gold and copper anomalies. Recent systematic excavation and gold nugget exploitation by electronic detector have highlighted the subdued watershed between the two main gold bearing creeks as a primary source area. This suggests that hard rock gold and copper targets with subtle surface expression may be a source that has not received previous attention.

Modelling and interpretation of a detailed ground magnetic survey and helicopter-borne magnetic data, combined with surface geochemical trends has highlighted several structural orientation features not previously apparent. Field checking of a strong “bullseye” airborne magnetic anomaly beneath Mary Douglas Hill has confirmed that oxidized copper mineralisation is exposed sporadically over the area of the anomaly. Gold is also shedding from the anomaly area and the source was traced to a gold-bearing basic intrusive rock containing titanomagnetite, a potential cause for the magnetic anomaly.

The company is investigating several alternative means of rapidly enhancing the profile of this gold exploration property.

OTHER PROJECTS

WARROO (TEXAS-INGLEWOOD)

- 50kms west of Stanthorpe

Because of the downturn in exploration activity in Queensland, it was decided to relinquish the project to conserve funds.

WERRINGTON (GEORGETOWN)

- 50kms south of Kidston

During the year Mega Georgetown Pty Ltd advised that fieldwork had failed to enhance the prospectivity of the project area and as a result notified QGM that it wished to withdraw from the joint venture.

The Drake - Zinifex alliance failed to conduct the planned surface geochemical sampling and geological mapping during the year, so the joint venture lapsed through non-performance.

WALWA (VICTORIA)

130Kms east of Albury

The Walwa Project is 130 kilometres east of Albury - Wodonga in the upper Murray Valley. Two years of field activities with drainage sampling and rock chip sampling of potential mineralised zones failed to locate any new areas of significant gold or tin mineralisation.

At the Walwa tin mine shallow workings and a drilling pattern extend over an area of dimensions 2,500m x 1,000m. Tin tantalum and niobium are related to greisenised granitic aplite and pegmatite dykes and sills. However the weakening tin price and difficulty obtaining clearance for drill pads persuaded the Company to surrender its interests in Victoria and concentrate of its Queensland projects.

OTHER PROJECTS CONTINUED

EVELEIGH (GEORGETOWN)

- 40kms west of Mount Surprise

Recent follow-up field work failed to enhance the prospects of easily locating economic mineralisation, so it was decided to surrender the property and concentrate on other projects in the Georgetown region.

URANIUM EXPLORATION (GEORGETOWN)

Mega Georgetown Pty Ltd, a subsidiary of Canadian-listed Mega Uranium Inc. advised that the known Werrington deposit, W71, found by Esso in the 1970s did not meet their exploration criteria so they withdrew from that project area.

Also the Buchanan's Creek targets that occur in a small sandstone basin called the Tabletop Basin, intruded by rhyolite lava plugs, were also downgraded. The anomalies are largely aligned along faults, which cut the basin, but the location proved to be close to sites of cultural significance. Consequently it was decided not to proceed with the planned drilling programme and QGM was advised by Mega that it did not wish to continue with the joint venture in this area.

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ABN 89 096 142 737

CORPORATE DIRECTORY

DIRECTORS

David K Barwick (Chairman)

Andrew L Gillies (Non-Executive Director)

Adrian C Day (Non-Executive Director)

COMPANY SECRETARY

Theo J Psaros

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