QUEENSLAND ORES LTD

QUEENSLAND ORES LIMITED

ABN 35 108 146 694

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

QUEENSLAND ORES LTD

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ABN 35 108 146 694

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Queensland Ores Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

Directors

The names of the Company's Directors in office during the half year and until the date of this report are set out below. All Directors held office for the whole of the period.

Mr Roger Marshall OBE – Chairman
Mr John "Taff" Greenwood – Managing Director
Mr Kenneth Dredge – Non Executive Director
Mr Barry Kelly - Non Executive Director

Review of Operations

Wolfram Camp Project (QOL 85%)

(Tungsten-Molybdenum Project, near Dimbulah, North Queensland)

Development

Development works at the mine site were finalised during July 2008 culminating in the formal handover of the treatment plant from the project's engineering, procurement and construction management (EPCM) contractor, Lycopodium Engineering.

Production

With the handover of the treatment plant complete, Wolfram Camp employees took on the responsibility of bringing the plant up to full production. During this commissioning phase a number of mining and metallurgical issues were encountered which affected plant performance and the production of concentrates. The two main problems were:

- the inability to deliver target headfeed grade material to the run of mine (ROM) stockpile;
- the inability of the treatment plant to recover an acceptable quality of concentrates from the ore fed to it.

The ore at Wolfram Camp contains significantly more fine material than was originally expected and the drilling program in the area in which mining commenced did not give any indication of the presence of so much fine material. The presence of the fines made it difficult to clearly define the extent of mineralisation on the mining benches. This in turn resulted in high levels of waste dilution in the ore being delivered to the ROM stockpile. Mining operations were closely controlled by an experienced geologist and it is not considered that under existing conditions any more than has been done on the bench in the mine can realistically be done to improve the identification of ore.

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

Following extensive testwork in conjunction with the flocculant manufacturer, a new flocculant was introduced and the problem with dirty process water was largely overcome. However, the presence of excess fines remained of concern in both the molybdenum flotation and the wolframite (tungsten) gravity circuits. The level of fines resulted in low recoveries and interrupted operation of what ideally are meant to be steady-state, continuous processes. In the case of the flotation circuit the excessive fines resulted in reagent chemical imbalances in the circuit. The effect on the gravity circuit was that the jigs literally got blocked up with material and required cleaning on a frequent basis.

The production issues detailed above resulted in the Company being forced to suspend operations at Wolfram Camp on 18 November 2008. Due to the drain on the Company's cash reserves, it was not sustainable to continue operations while the issues were being addressed.

Additional funds will be necessary to complete the investigation programs in order to ascertain exactly what is required to be done for the mine to be viable. At this stage it is not possible to estimate the cost and time of this work accurately. However, it can be expected that the total schedule, including the new production ramp-up period, will be in excess of six months.

Marketing

The Company succeeded in making one trial shipment of wolframite (tungsten) concentrate to China which left the Port of Brisbane in October 2008. Subsequent feedback from the Chinese end-user indicated that they were very satisfied with the quality of the concentrates received.

The recent turbulence in world commodity markets has not left Wolfram Camp unscathed. The price of molybdenum has fallen significantly since the end of September with the base reference price having fallen from US$33 to under US$9 per lb. To date the downward movement in the published US$ reference price for wolframite (tungsten) has been somewhat less dramatic at about 16%. Fortunately the weakening of the Australian dollar has, to some degree, offset the effect of these commodity price movements.

Exploration

Due to the production issues referred to above, no progress was made on extending resources during the half year.

Mt Cannindah (QOL 100%)

(Copper-Gold-Silver Project, near Monto, South-East Queensland)

With the focus on the development of the Wolfram Camp operation, no significant exploration or development took place during the half year.

Bamford Hill (QOL earning up to 85%)

(Tungsten, Molybdenum, Tin and Gold Project, 30 kms from Wolfram Camp)

As with Mt Cannindah, no significant exploration or development took place during the half year.

QUEENSLAND ORES LTD

Corporate

Capital

The Company finalised its Share Purchase Plan under which shareholders could purchase up to $5,000 worth of shares at 12 cents each. Over 200 shareholders participated in the plan, applying for 7.3 million shares to raise $877,000. The new shares were issued on 23 July 2008.

On 30 November 2008, a total of 34,730,227 options previously issued by the Company expired. The options had an exercise price of 35 cents.

Funding

Following the suspension of operations at Wolfram Camp in November 2008, the Company's focus was on securing additional funding to allow the Company to address the issues at Wolfram Camp. This was obviously challenging in the prevailing economic environment.

Discussions were held with a number of parties with respect to a variety of options. This resulted in the Company obtaining a short-term debt facility of $600,000 from Outback Metals Limited which provided the Company with the flexibility to properly assess its strategic options. These funds are being used for the short term ongoing management of the Company and for a basic care and maintenance program at Wolfram Camp. They will not be sufficient however to undertake the necessary technical investigations at the mine. In return for provision of the funding, the Company has granted Outback Metals a fixed charge over its interest in the Wolfram Camp treatment plant.

The loan facility is available up to 31 March 2009 with an option to extend this date to 30 June 2009. Following termination of the facility the Company must repay the loan within 90 days.

At the date of this report the Company had drawn a total of $250,000 of the facility.

Other Items

Impairment of Wolfram Camp Assets

The Directors have reviewed the carrying value of the Company's assets at 31 December 2008 to determine whether any of those assets are impaired. Due to the operational issues encountered at Wolfram Camp detailed above and the need to undertake further investigations prior to reopening the mine, the Directors have considered it necessary to impair the carrying value of the capitalised mine development costs and the exploration and evaluation expenditure incurred at Wolfram Camp.

Due to the uncertainty of future cashflows from the Wolfram Camp Project, the Company has impaired in full the carrying value of the exploration and evaluation expenditure incurred at Wolfram Camp of $5.5 million. In addition, the Company has used the fair value less selling costs method to determine the carrying value of the Wolfram Camp development costs at 31 December 2008. This calculation was based on the cost of identifiable removable equipment contained in the treatment plant of $6.3 million. This figure was then reduced to $2.1 million to recognise the potential reduction in value if disposed of in the current market and the costs of dismantling and sale. This has resulted in a further impairment charge of $24.6 million.

Should the Company be successful in raising further funding which is sufficient to undertake the necessary investigation programs and ultimately reopen the mine then some or all of the above impairment charge may be able to be reversed in future financial periods.

Takeover Offer

On 18 February 2009, Outback Metals Limited announced its intention to make a takeover bid for all the issued ordinary shares in the Company. The key terms of the offer are as follows:

- scrip-only offer whereby QOL shareholders will receive 1 fully paid ordinary share in Outback Metals for every 4.79 issued and fully paid QOL shares;
- if the offer is successfully completed, QOL shareholders will hold 23% of the combined entity.

Outback Metals is to use its best endeavours to secure additional funding to ensure the ongoing commercial activities of the combined entity.

The Directors have indicated their intention to support the above offer in the absence of a superior proposal being received and providing an independent expert concludes the offer is fair and reasonable.

At the date of this report, the takeover process is ongoing and the outcome is uncertain.

Going Concern

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

As detailed above, the Company's limited activities are currently being funded by a loan facility of $600,000 provided by Outback Metals Limited which is due to be repaid by 30 June 2009. The Company is also subject to a takeover offer from Outback Metals. Should the takeover offer from Outback Metals not proceed and in the absence of an alternative corporate transaction or alternative funding being available then there is significant uncertainty as to whether the Company will be able to continue as a going concern and therefore whether it will realise its assets and liabilities in the normal course of business.

The financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

Signed in accordance with a resolution of the Directors.

R Marshall
Chairman
Brisbane
11 March 2009

Grant Thornton

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF QUEENSLAND ORES LIMITED

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In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Queensland Ores Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

1 No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

2 No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants

Grant Thornton
Dan Carroll

Daniel J Carroll
Partner

Brisbane

Dated 11 March 2009

QUEENSLAND ORES LTD

QUEENSLAND ORES LIMITED
and its controlled entities
ABN 35 108 146 694

INCOME STATEMENT
for the half year ended 31 December 2008

	Note	Consolidated 31 December 2008 $	31 December 2007 $
Sales revenue		93,263	-
Other revenue		122,396	588,064
Exploration & evaluation expenditure written off		(6,395)	-
Production costs		(3,238,181)	-
Depreciation and amortisation		(51,489)	(27,103)
Employee benefits expense	2	(1,586,774)	(428,169)
Impairment of exploration & evaluation expenditure		(5,496,271)	-
Impairment of property, plant and equipment		(24,651,677)	-
Marketing expenses		(51,323)	(25,807)
Administration expenses		(343,556)	(491,576)
Loss before income tax expense		**(35,210,007)**	**(384,591)**
Income tax expense		-	-
Loss attributable to members of the company		**(35,210,007)**	**(384,591)**
Basic earnings and diluted earnings per share (cents per share)		(16.07)	(0.28)

The accompanying notes form part of this financial report

QUEENSLAND ORES LTD

QUEENSLAND ORES LIMITED
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BALANCE SHEET
as at 31 December 2008

	Note	Consolidated 31 December 2008 $	30 June 2008 $
CURRENT ASSETS			
Cash and cash equivalents	3	835,041	7,981,347
Trade and other receivables		-	485,371
Inventories		-	227,807
Other current assets		22,776	24,730
TOTAL CURRENT ASSETS		**857,817**	**8,719,255**
NON-CURRENT ASSETS			
Exploration and evaluation assets		3,757,144	9,071,801
Property, plant and equipment		2,725,370	27,367,875
Other non-current assets		42,679	65,500
TOTAL NON-CURRENT ASSETS		**6,525,193**	**36,505,176**
TOTAL ASSETS		**7,383,010**	**45,224,431**
CURRENT LIABILITIES			
Trade and other payables		333,558	3,847,676
Short-term provisions		68,622	100,606
Short-term financial liabilities		17,250	-
TOTAL CURRENT LIABILITIES		**419,430**	**3,948,282**
NON-CURRENT LIABILITIES			
Long-term financial liabilities		8,625	-
TOTAL NON-CURRENT LIABILITIES		**8,625**	**-**
TOTAL LIABILITIES		**428,055**	**3,948,282**
NET ASSETS		**6,954,955**	**41,276,149**
EQUITY			
Contributed equity		45,787,862	44,910,862
Reserves		133,449	121,636
Accumulated losses		(38,966,356)	(3,756,349)
TOTAL EQUITY		**6,954,955**	**41,276,149**

The accompanying notes form part of this financial report

QUEENSLAND ORES LTD

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STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 December 2008

	Consolidated				
	Note	Share Capital	Accumulated Losses	Reserves	Total
		$	$	$	$
31 December 2008					
Balance at 1 July 2008		44,910,862	(3,756,349)	121,636	41,276,149
Shares issued during the period		877,000	-	-	877,000
Options issued to key management personnel	2	-	-	11,813	11,813
Loss attributable to members of the company		-	(35,210,007)	-	(35,210,007)
Balance at 31 December 2008		**45,787,862**	**(38,966,356)**	**133,449**	**6,954,955**
31 December 2007					
Balance at 1 July 2007		36,276,937	(2,884,241)	80,352	33,473,048
Options issued to key management personnel	2	-	-	30,181	30,181
Loss attributable to members of the Company		-	(384,591)	-	(384,591)
Balance at 31 December 2007		**36,276,937**	**(3,268,832)**	**110,533**	**33,118,638**

The accompanying notes form part of this financial report

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CASH FLOW STATEMENT
for the half year ended 31 December 2008

	Note	Consolidated 31 December 2008 $	31 December 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		93,263	-
Interest received		122,397	588,064
Payments to suppliers and employees		(5,657,083)	(695,073)
Net cash provided by (used in) operating activities		**(5,441,423)**	**(107,009)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditure		(191,652)	(583,682)
Purchase of property, plant and equipment		(1,969,231)	(6,616,867)
Net cash provided by (used in) investing activities		**(2,160,883)**	**(7,200,549)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		456,000	-
Net cash provided by (used in) financing activities		**456,000**	**-**
Net increase (decrease) in cash and cash equivalents during the period		(7,146,306)	(7,307,558)
Cash and cash equivalents at beginning of period		7,981,347	21,608,528
Cash and cash equivalents at end of period	3	**835,041**	**14,300,970**

The accompanying notes form part of this financial report

QUEENSLAND ORES LTD

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NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2008

1. Basis of Preparation and Accounting Policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual report of Queensland Ores Limited as at 30 June 2008, together with any public announcements made by Queensland Ores Limited during the interim reporting period in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The accounting policies and methods of computation adopted are consistent with those of the previous financial period as disclosed in the 30 June 2008 annual report.

Reporting Basis and Conventions

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

Going Concern

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

The Company's limited activities are currently being funded by a loan facility of $600,000 provided by Outback Metals Limited which is due to be repaid by 30 June 2009. The Company is also subject to a takeover offer from Outback Metals. Should the takeover offer from Outback Metals not proceed and in the absence of an alternative corporate transaction or alternative funding being available then there is significant uncertainty as to whether the Company will be able to continue as a going concern and therefore whether it will realise its assets and liabilities in the normal course of business.

The financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

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NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2008

	Consolidated 31 Dec 2008 $	Consolidated 31 Dec 2007 $
2. Revenue and expenses		
The following revenue and expense items are relevant in explaining the financial performance for the period:		
Impairment of exploration & evaluation expenditure	5,496,271	-
Impairment of property, plant & equipment	24,651,677	-
Employee benefit expenses include		
Share option expense	11,813	30,181
3. Cash and cash equivalents		
Cash at bank and on hand	835,041	7,981,347

4. Segment Information

The Company's sole activities are exploration, evaluation and development in Australia.

5. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

6. Events Subsequent to Balance Date

Takeover Offer

On 18 February 2009, Outback Metals Limited announced its intention to make a takeover bid for all the issued ordinary shares in the Company. The key terms of the offer are as follows:

- scrip-only offer whereby QOL shareholders will receive 1 fully paid ordinary share in Outback Metals for every 4.79 issued and fully paid QOL shares;
- if the offer is successfully completed, QOL shareholders will hold 23% of the combined entity.

Outback Metals is to use its best endeavours to secure additional funding to ensure the ongoing commercial activities of the combined entity.

The Directors have indicated their intention to support the above offer in the absence of a superior proposal being received and providing an independent expert concludes the offer is fair and reasonable. At the date of signing the accounts, the takeover process is ongoing and the outcome is uncertain.

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 12
   a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
   b. give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. Subject to the disclosure set out in note 1 to the financial statements regarding the ability of the Company to continue as a going concern, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

R Marshall
Chairman
Brisbane

11 March 2009

Grant Thornton

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF QUEENSLAND ORES LIMITED

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Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Queensland Ores Limited (the Company) and consolidated entity, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Queensland Ores Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Queensland Ores Limited for the half-year ended 31 December 2008 included on Queensland Ores Limited's web site. The Company's directors are responsible for the integrity of Queensland Ores Limited's web site. We have not been engaged to report on the integrity of Queensland Ores Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Queensland Ores Limited is not in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

ii complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to our opinion, we draw attention to the following matter. As disclosed in Note 1 to the financial statements, the Company's activities are currently being funded by a loan facility of $600,000 provided by Outback Metals Limited which is due to be repaid by 30 June 2009. As further disclosed in note 6, the Company is now subject to a takeover offer from Outback Metals Limited, who is endeavouring to source additional funds to ensure the ongoing commercial activities of the combined entity.

Should the takeover offer from Outback Metals not proceed and in the absence of an alternative corporate transaction or alternative funding being available, there is significant uncertainty as to whether the Company will be able to continue as a going concern and whether it will realise its assets and liabilities in the normal course of business.

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants

Grant Thornton
Dan Carroll

Daniel J Carroll
Partner

Brisbane

Dated 11 March 2009