**Queensland Mining Corporation**
LIMITED

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30 September 2010

ASX Limited
20 Bridge Street
Sydney NSW 2000

**ANNUAL REPORT 2010**

Queensland Mining Corporation Limited (ASX: QMN) attaches the following;

- Annual Report 2010

Yours faithfully,
**QUEENSLAND MINING CORPORATION LIMITED**

**Richard Hill**
*Company Secretary*

# QUEENSLAND MINING CORPORATION LIMITED

A.B.N. 61 109 962 469

## ANNUAL REPORT
## For The Year Ended
## 30 June 2010

## CONTENTS

## DIRECTORS' REPORT

Your Directors present this report on the Company and its subsidiaries for the financial year ended 30 June 2010.

### Directors

The names of Directors in office at any time during or since the end of the year are:

Mr David Usasz

Mr Howard Renshaw

Mr Richard Hill (appointed 1October 2009)

Mr Kevin Maloney (resigned 14 August 2009)

### Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Richard Hill – Bachelor of Commerce, Chartered Accountant. Richard Hill is a senior partner of DFK – Richard Hill, Chartered Accountants and Business Advisory Services. He has extensive expertise in the resources sector and currently provides audit/advisory services to seven listed Australian companies.

### Principal Activities

The principal activities of the Group during the financial year were the exploration for and evaluation of mineral resources.

### Operating Results

The Group loss after providing for income tax amounted to $4,228,968. (2009: $4,874,502)

### Dividends Paid and Recommended

There is no dividend paid or recommended during the financial year.

### Review of Operations

### Exploration Activities

During the year, the company continued exploration activities at Flamingo, Morris Creek, Mt Freda and Gilded Rose. Approximately 17,000 metres of diamond and RC drilling were completed during November, December 2009 and April to June 2010.

The geological team led by Dr Guojian Xu, general manager-exploration evaluated the White Range Project held by Matrix Metals (in administration) and an asset sale agreement was entered into and was subsequently settled on 16 July 2010.

Geochemical and geophysical work was carried out at Morris Creek in preparation for further drilling. At Jessievale, geophysical work was completed to assist in identifying drill hole location and determining depth of the potential deep sulphide ore bodies.

To support the White Range resource, drill holes were prepared at the Young Australian to drill out this mining lease to establish a JORC resource and mine design.

Drilling has been completed on some of the above mining leases and copper resource modelling along with new JORC resources for copper, gold and cobalt are being carried out by Golder Associates.

Further, as soon as results from the drilling at Mt Freda and Gilded Rose are analysed, JORC resource compliant and mine modelling design will be undertaken which will be followed by economic evaluation for the decision to mine and produce gold.

The company expects that with the results from current drilling and 2010-2011 exploration program, this copper, gold and cobalt JORC resource should substantially increase during the forthcoming year.

**Financial Position**

The Company incurred a loss of $4,228,968.

The Company raised $16,018,565 by the issue of 120,327,167 ordinary shares to assist in the acquisition of the White Range Project, continuing exploration activities and repayment of convertible notes.

**Significant Changes in State of Affairs**

There were no significant changes in the state of affairs of the Company during the financial year:

**After Balance Date Events**

- In July 2010, the Company completed the settlement of the acquisition of the White Range Project for a total of $5m comprising cash of $2.5m and the issue of 25 million ordinary shares in satisfaction of the balance purchase price.

**Environmental Issues**

The Group is subject to significant environmental regulations under Commonwealth and/or State and/or Territory laws. The Group has not been advised of any environmental breaches during the year.

**Information on Directors**

***Mr* David Usasz B Com, FCA**
*Independent, Non Executive Chairman*
(appointed a director on 15 June 2007)
David Usasz was a corporate finance partner with PricewaterhouseCoopers for more than 20 years. He gained extensive experience in Asia and Australia in International tax, mergers and acquisitions. David is also a director of Cromwell Group Limited. He is a non executive director and chairman of the audit committee for Cromwell Group Limited since 2007. It is currently listed on ASX (CMW). He was also a director of the Australian Rugby Union Limited till 2007.

**Mr Howard Renshaw**
*Managing Director and Deputy Chairman*
(appointed a director on 08 July 2004)
Howard Renshaw founded QMC and has been active in building the Company's business plan. Howard has extensive experience in Corporate and Capital Markets, funding of Mining, Oil and Gas mergers and acquisitions, and feasibility studies for major mining projects. He has been appointed by governments for major restructuring of infrastructure and operations at ports, rail lines, railways and related industries. Howard has also represented the agricultural industry at State and Federal level in Australia.

**Mr Richard Hill B Com, FCA**

Independent Non-Executive director

*(appointed a director on 01 October 2009)*

Bachelor of Commerce, Chartered Accountant. Richard Hill is a senior partner of DFK – Richard Hill, Chartered Accountants and Business Advisory Services. He has extensive expertise in the resources sector and currently provides audit/advisory services to a number of listed Australian companies.

**Mr Kevin Maloney**
Independent Non-Executive Director
*(resigned 14 August 2009)*
Kevin has considerable experience in debt and equity raisings, both listed and unlisted companies including many resource companies. He is currently a director of Paramount Fund Managers Ltd, The MAC Services Pty Ltd, Australian Resources Capital Pty Ltd and Northern Energy Corporation Ltd.

## Remuneration Reports

This report details the nature and amount of remuneration for each key management person of Queensland Mining Corporation Ltd, and the executives receiving the highest remuneration.

**Remuneration Policies**

The remuneration policy, which sets the term and conditions for the key management personnel, was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half yearly which is based on the forecast growth of the company's profits and shareholders value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all key management personnel for the company and the five highest paid executives, including all monetary and non-monetary components, are detailed in the directors report under the heading key management personnel compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implements will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%. Some individuals, however, may choose to sacrifice part of their salary to increase payments toward superannuation.

All remuneration paid to key management is valued at cost to the company and expensed.

**Key management personnel remuneration**

**2010**

| Director | Short- term Benefits | | | | Long- term benefit | | |
|---|---|---|---|---|---|---|---|
| | Director's fee and salary | Super- -annuation | Bonus * | Total | Other | Share- based payment | Total |
| Mr David E Usasz | 25,500 | 24,000 | | 49,500 | - | 43,516 | 43,516 |
| Mr Howard V Renshaw | 280,000 | 50,000 | - | 330,000 | | 51,428 | 51,428 |
| Mr Richard Hill | 36,000 | - | - | 36,000 | | 15,824 | 15,824 |
| Mr Kevin Maloney | 43,208 | 4,550 | - | 47,758 | - | - | - |
| Total | 384,708 | 78,550 | - | 463,258 | - | 110,768 | 110,768 |

**2009**

| Director | Short- term Benefits | | | Long- term benefit | | |
|---|---|---|---|---|---|---|
| | Director's fee and salary | Superannuation | Total | Other | Share-based payment | Total |
| Mr David E Usasz | 22,900 | 42,500 | 65,400 | - | - | - |
| Mr Howard V Renshaw | 270,000 | 30,000 | 300,000 | - | - | - |
| Mr Kevin Maloney | 30,000 | 2,700 | 32,700 | - | - | - |
| Total | 322,900 | 75,200 | 398,100 | - | - | - |

### Directors' Meetings

The number of Directors meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

| Director | Director's Meetings | |
|---|---|---|
| | Held | Attended |
| Mr David E Usasz | 14 | 14 |
| Mr Howard V Renshaw | 14 | 14 |
| Mr Richard Hill | 14 | 12 |
| Mr Kevin Maloney | 2 | 2 |

| Member | Audit Committee Meetings | |
|---|---|---|
| | Held | Attended |
| Mr David E Usasz | 2 | 2 |
| Mr Richard Hill | 2 | 2 |

| Directors | Remuneration Committee Meetings | |
|---|---|---|
| | Held | Attended |
| Mr David E Usasz | 2 | 2 |
| Mr Richard Hill | 1 | 1 |
| Mr Kevin Maloney | 1 | 1 |

### Indemnification

The Company is required to indemnify the Directors and other officers of the Company against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporation 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 proceedings. There were no such proceedings brought or responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company with leave from the Court under section 237 of the Corporation Act 2001.

The Company has entered into a deed of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the company agreed to indemnify each director against all loss and liability incurred as an officer of the company, including all liability in defending any relevant proceedings.

**Auditors**

PKF will continue in office in accordance with the requirements of the Corporations Act 2001.

**Non-audit services**

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the company and/or Queensland Mining Corporation Limited are important.

Details of amounts paid or payable to the auditors, PKF, for audit and non-audit services provided during the year are set out below:

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditors independence requirements of the Corporation Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditors.
- None of the services undermine the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditors:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Audit services**<br>PKF – Audit and review of financial reports | 67,000 | 83,000 |

Yours faithfully,

David Usasz
Chairman

Howard Renshaw
Managing director

## CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

**Board Composition**

The skill, experience and expertise relevant to the position of each Director who is in the office at the date of the financial report and their term of office are detailed in the Director's Report.

The name of Independent Director of the company is:

David Usasz

When determining whether a non-executive Director is independent the Director must not fail any of the following materiality thresholds:

- Less than 10% of company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- None of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the Group other than income derived as a Director of that entity.

Independent Directors have the right to seek independent professional advice in the furtherance of their duty as Directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

The names of the members of the nomination committee and their attendance at the meetings of the committee are detailed in the Directors' Report.

**Ethical standard**

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standard of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

**Share Trading Policy**

The company's policy regarding Directors and employees trading in its securities is set by the finance committee. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

**Audit Committee**

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

**Performance Evaluation**

An annual performance evaluation of the Board and all board members was conducted by the Board. The chairman speaks to each director individually regarding their role as director and their recommendations to improve performance. This presents the Board opportunities to develop an action plan to implement the recommendations and set performance criteria and goals for the next year.

**Board Roles and Responsibilities**

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balance disclosures.

The Board of Directors ultimately takes responsibility for corporate governance and operates in accordance with the Company's Constitution. The Board develops strategies for the company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance process are to:

- drive the shareholder value;
- ensure a prudent and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities:

- develop initiatives and identify opportunities for profit and asset growth;
- review the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to the Shareholders;
- monitor senior management's performance and implementation of strategy;
- approve and monitor the progress of major capital expenditures, capital management and acquisitions and divestitures;
- appoint and remove the Managing Director;
- ratify the appointment and removal of the Company Secretary;
- identify business risks and implementing actions to manage those risks; and
- develop and effect management and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate directors' participation in the Board discussions on a fully informed basis.

**Shareholder Rights**

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitutions and receipt of annual and interim financial statements, Shareholders are strongly encouraged to attend and participate in the General Meeting of Queensland Mining Corporation Ltd, to lodge questions to be responded by the Board and/or the managing director, and are able to appoint proxies.

**Risk Management**

The Board meets regularly to evaluate, control, review and oversee the implementation of the company's operations and objectives.

Regular controls established by the Board include:

- implementation of operating plans, cash flows and budgets by management and Board monitoring of progress against projections; and
- procedures to allow directors, and management in the furtherance of their duties, to seek independent professional advice via the utilisation of various external technical consultants.

The Board recognises the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks.

**Remuneration Policies**

The remuneration policy, which sets the term and conditions for the key management personnel, was developed by the remuneration committee after seeking professional advised from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half yearly which is based on the forecast growth of the company's profits and shareholders value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

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The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

**Remuneration Committee**

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

**Other Information**

Further information relating the company's corporate governance practices and policies has been made publicly available on the company's website at www.queenslandminingcorporation.com.au

**PKF**

Chartered Accountants
& Business Advisers

## AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Queensland Mining Corporation Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Queensland Mining Corporation Limited and the entities it controlled during the year.

**PKF**

**Bruce Gordon**
Partner

**Sydney**
30 September 2010

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| Revenue | | 340,432 | 122,965 |
| Other revenue | | - | - |
| Interest received | | 89,127 | 92,349 |
| Accountancy fees | | (98,000) | (98,000) |
| Auditors' remuneration | | (67,000) | (83,000) |
| Corporate development expenses | | (98,584) | (245,274) |
| Depreciation expense | | (462,747) | (468,808) |
| Exploration expenses | | (291,352) | - |
| Employee expenses | | (844,111) | (232,630) |
| Interest expense | | (395,100) | (486,174) |
| Impairment | | - | (1,914,885) |
| Management fees | | (567,314) | (531,769) |
| Other expenses | 2 | (1,834,319) | (1,029,276) |
| Loss before income tax expense | | (4,228,968) | (4,874,502) |
| Income tax expense | 3 | - | - |
| Loss for the year | | (4,228,968) | (4,874,502) |
| Other comprehensive income/(loss) | | - | - |
| Total comprehensive loss for the year attributable to members | | (4,228,968) | (4,874,502) |
| Loss per share from loss attributable to ordinary equity holders of the parent | | | |
| Basic and Diluted EPS | 18 | (1.7 cents) | (2.9 cents) |

The above statement should be read in conjunction with the accompanying notes

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 4,449,865 | 394,304 |
| Trade and other receivables | 7 | 1,374,061 | 530,686 |
| Inventories | 8 | 75,000 | 75,000 |
| TOTAL CURRENT ASSETS | | 5,898,926 | 999,990 |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 5,132,921 | 5,096,156 |
| Mining licences | 10 | 9,672,151 | 11,215,354 |
| Exploration and evaluation expenditure | 10 | 12,339,900 | 7,667,721 |
| TOTAL NON – CURRENT ASSETS | | 27,144,972 | 23,979,231 |
| TOTAL ASSETS | | 33,043,898 | 24,979,221 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Financial liabilities | 13 | 1,000,000 | 5,000,000 |
| Trade and other payables | 11 | 668,333 | 631,817 |
| TOTAL CURRENT LIABILITIES | | 1,668,333 | 5,631,817 |
| TOTAL LIABILITIES | | 1,668,333 | 5,631,817 |
| NET ASSETS | | 31,375,565 | 19,347,404 |
| EQUITY | | | |
| Issued capital | 14 | 47,712,444 | 31,693,879 |
| Share option reserve | | 2,651,631 | 2,413,067 |
| Accumulated losses | | (18,988,510) | (14,759,542) |
| TOTAL EQUITY | | 31,375,565 | 19,347,404 |

The above statement should be read in conjunction with the accompanying notes

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Ordinary Share Capital | Share Option Reserve | Accumulated Losses | Total |
|---|---|---|---|---|---|
| As previously reported | | | | | |
| Balance at 1 July 2008 | 14 | 25,904,638 | 2,413,067 | (9,725,573) | 18,592,132 |
| Prior year adjustment | 1 | - | - | (159,467) | (159,467) |
| Revised balance at 1 July 2008 | | 25,904,638 | 2,413,067 | (9,885,040) | 18,432,665 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Shares issued during the year | | 5,580,907 | - | - | 5,580,907 |
| Share issue costs | | (200,000) | - | - | (200,000) |
| Options converted | | 408,334 | - | - | 408,334 |
| Options issued | | - | - | - | - |
| | | 31,693,879 | 2,413,067 | (9,885,040) | 24,221,906 |
| Comprehensive loss for the year | | - | - | (4,874,502) | (4,874,502) |
| Balance at 30 June 2009 | | 31,693,879 | 2,413,067 | (14,759,542) | 19,347,404 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Shares issued during the year | | 15,134,700 | - | - | 15,134,700 |
| Share issue costs | | (1,279,260) | - | - | (1,279,260) |
| Options converted | | 2,163,125 | - | - | 2,163,125 |
| Options issued | 14 | - | 238,564 | - | 238,564 |
| | | 47,712,444 | 2,413,067 | (14,759,542) | 35,604,533 |
| Comprehensive loss for the year | | - | - | (4,228,968) | (4,228,968) |
| Balance at 30 June 2010 | | 47,712,444 | 2,651,631 | (18,988,510) | 31,375,565 |

The above statement should be read in conjunction with the accompanying notes

**STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2010**

| | Note | Group 2010 $ | Group 2009 $ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | | |
| Payments to suppliers and employees | | (2,576,810) | (2,421,888) |
| Interest received | | 84,668 | 92,349 |
| Interest expense | | (395,100) | (486,174) |
| Net cash used in operating activities | 15 | (2,887,242) | (2,815,713) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (499,512) | (186,118) |
| Payments for exploration and evaluation and mining licences | | (3,583,101) | (2,513,918) |
| Net cash used in investing activities | | (4,082,163) | (2,700,036) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from issue of shares | | 15,024,967 | 5,741,241 |
| Repayments of borrowings | | (4,000,000) | - |
| Net cash generated by financing activities | | 11,024,967 | 5,741,241 |
| Net increase in cash held | | 4,055,561 | 225,492 |
| Cash and cash equivalents at 1 July 2009 | | 394,304 | 168,812 |
| Cash and cash equivalents at 30 June 2010 | 6 | 4,449,865 | 394,304 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Queensland Mining Corporation Limited as an individual entity and the Group consisting of Queensland Mining Corporation Limited and its subsidiaries.

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

*Compliance with IFRS*
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Queensland Mining Corporation Limited comply with International Financial Reporting Standards (IFRS).

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and certain other assets, where applicable.

*Critical accounting estimates and judgements*
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(q).

*Financial statement presentation*
The Group applied AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

a. **Principles of Consolidation**

The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of Queensland Mining Corporation Ltd ("parent entity") as at 30 June 2010 and the result of all subsidiaries for the year then ended. Queensland Mining Corporation Ltd and its subsidiaries together are referred to in this financial report as the Group. A list of subsidiaries is contained in Note 12 to the financial statement statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

All inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

b. **Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Trade Receivables**

Trade receivables and other receivables are carried at amounts due less any allowance for specific doubtful debts.

**d. Income Tax**

The Group adopts the liability method of tax – effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Queensland Mining Corporation Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group with effect from 1 July 2007. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity.

**e. Impairment of Assets**

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f. Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of long service leave and other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date

Contributions made by the consolidated entity to employee superannuation funds are charged to expenses as incurred.

**g. Exploration and Evaluation Expenditure**

Exploration, 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 that 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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Mining licences**

Mining licences are carried at cost less, where applicable, impairment losses.

The carrying amount of mining licences is reviewed annually by the Directors to ensure that the recoverable amount of the assets, are not in excess of their carrying value.

**i. Share based payments**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as expenses 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 option is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options 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.

**j. Plant and Equipment**

Plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment losses.

**Depreciation**

Plant and equipment, are depreciated over their estimated useful lives ranging from 3 to 40 years to write off the net cost of each asset during its expected useful life. The straight line method of depreciation is used.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

**k. Accounts Payable**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

**l. Financial assets and liabilities**

The net market values of the Group's financial assets and liabilities approximate their carrying amounts.

**m. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investment with original maturities of three months or less, and bank overdraft.

**n. Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated in the Balance Sheet inclusive of GST.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. Goods and services tax (continued)**

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

**o. Financial Instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting adopted for financial assets that are delivered within time frames established by marketplace convention.

Financial instrument are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or losses are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group is no longer has any significant continuing involvement in the risks and benefits associated with the assets.

Financial liabilities are derecognised where related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Classification and Subsequent Measurement**

- *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 subsequently measured at amortised cost using the effective interest rate method.
- *Held to maturity investments*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- *Financial liabilities*
  Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p. Critical Accounting Estimates and Judgements**

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

Key estimate – impairment

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

Key judgements – provision for impairment of receivables

Included in accounts receivable at 30 June 20010 is an amount receivable from Tennant Ltd for sales made during the previous financial year carried forward accounting to $306,735. The Directors believe that the full amount of the debt is recoverable, and no provision for impairment of receivables has been made at 30 June 2010.

**r. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

*Change in accounting policy*

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting. This has not resulted in any changes to the segments identified by the CODM, there has been no impact to the measurement of the Group's assets and liabilities.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**q. Going concern**

The Group made an operating loss of $4,228,968 for the year ended 30 June 2010. This condition indicates the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The ongoing viability of the Group and the recoverability of its non-current assets is dependent on the successful development or sale of its exploration and evaluation expenditure which is contingent on the successful implementation of various capital initiatives which may include future capital raisings.

The Directors believe that the exploration and evaluation expenditure will be either developed or otherwise dealt with and that the non-current assets are not included in the Financial Report at less than their recoverable amount.

The Financial Report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Group will be able to fund future operations through debt finance, equity raising and sale or joint venturing of interests held in mineral tenements and projects.

The Directors believe that they will be successful in raising sufficient funds to ensure that the Group can continue to meet its debts as and when they become due and payable. However, if additional funds are not raised, the going concern basis may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.

**r. Accounting standards effective but not yet adopted**

The AASB has issued new and amended accounting standards and interpretation that have mandatory application for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and there impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amended to Australian Accounting Standards arising from AASB 9 (AASB 1, 3 , 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretation 10 & 12) (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amended the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  Change made to accounting requirements include:
  - Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - Simplifying the requirements for embedded derivatives;
  - Removing the tainting rules associated with held-to-maturity assets;
  - Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised costs;
  - Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r. Accounting standards effective not yet adopted (continued)**

- Reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

  a. The objective of the entity's business model for managing the financial assets; and;
  b. The characteristics of the contractual cashflows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirements for government related entities. No changes are expected to materially affect the Group.

- AASB 2009 - 8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (AASB 2) (Applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments classify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 & 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009 – 9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters (AASB 1) (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009 – 10: Amendments to Australian Accounting Standards – classification of Right issues (AASB 132) (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options, or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non – derivative equity instruments. These amendments are not expected to impact the Group.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r. Accounting standards effective not yet adopted (continued)**

- AASB 2009 – 12: Amendments to Australian Accounting Standards (AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052) (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect change made to the text of International Financial Reporting Standards by the IASB. The standards also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purpose of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009 – 13: Amendments to Australian Accounting Standards arising from Interpretations 19 (AASB 1) (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009 – 14: Amendments to Australian Interpretations – Prepayment of a Minimum Funding Requirement (AASB Interpretation 14) (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous requirements when an entity repays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

**PRIOR PERIOD ADJUSTMENT**

The Group is accounting for a prior period error. In the current reporting period Management noted that certain plant and equipment acquired on acquisition of the Gilded Rose and Mt Freda tenements was incorrectly included in the carrying value of Exploration and Evaluation Assets. The adjustment has resulted in the re-classification of $2,282,000 from Exploration and Evaluation Assets to Plant and Equipment prior year comparatives have been re-stated. The adjustment has resulted in an additional $114,804 in depreciation being recognised in the prior period statement of comprehensive income and $159,467 to the prior year opening accumulated losses.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

| | Group 2010 $ | Group 2009 $ |
|---|---|---|
| **NOTE 2: EXPENSES** | | |
| Loss from ordinary activities before income tax has been determined after: | | |
| Accounting fees | 98,000 | 98,000 |
| Auditors' remuneration | 67,000 | 83,000 |
| Exploration expenses | 291,352 | - |
| Share based payments | 142,500 | 48,000 |
| Corporate development | 98,584 | 245,274 |
| Interest expense | 395,100 | 486,174 |
| Depreciation | 462,747 | 468,808 |
| **Impairment** | | |
| Property, plant and equipment | - | 800,000 |
| Inventories | - | 151,000 |
| Exploration and evaluation expenditure | - | 963,885 |
| | - | 1,914,885 |
| **Management Fees** | 567,314 | 531,769 |
| **Employee expenses** | | |
| Wages and salaries | 451,612 | 123,444 |
| Other employment expenses | 205,699 | 2,648 |
| Superannuation | 186,800 | 106,538 |
| | 844,111 | 232,630 |
| **Other Expenses:** | | |
| Advisory services – cash | 386,045 | 243,282 |
| Advisory services – option expenses | - | - |
| Hire of plant and equipment | 31,322 | - |
| Legal fees | 239,363 | 140,589 |
| Professional fees | 43,655 | 4,774 |
| Travel expenses | 172,736 | 129,265 |
| Administration - Birkdale office | - | 77,086 |
| Marketing expenses and investor relations | 163,162 | 27,482 |
| Motor vehicle and bulldozer expenses | 52,343 | 21,096 |
| Rental | 149,837 | 201,871 |
| Other expenses | 595,856 | 183,831 |
| | 1,834,319 | 1,029,276 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

| | Group | |
|---|---|---|
| **NOTE 3: INCOME TAX EXPENSE** | **2010** **$** | **2009** **$** |
| The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Net Loss | (4,228,968) | (4,874,502) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% | (1,268,690) | (1,462,351) |
| Add/(less): | | |
| Tax effect of: | | |
| - Other non deductible items | 7,151 | 7,091 |
| - Option expense | 71,569 | 189,695 |
| | 78,720 | 196,786 |
| Tax effect of tax losses not brought to account as they do not meet the recognised criteria | (1,189,970) | (1,265,565) |
| Income tax attributable to operating loss | - | - |
| Total income tax losses for which no deferred tax asset has been recognised | 18,451,838 | 14,485,271 |

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because it is not probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

The potential future income tax benefit will be obtained if:

i. The relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be realised by another company in the Group in accordance with Division 170 of the Income Tax Assessment Act 1997;

ii. The relevant company and/or Group continues to comply with the conditions for deductibility imposed by the law; and

No changes in tax legislation adversely affect the Company and/or the Group in realising the benefit.

## NOTE 4: KEY MANAGEMENT PERSONNEL REMUNERATION

### a. Names and positions held of the group and parent entity key management personnel in office at any time during the financial year are:

**Key Management Person Position**

| | |
|---|---|
| Mr David E Usasz | Chairman – Non Executive (appointed 15 June 2007) |
| Mr Howard V Renshaw | Managing Director — Executive |
| Mr Richard Hill | Director - Non-Executive (appointed 1 October 2010) |
| Mr Kevin Maloney | Director - Non-Executive (resigned on 14 August 2009 ) |

### b. Remuneration policy

The remuneration policy of Queensland Mining Corporation Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component. The Board of Queensland Mining Corporation Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- the remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the Board after seeking professional advice from independent external consultant;
- all key management personnel receive a base salary, superannuation, options and performance incentives;
- the remuneration committee reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%. Some individuals, however, may choose to sacrifice part of their salary to increase payments toward superannuation.

All remuneration paid to key management is valued at cost to the company and expensed.

### c. Key management personnel remuneration

| Director | Short- term Benefits | | | | Long- term benefit | | |
|---|---|---|---|---|---|---|---|
| | Director's fee and salary | Super- -annuation | Bonus * | Total | Other | Share-based payment | Total |
| Mr David E Usasz | 25,500 | 24,000 | | 49,500 | - | 43,516 | 43,516 |
| Mr Howard V Renshaw | 280,000 | 50,000 | - | 330,000 | | 51,428 | 51,428 |
| Mr Richard Hill | 36,000 | - | - | 36,000 | | 15,824 | 15,824 |
| Mr Kevin Maloney | 43,208 | 4,550 | - | 47,758 | - | - | - |
| Total | 384,708 | 78,550 | 126,000 | 463,258 | - | 110,768 | 110,768 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

## NOTE 4: KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)

**d. Number of Options held by Key Management Personnel**

| | Balance 30.06.08 | Options granted | Options Exercised | Balance 30.06.09 | Options granted | Options Exercised/ Expired | Balance 30.06.10 | Vested and Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| Mr David E Usasz | 4,750,000 | - | - | 4,750,000 | - | (1,250,000) | 3,500,000 | 3,500,000 | - |
| Mr Howard V Renshaw | 2,750,000 | 500,000 | - | 3,250,000 | 2,250,000 | - | 5,500,000 | 5,500,000 | - |
| Mr Richard Hill | - | - | - | - | 1,000,000 | - | 1,000,000 | 1,000,000 | - |
| **Total** | 7,500,000 | 500,000 | - | 8,000,000 | 3,250,000 | (1,250,000) | 10,000,000 | 10,000,000 | - |

**e. Number of Shares held by Key Management Personnel**

| | Balance 30.06.08 | Acquired during the year | Disposed during the year | Balance 30.06.09 | Acquired during the year | Disposed during the year | Balance 30.6.10 |
|---|---|---|---|---|---|---|---|
| Mr David E Usasz | 500,000 | 300,000 | - | 800,000 | 150,000 | - | 950,000 |
| Mr Howard V Renshaw | 9,700,000 | 750,000 | - | 10,450,000 | - | - | 10,450,000 |
| Mr Richard Hill | - | - | - | - | 416,000 | - | 416,000 |
| **Total** | 10,200,000 | 1,050,000 | - | 11,250,000 | 566,000 | - | 11,816,000 |

| **NOTE 5: AUDITORS' REMUNERATION** | **Group 2010 $** | **2009 $** |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| Auditing or reviewing the financial report | 67,000 | 83,000 |

| **NOTE 6: CASH and CASH EQUIVALENTS** | **Group 2010 $** | **2009 $** |
|---|---|---|
| Cash at bank and in hand | 4,449,864 | 394,304 |

The effective interest rate on cash deposits at call was 4.50 % (2009: 4.25 %).

*Risk Exposure*

The Group's exposure to interest rate risk is discussed in note 16. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 7: TRADE AND OTHER RECEIVABLES**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| CURRENT | | |
| Accounts receivable | 320,601 | 320,601 |
| | | |
| Other current receivables | | |
| GST and fuel credit receivable | 207,107 | 91,564 |
| Pre-payments | 545,000 | - |
| Other receivables | 301,353 | 118,521 |
| | 1,053,460 | 210,085 |
| | | |
| | 1,374,061 | 530,686 |

Other receivables consist of research and development rebate from the ATO and prepaid drilling work from a 3rd party.

The ageing of receivables are as follows:-

| | Group | |
|---|---|---|
| | **Gross** | **Provision** |
| | **$** | **$** |
| Not past due | 1,053,460 | - |
| Past due 1 – 30 days | - | - |
| Past due 31 – 60 days | - | - |
| Past due 61 – 90 days | - | - |
| Past 90 days | 320,601 | - |
| | 1,374,061 | - |

*Past due but not impaired*

The accounts receivable include amounts due from Tennant Limited which are past due. This debtor has been assessed by the Group and is not considered impaired.

*Other receivables*

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

*Fair value and credit risk*

Due to the short-term nature of the receivables (with the exception of Tennant Limited), their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 16 for more information on the risk management policy of the Group and credit quality of the receivables.

**NOTE 8: INVENTORIES**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Inventories | 75,000 | 75,000 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 9: PLANT AND EQUIPMENT**

| | Group 2010 $ | Group 2009 $ |
|---|---|---|
| *As previously reported* | | |
| Balance at the beginning of the year | - | 4,056,313 |
| Prior year adjustment (Note 1) | - | 2,122,533 |
| Balance at the beginning of year/restated balance | 5,096,156 | 6,178,846 |
| Additions | 499,512 | 186,118 |
| Depreciation expense | (462,747) | (468,808) |
| Impairment | - | (800,000) |
| Carrying amount at the end of year | 5,132,921 | 5,096,156 |

**NOTE 10: MINING LICENCES AND EXPLORATION AND EVALUATION EXPENDITURE**

| | Group 2010 $ | Group 2009 $ |
|---|---|---|
| *Mining Licences* | | |
| *As previously reported* | | |
| Balance at the beginning of the year | - | 14,461,239 |
| Prior year adjustment (Note 1) | - | (2,282,000) |
| Opening balance/ restated balance | 11,215,354 | 12,179,239 |
| Acquired during the year | 1,124,546 | - |
| Impairment loss | - | (963,885) |
| | 12,339,900 | 11,215,354 |
| *Exploration and evaluation expenditure* | | |
| Opening balance | 7,667,721 | 5,153,803 |
| Capitalised during the year | 2,004,430 | 2,513,918 |
| | 9,672,151 | 7,667,721 |

Recoverability of the carrying amount of the exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**NOTE 11: TRADE AND OTHER PAYABLES**

| | Group 2010 $ | Group 2009 $ |
|---|---|---|
| Trade payables | 223,437 | 427,123 |
| Sundry payables and accrued expenses | 431,983 | 184,780 |
| Other advances | 12,913 | 19,914 |
| | 668,333 | 631,817 |

*Risk Exposure*

Information about the Group's risk exposure is provided in note 16.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 12: PARENT ENTITY**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Financial information in relation to | | |
| *Statement of Comprehensive income* | | |
| Comprehensive loss for the year | 4,216,876 | 4,855,560 |
| Income tax expense | - | - |
| Total comprehensive loss for the year | 4,216,876 | 4,855,560 |
| *Accumulated losses* | | |
| Accumulated losses at the beginning of the year | 14,650,564 | 9,795,004 |
| Comprehensive loss for the year | 4,216,876 | 4,855,560 |
| Accumulated losses at the end of the year | 18,867,440 | 14,650,564 |
| *Statement of Financial Position* | | |
| Current assets | 5,847,398 | 974,409 |
| Non current assets | 27,282,081 | 24,104,248 |
| Total assets | 33,129,479 | 25,078,657 |
| Current liabilities | 1,632,844 | 5,622,275 |
| Non current liabilities | - | - |
| Total liabilities | 1,632,844 | 5,622,275 |
| Net Assets | 31,496,635 | 19,456,382 |
| Share capital | 47,712,444 | 31,693,879 |
| Share option reserve | 2,651,631 | 2,413,067 |
| Accumulated losses | (18,867,440) | (14,650,564) |
| | 31,496,635 | 19,456,382 |
| Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries | None | None |
| Details of any contingent liabilities of the parent entity | None | None |
| Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment. | None | None |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 12: Parent Entity (continued)**

Subsidiaries

| | Country of Incorporation | Percentage Owned | |
|---|---|---|---|
| | | **2010** | **2009** |
| **Parent Entity:** | | | |
| Queensland Mining Corporation Ltd | Australia | | |
| **Subsidiaries of Queensland Mining Corporation Ltd:** | | | |
| North Queensland Mines Pty Ltd | Australia | 100 | 100 |
| Mt Norma Mining Company Pty Ltd | Australia | 100 | 100 |
| Flamingo Copper Mines Pty Ltd | Australia | 100 | 100 |
| Spinifex Mines Pty Ltd | Australia | 100 | 100 |
| Soldiers Cap Mining Company Pty Ltd | Australia | 100 | 100 |
| Cloncurry River Mining Company Pty Ltd | Australia | 100 | 100 |
| Kuridala Mine Pty Ltd | Australia | 100 | 100 |
| Mt McNamara Pty Ltd | Australia | 100 | 100 |
| Sierra Line Pty Ltd | Australia | 100 | 100 |
| QMC Operations Pty Ltd | Australia | 100 | 100 |
| White Range Mines Pty Ltd | Australia | 100 | 100 |
| QMC Exploration Pty Ltd | Australia | 100 | 100 |
| Iron Ridge – Black Fort Pty Ltd | Australia | 100 | 100 |
| Mt McCabe Pty Ltd | Australia | 100 | 100 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 13: FINANCIAL LIABILITIES**

| | Group | |
|---|---|---|
| **a. Convertible Notes** | **2010** | **2009** |
| | **$** | **$** |
| CURRENT | | |
| Convertible note – at the beginning of the year | 5,000,000 | 5,000,000 |
| Payment – during the year | (4,000,000) | - |
| Converted into short- term unsecured loan (b) | (1,000,000) | - |
| | - | 5,000,000 |

**b. Unsecured Loan**

| | | |
|---|---|---|
| CURRENT | | |
| Unsecured loan* | 1,000,000 | - |
| | 1,000,000 | - |

* The Company paid out the convertible notes and entered into an unsecured loan agreement with Tulla Resources Pty Ltd on 31 March 2010. The loan carries an interest of 10% per annum and is due for repayment on 31 March 2011

**NOTE 14: ISSUED CAPITAL**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| 316,632,589 (2009: 196,305,422 fully paid ordinary shares) | 47,712,444 | 31,693,879 |
| | | |
| Ordinary shares | | |
| At the beginning of reporting period | 31,693,879 | 25,904,638 |
| Shares issued during the year | 15,134,700 | 5,580,907 |
| Conversion of Options | 2,163,125 | 408,334 |
| | 17,297,825 | 5,989,241 |
| Less: Costs of capital raising | (1,279,260) | (200,000) |
| At the end of the reporting period | 47,712,444 | 31,693,879 |

| | **No.** | **No.** |
|---|---|---|
| At the beginning of reporting period | 196,305,422 | 162,223,070 |
| Shares issued during the year | 109,974,667 | 30,899,030 |
| Conversion of options | 10,352,500 | 3,183,322 |
| At the end of the reporting period | 316,632,589 | 196,305,422 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**OPTIONS**

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| At the beginning of reporting period | 2,413,067 | 2,413,067 |
| Options issued during the year | 238,564 | - |
| Conversion of options | - | - |
| | 2,651,631 | 2,413,067 |

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | No. | No. |
| At the beginning of reporting period | 62,613,096 | 65,796,418 |
| Options expired during the year | (21,774,484) | - |
| Options granted during the year | 39,675,000 | - |
| Option exercised during the year | (10,352,500) | (3,183,322) |
| At the end of the reporting period | 70,161,112 | 62,613,096 |

The option reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees; and
- share based payments to suppliers

*Fair value of options granted*

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2010 included:

a) Options are granted for no consideration;
b) Exercise price of $0.25 and $0.35;
c) Grant dates of 14 January 2010 and 17 March 2010;
d) Expiry date of 30 November 2012 and 16 March 2013;
e) Vesting period of 2 years;
f) Share price at grant date of $0.23 and $0.13;
g) Expected volatility of the company's shares 94%;
h) Expected dividend yield 0.0%; and
i) Risk free rate 4.75%

Expected volatility is based on the implied volatility of publically traded options over the Group's share and the historic volatility of the market price and the Group's share price. Each of these assumptions has been based on two years' historic volatility data. The valuation per option has been determined at $0.13 and $0.06 per option. The dividend rate is based on the past Group practice and the Risk free rate is determined with reference to medium term government bonds.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

## NOTE 15: CASH FLOW INFORMATION

**Reconciliation of Cash Flow from Operations with Loss to Ordinary Activities after Income Tax**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Loss from ordinary activities after income tax | (4,228,968) | (4,874,502) |
| *Non-cash flows in profit from ordinary activities* | | |
| Depreciation | 462,747 | 468,808 |
| Impairment | - | 1,914,885 |
| Shares based payment | 142,500 | 48,000 |
| Option expense | 238,563 | - |
| *Changes in assets and liabilities* | | |
| (Increase)/decrease in sundry debtors | 326,096 | 424,942 |
| Increase/(decrease) in payables | 171,820 | (1,006,669) |
| Cash outflow from operations | (2,887,242) | (3,024,536) |

## NOTE: 16 FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

The Group's financial instruments, consists mainly of deposits with banks, accounts payable and receivables and convertible notes.

The main purpose of non-derivative financial instruments is to raise finance for the Group operations.

i. *Risk management*

A finance committee consisting of senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The finance committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of credit risk policies and future cash flow requirements.

ii. *Financial risk exposures and management*

The main risks the Group is exposed to through its financial instruments are interest rate risk, credit risk and price risk.

*Interest rate risk*

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010, all Group debt is fixed at 10% (2009: 10%)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE: 16 FINANCIAL RISK MANAGEMENT (continued)**

*Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as discloses in the balance sheet and notes to the financial managements.

Credit risk is managed on a Group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as trough certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Group's strict credit policies may only purchase in cash or through banks or financial institutions.

Credit risk for counter parties included in financial assets and financial liabilities, at 30 June 2010 is detailed below:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| Other receivables | 301,353 | 118,521 |
| Total | 301,353 | 118,521 |

*Liquidity risk*

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The following table illustrates the contractual maturities of the Group's financial liabilities:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| Within six months | 1,655,420 | 5,447,037 |
| 6 – 12 months | - | - |
| Between 1 and 2 years | - | - |
| | 1,655,420 | 5,447,037 |
| Total contractual cash flows | 1,655,420 | 5,447,037 |
| Carrying amount of liabilities | | |
| | 1,655,420 | 5,447,037 |
| Non interest bearing | 655,420 | 447,037 |
| Fixed interest rate | 1,000,000 | 5,000,000 |
| Variable interest rate | - | - |
| | 1,655,420 | 5,447,037 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE: 16 FINANCIAL RISK MANAGEMENT (continued)**

**b. Financial Instrument**

Price risk sensitivity analysis

The Group is currently in the exploration phase therefore movements in commodity prices within reasonable ranges would not have a material impact on the comprehensive loss for the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

| | Group 2010 $ | Group 2009 $ |
|---|---|---|
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | | |
| During the year, the Entity used the services of Butmall Pty Ltd for the provision of three accounting administration, secretarial and corporate staff and office rental for the company head office and administration services at commercial rates. Mr Howard Renshaw was a director of Butmall Pty Ltd during the whole of the year. | 211,727 | 168,000 |
| This amount includes amounts paid to Butmall Pty Ltd for bonuses in relation to services of Howard Renshaw for the years ended 30 June 2009 and 2010. In previous years, bonuses were recognised to Mr Renshaw in the year following the year to which the bonus related. | 126,000 | - |
| During the year, the Entity used the services of DFK Richard Hill Pty Ltd for the provision of secretary, advisory, taxation and accounting services at commercial rates. Mr Richard Hill is a director of DFK Richard Hill Pty Ltd during the financial year. | | |
| • Accounting and secretarial fee | 98,000 | - |
| • Corporate advisory fees in relation to fund raising, prospectus preparation and corporate advisory with respect to the White Range Project acquisition and due diligence | 160,093 | - |
| Payment to Morbride Pty Ltd for corporate fee as commercial rate. David Usasz is a director of the company. | 30,000 | - |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

## NOTE 17 EXPLORATION EXPENDITURE COMMITMENTS

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| Payables | **$** | **$** |
| due within one year | 152,118 | 338,115 |
| due within 1 – 2 years | 350,000 | 350,000 |

The exploration expenditure commitments relate to the Group's share of exploration and evaluation expenditure required to comply with the licence terms issued by the relevant regulatory body.

These obligations may be subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

## NOTE 18 EARNINGS PER SHARE

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **cents** | **Cents** |
| Basic / Diluted loss per share | 1.81 | 2.44 |

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| **Reconciliations of losses used in calculating loss per share:** | | |
| Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share | 4,228,968 | 4,874,502 |
| Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share | 4,228,968 | 4,874,502 |

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **No.** | **No.** |
| **Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 249,313,492 | 175,381,501 |
| Adjustments for calculation of diluted earnings per share | - | - |
| | 249,313,492 | 175,381,501 |

Options are considered potential ordinary shares for the purposes of diluted earnings per share. However, at 30 June 2010 and 30 June 2009, based on the circumstances of the consolidated entity, the options are not considered dilutive and therefore have not been used in the calculation of diluted earnings per share.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

**NOTE 19 EVENTS AFTER THE BALANCE SHEET DATE**

- In July 2010, the Company completed the settlement of the acquisition of the White Range Project for a total of $5m comprising cash of $2.5m and the issue of 25 million ordinary shares in satisfaction of the balance purchase price.

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 14 to 40 are in accordance with the *Corporations Act 2001*:
   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and Group;
2. The Executive Chairman and Company Secretary have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion 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.

Chairman David Usasz

Dated this 30th day of September 2010

PKF

Chartered Accountants
& Business Advisers

**INDEPENDENT AUDITORS' REPORT**

To the members of Queensland Mining Corporation Limited

**Report on the Financial Report**

We have audited the accompanying financial report of Queensland Mining Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration. The consolidated entity comprises Queensland Mining Corporation Limited (the company) and the entities it controlled at the year's end and from time to time during the financial year.

*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 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditors' 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 auditors' 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 control relevant to the entity'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 entity's internal control. 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 opinion.

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*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

*Auditors' Opinion*

In our opinion:

(a) the financial report of Queensland Mining Corporation Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including 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 the Directors' Report for the year ended 30 June 2010. 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.

*Auditors' Opinion*

In our opinion the Remuneration Report of Queensland Mining Corporation Limited for the year ended 30 June 2010 complies with Section 300A of the *Corporations Act 2001.*

*Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(q) to the financial statements which indicates that the consolidated entity recorded an operating loss of $4,228,968 for the year ended 30 June 2010. This condition, along with other matters as set forth in Note 1(q), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore whether it may realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the Financial Report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

**PKF**

**Bruce Gordon**
Partner

**Sydney**
30 September 2010

| **20 Largest Shareholders – Ordinary Shares** | **30-06-2010** | % |
|---|---|---|
| BLB Holdings Pty Ltd | 13,657,016 | 4.31 |
| H V R Pty Ltd < H V R Super Fund A/C > | 10,450,000 | 3.30 |
| Cudeco Limited | 10,325,000 | 3.26 |
| Global House Limited | 10,000,000 | 3.16 |
| Purcell Gold Mining Limited | 5,400,000 | 1.53 |
| Bourse Securities Pty Ltd | 4,845,739 | 1.29 |
| Marley Holdings | 4,080,000 | 1.23 |
| Tulla Resources Group Ltd | 3,903,933 | 1.17 |
| Nelbert Finance Ltd | 3,694,718 | 1.14 |
| Mr Simon David Gilbert & Mrs Jane Elizabeth Gilbert < S D Gilbert Family A/C > | 3,600,000 | 1.07 |
| Holmberg Nominees Pty Ltd < NL Burton P/L S/F No 2 A/C> | 3,376,197 | 0.95 |
| Mr Ralph Tonkin (Group) | 3,000,000 | 0.93 |
| Mr Ian Gough & Mrs Margaret Gough (I&M Gough S/F) | 2,950,000 | 0.71 |
| HMW Superannuation Fund | 2,300,000 | 0.65 |
| YellowRock Pty Ltd | 2,266,667 | 0.64 |
| Mr Ross Jeremy Taylor | 2,250,000 | 0.63 |
| Mr Ian Gough | 2,060,000 | 0.57 |
| Mr Paul Anthony Ravesteyn | 2,041,873 | 4.31 |
| Litho Art Pty Ltd | 2,000,000 | 3.26 |
| Mr Jochanan Dan Toren | 1,816,667 | 3.16 |
| **Totals for Top 20** | **94,017,810** | **29.69** |
| **Security Totals** | **316,632,589** | |

## CORPORATE DIRECTORY

DIRECTORS
Mr David Usasz (Chairman, appointed 15 June 2007)
Mr Howard Renshaw (Managing Director)
Mr Richard Hill (Non-Executive Director, appointed 1 October 2009)
Mr Kevin Maloney (Non-Executive Director, resigned 14 August 2009)

COMPANY SECRETARY
Mr Richard Hill (appointed on 9 August 2007)

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Registries Ltd.
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AUDITORS
PKF Chartered Accountants & Business Advisors
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