



30 January 2009

December 2008 Quarterly Activities Report

Summary

Activities at Wolfram Camp during the December quarter were focused on attempting to resolve a number of mining and process issues which had affected the performance of the Treatment Plant and production of concentrates. Although some progress was made in this area, difficulties continued to be experienced with achieving target headfeed grade and the Treatment Plant was unable to achieve design performance. As a result, the decision was taken in November to suspend operations at Wolfram Camp until such time as the mining and metallurgical issues could be addressed. This step was necessary in order to conserve cash and was reinforced by the sudden fall in the molybdenum price and general global market conditions. Since the suspension of operations the Company has been exploring various options of obtaining additional funding. These efforts have resulted in securing short-term funding of \$600,000 from Outback Metals Limited which will provide the Company with some time to properly assess its strategic options.

Review

Wolfram Camp (QOL 85%)

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

Production

As previously advised, commissioning of the Treatment Plant commenced in July 2008 and a number of mining and metallurgical issues were encountered which affected performance of the Treatment Plant and 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 clayey 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. Finding a solution to the issue of headfeed grade requires to be our first priority.

The excess of fines in the ore has 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.

When adequate funding can be obtained it will be necessary to complete the investigation programs in order to ascertain exactly what requires 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 virtually been in free fall since the end of September with the base reference price having fallen from US\$33 to 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 tended to ameliorate 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 quarter.

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 quarter.

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 quarter.

Corporate

Funding

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

Discussions have been held with a number of parties with respect to a variety of options. This has resulted in the Company obtaining a short-term debt facility of \$600,000 from Outback Metals Limited which will provide the Company with the flexibility to properly assess its strategic options. These funds will be used for the short term ongoing management of the Company and will allow 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.

Queensland Ores and Outback Metals have also agreed to negotiate in good faith with a view to formulating a satisfactory commercial arrangement to secure Queensland Ores' future. These negotiations are continuing. The provision of the debt funding referred to above is not contingent upon a successful outcome to a commercial proposal put forward by Outback Metals.

**Capital**

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

Cash

At 31 December 2008 the Company had total cash reserves of \$835,000.

For further information:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

QUEENSLAND ORES LIMITED

ABN

35 108 146 694

Quarter ended ("current quarter")

31 DECEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	92	92
1.2	Payments for (a) exploration and evaluation	(86)	(187)
	(b) development	(318)	(1,902)
	(c) production	(2,132)	(4,793)
	(d) administration	(459)	(855)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	30	122
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(8)	(14)
Net Operating Cash Flows		(2,881)	(7,537)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	(65)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	(65)
1.13	Total operating and investing cash flows (carried forward)	(2,881)	(7,602)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,881)	(7,602)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	456
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	456
	Net increase (decrease) in cash held	(2,881)	(7,146)
1.20	Cash at beginning of quarter/year to date	3,716	7,981
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	835	835

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	(106)
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Refer to the December Quarter Activities Report for comments on funding.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	600	Nil
3.2 Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	50
Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	835	3,716
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	835	3,716

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Mining Leases 20018, 4363, 4390	Direct – held by wholly owned subsidiary (Triple Crown Mining Pty Ltd)	100%	Nil
6.2 Interests in mining tenements acquired or increased	Exploration Permit – Minerals 16050	Direct – held by wholly owned subsidiary (Wolfram Camp Mining Pty Ltd)	Nil	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/a			
7.3 +Ordinary securities	219,945,122	219,945,122		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	Nil		
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/a			
7.7 Options <i>(description and conversion factor)</i>	1,000,000 450,000	- -	<i>Exercise price</i> 30 cents 40 cents	<i>Expiry date</i> 7 Dec 2011 7 Dec 2009
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	34,730,227	34,730,227	35 cents	30 Nov 2008
7.11 Debentures <i>(totals only)</i>	Nil			
7.12 Unsecured notes <i>(totals only)</i>	Nil			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2009
(Company secretary)

Print name: Anthony Keating

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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