

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005

(Unaudited – Prepared by Management)

NOTICE CONCERNING AUDITOR REVIEW

The Company did not engage an independent auditor to perform a review of the interim financial statements for the three month period ended June 30, 2005. Accordingly, the interim financial statements for the three month period ended June 30, 2005 have been prepared by management and have not been reviewed by an independent auditor.

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2005 AND MARCH 31, 2005

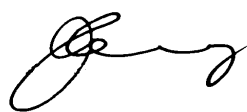
	June 30, 2005	March 31, 2005
ASSETS		
Current		
Cash	\$ 44,727	\$ 49,245
Receivables	<u>14,384</u>	<u>9,956</u>
Total current assets	59,111	59,201
Deferred acquisition costs (Note 3)	<u>145,659</u>	<u>54,224</u>
Total assets	<u>\$ 204,770</u>	<u>\$ 113,425</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities	\$ 122,347	\$ 36,366
Due to related parties (Note 5)	<u>278,445</u>	<u>245,776</u>
Total current liabilities	400,792	282,142
Shareholders' equity (deficiency)		
Capital stock (Note 4)	13,170,657	13,170,657
Deficit	<u>(13,366,679)</u>	<u>(13,339,374)</u>
Total shareholders' equity (deficiency)	<u>(196,022)</u>	<u>(168,717)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$ 204,770</u>	<u>\$ 113,425</u>

Nature and continuance of operations (Note 1)

On behalf of the Board:




"James Canning-Ure"

Director

"Garry James Clark"

Director

James Canning-Ure

Garry James Clark

The accompanying notes are an integral part of these consolidated financial statements.

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FIRST QUARTER ENDED JUNE 30

	2005	2004
EXPENSES		
Amortization	\$ -	\$ 161
Exploration costs	-	5,188
Filing and transfer agent fees	2,979	4,989
Investor relations	-	252
Office and general	5,943	8,140
Professional fees	8,616	3,185
Salaries and management fees	9,767	19,068
Travel and accommodation	-	611
Loss before other items	<u>(27,305)</u>	<u>(41,594)</u>
OTHER ITEMS		
Interest income	-	66
Loss for the period	(27,305)	(41,528)
Deficit, beginning of period	<u>(13,339,374)</u>	<u>(13,123,424)</u>
Deficit, end of period	<u>\$ (13,366,679)</u>	<u>\$ (13,164,952)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>2,589,862</u>	<u>1,920,108</u>

The accompanying notes are an integral part of these consolidated financial statements.

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FIRST QUARTER ENDED JUNE 30

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (27,305)	\$ (41,528)
Items not affecting cash:		
Amortization	-	161
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(4,428)	6,819
Increase (decrease) in accounts payable and accrued liabilities	<u>85,981</u>	<u>(5,968)</u>
Net cash used in operating activities	<u>54,248</u>	<u>(40,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred exploration and acquisition costs	<u>(91,435)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	<u>32,669</u>	<u>-</u>
Change in cash during the period	(4,518)	(40,516)
Cash, beginning of period	<u>49,245</u>	<u>69,289</u>
Cash, end of period	<u>\$ 44,727</u>	<u>\$ 28,773</u>

The accompanying notes are an integral part of these consolidated financial statements.

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED JUNE 30

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited (formerly Macarthur Diamonds Limited) (the “Company”) is in the business of exploration and development of resource properties. Currently the Company does not hold any properties.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

During the fiscal year 2005, the Company changed its name to Macarthur Minerals Limited.

During the period, the Company consolidated its share capital on a 10:1 basis. All references to share and per share amounts have been restated to reflect the share consolidation. Effective July 7, 2005, the common shares of Macarthur Minerals Limited commenced trading on the TSX Venture Exchange under the trading symbol “MMS”, and the common shares of Macarthur Diamonds Limited were delisted.

	2005	2004
Deficit	\$ (13,366,679)	\$ (13,164,952)
Working capital (deficiency)	(341,681)	(222,941)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidation.

Mineral properties and deferred exploration costs

Costs related to the acquisition, exploration and development of mineral properties and deferred exploration costs are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED JUNE 30

Mineral properties and deferred exploration costs (cont'd...)

The amounts shown for mineral properties and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Equipment

Equipment is recorded at cost and is amortized over its estimated useful lives using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	20%

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets are recognized to the extent that realization of those assets is more likely than not. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Withholding taxes, where applicable, on earnings of foreign operations are provided in the accounts only to the extent earnings are expected to be repatriated.

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting.

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollar equivalents using the temporal method. Under this method, monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in the statement of operations.

Deferred acquisition costs

Costs, such as legal, accounting, due diligence, sponsorship and filing fees relating to potential business acquisitions are deferred and applied towards the cost of the acquisition when completed. Such costs are expensed if the potential acquisition is no longer considered viable by management.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. DEFERRED ACQUISITION COSTS

During the year 2005, Macarthur entered into agreements whereby the Corporation is receiving the benefit of an assignment of an option agreement from Internickel Limited ("Internickel") of all of Internickel's rights, benefits, interests and obligations to acquire Internickel Australia Pty. Ltd. ("Internickel Australia").

On January 19, 2004, Internickel entered into an option agreement (as subsequently amended) (the "Option Agreement") with Troy Dalla-Costa ("Dalla-Costa"); the owner of the Internickel Australia shares and Internickel Australia under which Dalla-Costa agreed to grant to Internickel an option to acquire all of the common shares of Internickel Australia.

On completion of its due diligence of Internickel Australia, Internickel paid to Internickel Australia a non-recourse loan of AU \$300,000. To finalize the transaction, Internickel was to issue to Dalla-Costa 10,000,000 Internickel shares on the successful completion of a fundraising prospectus. This condition was not met and the Option Agreement was subsequently extended to April 30, 2005.

On February 23, 2005, Internickel agreed to assign to the Company all of its rights, benefits and interest under the Option Agreement. As the result of such assignment, the Company has until September 30, 2005 to exercise its option to acquire all of the common shares of Internickel Australia. As consideration for extending the option period, the Corporation paid AU \$50,000 (CAD \$46,745) to Dalla-Costa on February 22, 2005.

If the Company chooses to exercise the option under the Option Agreement, the Company is required to issue AU \$1,300,000 worth of the Company's common shares to Dalla-Costa. In the event the Company exercises the option to acquire Internickel Australia, the Corporation will for consideration of the assignment and in recognition of Internickel's expenditure incurred under the Option Agreement pay \$10 and issue 20% of the shares in Internickel Australia to Internickel.

As at March 31, 2005, the Company has incurred a total of \$145,659 in deferred acquisition costs towards the completion of the acquisition, which includes a \$46,745 option extension payment and \$98,914 in property report expenses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED JUNE 30

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED JUNE 30

4. CAPITAL STOCK

	Number of Shares (Adjusted for 10:1 share consolidation)	Amount
Authorized		
250,000,000 common voting shares, without par value		
Issued		
Balance, at March 31, 2003	1,756,529	\$ 12,670,657
Issued for cash	333,333	200,000
Issued for debt	500,000	300,000
Balance, at March 31, 2004 and 2005 and June 30, 2005	2,589,862	\$ 13,170,657

Stock options and warrants

The Company has a stock option policy by which options to purchase common shares may be granted by the Board of Directors to directors, employees and eligible service providers of the Company for terms of up to five years at a price equal to the market price on the date of the grant. The maximum number of options available for grant under the policy cannot exceed 10% of the issued common shares.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options (Adjusted for 10:1 share consolidation)	Weighted Average Exercise Price (Adjusted for 10:1 share consolidation)
Balance, March 31, 2003, 2004 and 2005	41,000	\$ 3.63
Cancelled/Expired	5,000	\$ 2.75
Number of options currently exercisable – June 30, 2005	36,000	\$ 3.75

The following options and warrants to acquire common shares of the Company are outstanding at June 30, 2005:

Number of Shares (Adjusted for 10:1 share	Exercise Price (Adjusted for 10:1 share	Expiry Date

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED JUNE 30

	consolidation)	consolidation)	
Options:	36,000	3.75	April 23, 2006
Warrants:	333,333	1.00	January 16, 2006

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$Nil (2004 - \$13,974) to directors and an officer of the Company.
- b) At June 30, 2005, \$66,458 (2004 - \$Nil) is owed to directors and a private Company controlled by a director for accrued management fees and for expenses paid on behalf of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.