

**MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 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 and nine month period ended December 31, 2005. Accordingly, the interim financial statements for the three month and nine period ended December 31, 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 DECEMBER 31, 2005 AND MARCH 31, 2005

	December 31, 2005	March 31, 2005
ASSETS		
Current		
Cash	\$ 938,883	\$ 49,245
Receivables	<u>23,630</u>	<u>9,956</u>
Total current assets	962,513	59,201
Deferred acquisition costs (Note 3)	<u>183,756</u>	<u>54,224</u>
Total assets	<u>\$ 1,146,269</u>	<u>\$ 113,425</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities	\$ 53,384	\$ 36,366
Due to related parties (Note 5)	<u>-</u>	<u>245,776</u>
Total current liabilities	53,384	282,142
Shareholders' equity (deficiency)		
Capital stock (Note 4)	13,711,297	13,170,657
Shares subscribed	871,541	
Contributed surplus	103,369	
Deficit	<u>(13,593,322)</u>	<u>(13,339,374)</u>
Total shareholders' equity (deficiency)	1,092,885	<u>(168,717)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$ 1,146,269</u>	<u>\$ 113,425</u>

Nature and continuance of operations (Note 1)

On behalf of the Board:

<u>"Alan Philips"</u>	Director	<u>"David Barwick"</u>	Director
Alan Philips		David Barwick	

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
THIRD QUARTER ENDED DECEMBER 31

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2005	2004	2005	2004
Administrative Expenses				
Amortization	\$ -	\$ 161	\$ -	\$ 482
Filing and transfer agent fees	12,592	6,963	19,700	12,882
Investor relations & printing	651	587	2,793	930
Mineral Exploration	-	(1,668)	-	1,567
Non-cash compensation	103,369	-	103,369	-
Office and general	3,553	2,530	10,912	13,861
Professional Fees	30,530	20,652	55,186	27,979
Salaries and management fees	10,500	12,362	30,768	35,239
Travel and accommodation	31,780	(180)	31,780	1,127
Loss before other items	(192,975)	(41,407)	(254,508)	(94,067)
Other items:				
Interest & other income	250	14	560	85
Net loss for the period	(192,725)	(41,393)	(253,948)	(93,982)
Deficit, beginning of the period	(13,400,597)	(13,176,013)	(13,339,374)	(13,123,424)
Deficit, end of the period	\$ (13,593,322)	\$ (13,217,406)	\$ (13,593,322)	\$ (13,217,406)
Loss per share	\$ (0.04)	\$ (0.02)	\$ (0.05)	\$ (0.04)

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

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
THIRD QUARTER ENDED DECEMBER 31

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2005	2004	2005	2004
Operating Activities				
Net loss for the period	\$(192,725)	\$(41,393)	\$(253,948)	\$(93,982)
Add item not involving cash:				
Non-cash compensation	103,369	-	103,369	-
Amortization	-	161	-	482
	<u>(89,356)</u>	<u>(41,232)</u>	<u>(150,579)</u>	<u>(93,500)</u>
Changes in non-cash working capital items related to operations				
Accounts receivable & prepaids	(5,676)	(32,823)	(13,674)	3,000
Accounts payable and accrued liabilities	(29,906)	10,206	17,018	5,234
	<u>(124,938)</u>	<u>(63,849)</u>	<u>(147,235)</u>	<u>(85,266)</u>
Investing Activities				
Deferred exploration costs	<u>(27,104)</u>	<u>-</u>	<u>(129,532)</u>	<u>-</u>
Financing Activities				
Issuance of Common Shares	380,000	-	540,640	-
Shares subscribed	723,444	-	871,541	-
Due to related parties	(158,754)		(245,776)	
	<u>944,690</u>	<u>52,573</u>	<u>1,166,405</u>	<u>52,573</u>
Increase in cash during the period	792,648	(11,276)	889,638	(32,693)
Cash and term deposits, beginning of the period	146,235	47,872	49,245	69,289
Cash and term deposits, end of the period	<u>\$ 938,883</u>	<u>\$ 36,596</u>	<u>\$ 938,883</u>	<u>\$ 36,596</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
THIRD QUARTER ENDED DECEMBER 31, 2005

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 first quarter, 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.

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. 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.

MACARTHUR MINERALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THIRD QUARTER ENDED DECEMBER 31, 2005

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.

MACARTHUR MINERALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THIRD QUARTER ENDED DECEMBER 31, 2005

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.

MACARTHUR MINERALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THIRD QUARTER ENDED DECEMBER 31, 2005

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	<u>500,000</u>	<u>300,000</u>
Balance, at March 31, 2004 and 2005	2,589,862	\$ 13,170,657
Issued for debt	803,200	160,640
Common shares at \$0.20	<u>1,900,000</u>	<u>380,000</u>
Balance, at December 31, 2005	<u>5,299,062</u>	<u>\$ 13,711,297</u>

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	41,000	\$ 2.75
Granted on November 9, 2005 – Expiring October 25, 2010	525,000	\$ 0.30
Number of options currently exercisable – December 31, 2005	<u>525,000</u>	<u>\$ 0.30</u>

MACARTHUR MINERALS LIMITED
(formerly Macarthur Diamonds Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THIRD QUARTER ENDED DECEMBER 31, 2005

The following options and warrants to acquire common shares of the Company are outstanding at December 31, 2005:

	Number of Shares (Adjusted for 10:1 share consolidation)	Exercise Price (Adjusted for 10:1 share consolidation)	Expiry Date
Warrants:	333,333	\$1.00	January 16, 2006
	950,000	\$0.30	October 26, 2007

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$Nil (2004 - \$5,821) to directors and an officer 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.

6. SUBSEQUENT EVENTS

Subsequent to the end of the period, on January 9, 2006, Macarthur acquired the Lake Giles project via the issuance of 1,000,000 common shares and the payment of A\$ 1,000,000.

As well, the Company completed the private placement of 4,000,000 Units at \$0.30 per Unit for proceeds of \$1,200,000.