

MACARTHUR MINERALS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

(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, 2007. Accordingly, the interim financial statements for the three month period ended June 30, 2007 have been prepared by management and have not been reviewed by an independent auditor.

MACARTHUR MINERALS LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited - prepared by Management)
AS AT JUNE 30, 2007 AND MARCH 31, 2007

	June 30, 2007	March 31, 2007
ASSETS		
Current		
Cash	\$ 1,542,637	\$ 617,003
Receivables	59,611	61,351
Prepayments and deposits	21,712	18,068
Total current assets	1,623,960	696,422
Non-Current		
Plant and equipment (Note 3)	46,616	28,393
Mineral properties (Note 4)	3,211,717	3,183,018
Total non-current assets	3,258,333	3,211,411
Total assets	\$ 4,882,293	\$ 3,907,833
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	55,661	117,661
Due to related parties (Note 6)	218,569	194,082
Total current liabilities	274,230	311,743
Shareholders' equity		
Capital stock (Note 5)	18,983,590	17,681,590
Contributed surplus (Note 5)	678,254	678,254
Foreign currency translation account	176,885	314,230
Deficit	(15,230,666)	(15,077,984)
Total shareholders' equity	4,608,063	3,596,090
Total liabilities and shareholders' equity	4,882,293	3,907,833

Nature and continuance of operations (Note 1)

On behalf of the Board:

<u>“James Canning-Ure”</u> James Canning-Ure	Director	<u>“David Barwick”</u> David Barwick	Director
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The accompanying notes are an integral part of these consolidated financial statements.

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited - prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

	Three Months Ended June 30,	
	2007	2006
Administrative Expenses		
Depreciation	\$ 2,070	\$ -
Filing and transfer agent fees	21,910	9,268
Investor relations & printing	32,100	10,583
Office and general	20,318	3,542
Professional Fees	31,498	30,958
Salaries and management fees	36,679	24,750
Travel and accommodation	14,523	8,715
	<u>159,098</u>	<u>87,816</u>
Total Administrative Expenses	159,098	87,816
Loss before other items	(159,098)	(87,816)
Other items:		
Interest & other income	6,416	2,040
	<u>6,416</u>	<u>2,040</u>
Net loss for the period	(152,682)	(85,776)
Deficit, beginning of the period	(15,077,984)	(14,073,968)
	<u>(15,077,984)</u>	<u>(14,073,968)</u>
Deficit, end of the period	\$ (15,230,666)	(14,159,744)
	<u>\$ (15,230,666)</u>	<u>(14,159,744)</u>
Basic and diluted loss per common share	(1.1) cents	(1.0) cents
Weighted average number of common shares outstanding	15,099,761	10,935,919
	<u>15,099,761</u>	<u>10,935,919</u>

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

	Three Months Ended June 30,	
	2007	2006
	\$	\$
Operating Activities		
Net loss for the period	(152,682)	(85,776)
Items not involving cash:		-
Depreciation	2,070	-
	<u>(150,612)</u>	
<i>Changes in non-cash working capital items related to operations</i>		
Receivables	(555)	(29,798)
Prepayment and deposits	(4,388)	-
Accounts payable and accrued liabilities	(58,565)	(13,355)
Cash flows from Operating Activities	<u>(214,120)</u>	<u>(128,929)</u>
Investing Activities		
Plant and equipment	(21,670)	-
Acquisition costs	(2,016)	-
Deferred exploration expenditures	(148,912)	(76,642)
Cash flows from Investing Activities	<u>(172,598)</u>	<u>(76,642)</u>
Financing Activities		
Issuance of Common Shares	1,400,000	97,500
Cost of share issue	(98,000)	-
Due to related parties	32,242	24,300
Cash flows from Financing Activities	<u>1,334,242</u>	<u>121,800</u>
Increase in cash during the period	947,524	(83,771)
Foreign exchange effect on cash and cash equivalents	(21,890)	4,266
Cash and term deposits, beginning of the period	<u>617,003</u>	<u>332,791</u>
Cash and term deposits, end of the period	<u>1,542,637</u>	<u>253,286</u>

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

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited (the “Company”) is in the business of exploration and development of resource 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.

	June 30, 2007	June 30, 2006
Deficit	\$ (15,230,666)	\$ (14,159,744)
Working capital (deficiency)	1,349,730	(236,899)

2. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company’s outstanding financial assets and liabilities at the effective date of adoption are now recognized and measured in accordance with the new requirements as if these requirements had always been in effect. No adjustment was required to the opening deficit or opening accumulated other comprehensive income.

Cash is classified as held-for-trading; receivables are classified as loans and accounts payable and due to related parties are classified as other financial liabilities. All are measured at fair value and gains and losses are included in net earnings in the period in which they arise. Cash is exposed to credit risk and these amounts are placed with major Canadian and Australian banks. The Company is not exposed to interest rate risk due to the short term maturity of the financial instruments.

Comprehensive Income

Comprehensive income is the change in shareholders’ equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other “comprehensive income” until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now includes the account “accumulated other comprehensive income” in the shareholders’ equity section of the consolidated balance sheet.

There was no effect on opening equity as of January 1, 2007 as a result of applying these new standards.

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 period. Actual results could differ from these estimates.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Principles of consolidation

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

Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of plant and equipment.

Asset group	Estimated useful life	Basis of depreciation
Plant and equipment	5 years	Straight line
Office equipment	2.7 years	Diminishing value

Mineral properties

Costs related to the acquisition, exploration and development of mineral properties 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 period 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.

As at June 30, 2007 and 2006, there are no material asset retirement obligations.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

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

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. 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 period, 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 period, 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

These accounts are presented in Canadian dollars.

In fiscal 2007 the Australian dollar became the primary currency of the economic environment in which the operations of the Company and its subsidiaries are conducted and the Company uses the current rate method to translate its financial statements into Canadian dollars. Under the current rate method, assets and liabilities are translated into Canadian dollars using the rate of exchange prevailing at the balance sheet date, and the statement of operations is translated at average rates during the reporting period. Adjustments resulting from the translation of its financial statements from Australian dollars into Canadian dollars are recorded in shareholders' equity as part of accumulated and other comprehensive income.

Gains or losses resulting from transactions in currencies other than Australian dollars are reflected in the statement of operations for the reporting period.

Comparative figures

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

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

3. PLANT AND EQUIPMENT

	June 30, 2007	March 31, 2007
Plant and Equipment		
Plant and equipment	\$ 19,814	\$ 20,581
Accumulated depreciation	(2,175)	(1,213)
	<u>17,639</u>	<u>19,368</u>
Office equipment	30,007	9,025
Accumulated depreciation	(1,030)	-
	<u>28,977</u>	<u>9,025</u>
	<u>46,616</u>	<u>\$ 28,393</u>

4. MINERAL PROPERTIES

In January 2006, the Company acquired 100% of the outstanding and issued capital stock of Internickel Australia Pty Ltd (“Internickel”). Internickel’s entire assets are a claim for a 100% interest in the Lake Giles Project located in Western Australia.

International Gold Mining Ltd, formerly InterCOAL Ltd. (“International Gold”) held the right to acquire 20% of the outstanding and issued capital stock of Internickel. However, on the 17th July 2006, the Company acquired this option from International Gold by issuing 1,000,000 common shares from treasury at a deemed value CDN\$ 430,000.

In October 2006 the Company entered into an agreement with an adjoining landholder to acquire four (4) additional tenements for A\$100,000 progressively as they are granted. All tenements have now been granted and this takes the land holding at Lake Giles to 1,155 km².

The following is a summary of acquisition and deferred exploration costs incurred:

	Acquisition Costs \$	Deferred Exploration Costs \$	Total 2007 \$
Balance, as at March 31, 2007	1,801,724	1,381,294	3,183,018
Incurred during the first quarter	1,982	145,326	147,308
Foreign currency variances on June 30, 2007 balances	-	(118,609)	(118,609)
Balance, as at June 30, 2007	<u>1,803,706</u>	<u>1,408,011</u>	<u>3,211,717</u>

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

5. CAPITAL STOCK

	Number of Shares	Capital Stock \$	Contributed Surplus \$
Authorized			
Unlimited common voting shares, without par value			
Balance as at March 31, 2007	14,888,650	17,681,590	678,254
Share Issue	1,000,000	1,400,000	-
Share issue costs		(98,000)	-
Balance as at June 30, 2007	15,888,650	18,983,590	678,254

During the period ended June 30, 2007, the Company completed:
(All monetary amounts are in Canadian dollars).

- i) 1,000,000 shares issued to Pinetree Resource Partnership at \$1.40 per share on June 15, 2007.
- ii) \$98,000 placement fee on above share issue, paid to PowerOne Capital Markets Limited.

Stock options

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Options granted to employees, directors and officers vest fully four months after the grant date. Options issued to consultants must vest in stages over 12 months with one quarter of the options vesting in any three month period.

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

	Three Months Ended June 30, 2007		Year Ended March 31, 2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,450,000	1.35	1,061,000	0.49
Granted	-	-	800,000	2.11
Exercised	-	-	(375,000)	0.30
Expired/cancelled	-	-	(36,000)	3.75
Outstanding, end of period	1,450,000	1.35	1,450,000	1.35
Options exercisable, end of period	1,450,000	1.35	650,000	0.43

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

5. CAPITAL STOCK (cont'd...)

Stock options outstanding at June 30, 2007 are as follows:

Number of Options	Exercise Price \$	Expiry Date
200,000	0.35	January 10, 2011
450,000	0.46	March 29, 2011
50,000	1.50	September 22, 2011
750,000	2.15	December 22, 2011

Warrants

On June 15, 2007 the Company issued 500,000 warrants to Pinetree Resource Partnership, being one-half of one common share purchase warrant for each share issued to Pinetree Resource Partnership as of that date, in accordance with the terms of the share issue.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three Months Ended June 30, 2007		Year Ended March 31, 2007	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	-	950,000	\$ 0.30
Granted	500,000	\$ 2.00	-	-
Exercised	-	-	(950,000)	\$ 0.30
Expired	-	-	-	-
Outstanding, end of period	500,000	\$ 2.00	-	-
Warrants exercisable, end of period	500,000	\$ 2.00	-	-

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the quarter:

- a) Paid or accrued \$43,595 (2006: \$45,033) for geological services provided by International Gold Mining Ltd, an entity associated with directors, David Barwick, Alan Phillips and Nick Revell.
- b) Paid or accrued \$27,794 (2006: \$24,750) in directors fees and management fees to directors and an officer of the Company.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
FIRST QUARTER ENDED JUNE 30, 2007

6. RELATED PARTY TRANSACTIONS (cont'd...)

- c) At June 30, 2007, \$184,499 (2006: \$24,750) is owed to directors and private Companies controlled by directors for accrued directors and management fees, geological services and expenses paid on behalf of the Company.
- d) At June 30, 2007, there is \$34,070 (2006: \$31,009) owing to a majority shareholder, Talbot Group Holdings Pty Ltd (formerly MDA Capital Pty Ltd).

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.

7. SUBSEQUENT EVENTS

On July 12, 2007 90,000 shares were issued to the estate of the late Garry Clark at \$0.46 per share on the exercise of 90,000 options.