

**MACARTHUR MINERALS LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Canadian)**

**September 30, 2007**

**(Unaudited – Prepared by Management)**

**MACARTHUR MINERALS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT SEPTEMBER 30, 2007 AND MARCH 31, 2007**

	September 30, 2007 \$	March 31, 2007 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,122,181	617,003
Receivables	55,121	61,351
Prepayments	21,302	18,068
Total current assets	1,198,604	696,422
<b>Non-Current</b>		
Plant and equipment (Note 4)	45,327	28,393
Mineral properties (Note 5)	3,317,131	3,183,018
Total non-current assets	3,362,458	3,211,411
<b>Total assets</b>	<b>4,561,062</b>	<b>\$ 3,907,833</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	131,759	117,661
Due to related parties (Note 7)	66,341	194,082
<b>Total current liabilities</b>	<b>198,100</b>	<b>311,743</b>
Shareholders' equity		
Capital stock (Note 6)	19,049,999	17,681,590
Contributed surplus (Note 6)	653,245	678,254
Cumulative foreign currency translation	89,032	314,230
Deficit	(15,429,314)	(15,077,984)
<b>Total shareholders' equity</b>	<b>4,362,962</b>	<b>3,596,090</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,561,062</b>	<b>3,907,833</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 8)

On behalf of the Board:

"James Canning-Ures"  
James Canning-Ure

Director

"David Barwick"  
David Barwick

Director

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

**MACARTHUR MINERALS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**SECOND QUARTER ENDED SEPTEMBER 30**

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Administrative Expenses</b>				
Filing and transfer agent fees	2,680	12,678	24,590	21,946
Investor relations & printing	35,072	11,607	67,172	22,190
Office and general	10,595	6,210	20,449	9,752
Professional Fees	87,727	39,518	119,225	70,476
Rent	55,834	-	66,298	-
Salaries and management fees	24,922	35,723	61,601	60,473
Stock based compensation	-	88,523	-	88,523
Travel and accommodation	34,656	28,909	49,179	37,624
<b>Total Administrative Expenses</b>	<b>251,486</b>	<b>223,168</b>	<b>408,514</b>	<b>310,984</b>
<b>Loss before other items</b>	<b>(251,486)</b>	<b>(223,168)</b>	<b>(408,514)</b>	<b>(310,984)</b>
Other items:				
Depreciation	(2,857)	-	(4,927)	-
Interest income	13,375	5,747	19,791	7,787
Rent received	45,618	-	45,618	-
Foreign exchange loss	(3,298)	-	(3,298)	-
<b>Net loss for the period</b>	<b>(198,648)</b>	<b>(217,421)</b>	<b>(351,330)</b>	<b>(303,197)</b>
Deficit, beginning of the period	(15,230,666)	(14,159,744)	(15,077,984)	(14,073,968)
Deficit, end of the period	(15,429,314)	(14,377,165)	(15,429,314)	(14,377,165)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.02)	(0.03)
Weighted average of common shares outstanding	15,956,150	12,087,790	15,507,284	11,508,718

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

**MACARTHUR MINERALS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SECOND QUARTER ENDED SEPTEMBER 30, 2007**

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(198,648)	(217,421)	(351,330)	(303,197)
Deduct item not involving cash:				
Depreciation	2,857	-	4,927	
Foreign currency translation gains	-	(8,749)	-	(8,749)
Share based compensation	-	88,523	-	88,523
	(195,791)	(137,647)	(346,403)	(223,423)
<i>Changes in non-cash working capital items related to operations</i>				
Accounts receivable & prepaids	3,507	(34,402)	(1,436)	(64,200)
Accounts payable and accrued liabilities	52,942	164,717	(5,625)	151,362
<b>Cash flows used in Operating Activities</b>	<b>(139,342)</b>	<b>(7,332)</b>	<b>(353,464)</b>	<b>(136,261)</b>
<b>Investing Activities</b>				
Plant and equipment	(2,151)	-	(23,821)	-
Deferred acquisition costs	(90,015)	(469,472)	(92,031)	(469,472)
Mineral exploration expenditure	(77,353)	(372,548)	(226,265)	(449,190)
<b>Cash flows used in Investing Activities</b>	<b>(169,519)</b>	<b>(842,020)</b>	<b>(342,117)</b>	<b>(918,662)</b>
<b>Financing Activities</b>				
Issuance of Common Shares	41,400	836,875	1,441,400	934,375
Share issuance costs	-	-	(98,000)	-
Due to related parties	(124,971)	942,246	(92,729)	966,546
<b>Cash flows from/ (used in) Financing Activities</b>	<b>(83,571)</b>	<b>1,779,121</b>	<b>1,250,671</b>	<b>1,900,921</b>
Increase/(decrease) in cash during the period	(392,432)	929,769	555,090	845,998
Effect of foreign exchange on cash flows	(28,024)	(3,504)	(49,912)	762
Cash, beginning of the period	1,542,637	253,286	617,003	332,791
Cash and term deposits, end of the period	1,122,181	1,179,551	1,122,181	\$1,179,551

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

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SECOND QUARTER ENDED SEPTEMBER 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.

	September 30, 2007	September 30, 2006
Deficit	\$(15,429,314)	\$ (15,077,984)
Working capital (deficiency)	\$1,000,504	\$384,679

**2. BASIS OF PRESENTATION**

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented

**3. PLANT AND EQUIPMENT**

	September 30, 2007	March 31, 2007
<b>Plant and Equipment</b>		
Plant and equipment	\$ 19,440	\$ 20,581
Accumulated depreciation	(3,121)	(1,213)
	<u>16,319</u>	<u>19,368</u>
Office equipment	31,861	9,025
Accumulated depreciation	(2,853)	-
	<u>29,008</u>	<u>9,025</u>
	<u>\$ 45,327</u>	<u>\$ 28,393</u>

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SECOND QUARTER ENDED SEPTEMBER 30, 2007**

**4. MINERAL PROPERTIES**

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

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
<b>Balance, as at March 31, 2007</b>	<b>1,801,724</b>	<b>1,381,294</b>	<b>3,183,018</b>
Incurring during the first quarter	1,982	145,326	147,308
<b>Balance, as at June 30, 2007</b>	<b>1,803,706</b>	<b>1,526,620</b>	<b>3,330,326</b>
Incurring during the second quarter	88,210	77,931	166,141
Foreign currency variances on September 30, 2007 balances	102,421	(281,757)	(179,336)
<b>Balance, as at September 30, 2007</b>	<b>1,994,337</b>	<b>1,322,794</b>	<b>3,317,131</b>

**5. CAPITAL STOCK**

	Number of Shares	Capital Stock \$	Contributed Surpl \$
Authorized			
Unlimited common voting shares, without par value			
<b>Balance as at March 31, 2007</b>	<b>14,888,650</b>	<b>17,681,590</b>	<b>678,254</b>
Share issue	1,000,000	1,400,000	-
Share issue costs		(98,000)	-
<b>Balance as at June 30, 2007</b>	<b>15,888,650</b>	<b>18,983,590</b>	<b>678,254</b>
Exercise of options (see below)	90,000	66,409	(25,009)
<b>Balance as at September 30, 2007</b>	<b>15,978,650</b>	<b>19,049,999</b>	<b>653,245</b>

During the period ended September 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.
- iii) 90,000 options were exercised at \$0.46 by the estate of a former director.

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SECOND QUARTER ENDED SEPTEMBER 30, 2007**

**6. CAPITAL STOCK (cont'd...)**

**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:

	Six Months Ended September 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	\$ 0.49	1,061,000	\$ 0.49
Granted	-	-	800,000	2.11
Exercised	(90,000)	0.46	(375,000)	0.30
Expired/cancelled	-	-	(36,000)	3.75
Outstanding, end of period	1,360,000	1.41	1,450,000	1.35
Options exercisable, end of period	1,360,000	\$ 1.41	650,000	\$ 0.43

On August 30, 2007, shareholders approved a reduction in the exercise price of 750,000 options granted in December 2006 from \$2.15 to \$1.60. This reduction was effected immediately.

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

Number of Options	Exercise Price	Expiry Date
	\$	
200,000	0.35	January 10, 2011
360,000	0.46	March 29, 2011
50,000	1.50	September 22, 2011
750,000	1.60	December 22, 2011

**MACARTHUR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SECOND QUARTER ENDED SEPTEMBER 30, 2007**

6. **CAPITAL STOCK** (cont'd...)

**Warrants**

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

	Six Months Ended September 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	-	\$ -	-	\$ -

On June 15, 2007 the Company granted to Pinetree Resource Partnership stock warrants to acquire 500,000 common shares of the Company at a price of \$2.00 per share expiring on December 15, 2008.

Warrants outstanding at September 30, 2007 are as follows:

Number of Shares	Exercise Price	Expiry Date
500,000	\$ 2.00	December 15, 2008

**MACARTHUR MINERALS LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SECOND QUARTER ENDED SEPTEMBER 30, 2007

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**7. RELATED PARTY TRANSACTIONS**

During the period ended September, 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$33,587 (2006: \$45,033) for geological services, which are included in the Deferred Exdploration Costs, provided by an entity associated with a director.
- b) Paid or accrued \$52,641 (2006: \$nil) for investor relations services provided by an entity associated with a director.
- c) Paid or accrued \$24,177 (2006: \$49,524) in directors fees.

At September 30, 2007, \$59,050 (2006: \$127,179) is owed to directors and a private company controlled by a director for accrued management fees, geological services and 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.

**8. SUBSEQUENT EVENTS**

- a) On October 19, 2007, 90,000 options were exercised at \$0.46 each

On October 19, 2007, 200,000 options were granted with an exercise price of \$1.00 per share and an expiry date of October 19, 2012.

On November 26, 2007, 270,000 options were exercised at \$0.46 each.

On November 26, 2007, 300,000 options were issued with an exercise price \$1.20 per share and an expiry date of November 26, 2012.

**8. SUBSEQUENT EVENTS (Cont'd)**

- b) On November 21, 2007, the Company entered into a Heads of Agreement with LPD Holdings (Aust) Pty. Ltd. ("LPD") to assist in the further development of the Lake Giles Magnetite iron ore project. The terms of the Agreement are as follows:-
- CDN \$1 million non-refundable deposit has been paid to the Company by LPD, who will have a four-month diligence period.
  - LPD has the option to acquire 30% of Internickel Australia Pty Ltd by paying a further CDN \$9 million.
  - LPD can elect to acquire a further 50% of the project for CDN \$100 million.
  - The Company will retain a free carried (non-dilutory) 20% interest in the Lake Giles iron ore project. LPD will be entitled (but not obligated) to purchase from the Company the remaining 20% of the project at an agreed price or as determined by an Independent Expert.
  - The transaction is conditional upon all necessary TSX-V regulatory compliance and shareholder approvals.
  - Under the terms of the Agreement a minimum of 85% of the first CDN \$10 million investment into Internickel Australia Pty Ltd will be directed towards a drillout program and exploration over the iron ore targets.
- c) On November 21, 2007, the Company announced that it intends to complete a non-broker private placement of up to 2,000,000 units of the Company at a price of CDN \$1.40 per unit for gross proceeds of CDN \$2,800,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of CDN \$2.00 per share and has a term of 18 months from the date of issue. A cash finders fee equal to 6% of the gross proceeds is payable on both transactions referenced in Note 8 b) and 8 c). The fee will be paid progressively as funds are received by the Company. A firm commitment has been received for 1,000,000 units which assures the Company of a gross amount of CDN \$1,400,000.