

MACARTHUR MINERALS LIMITED
Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

All amounts are in Canadian dollars unless otherwise stated

AUDITORS' REPORT

To the Shareholders of
MacArthur Minerals Limited

We have audited the consolidated balance sheets of MacArthur Minerals Limited as at March 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

June 24, 2008



MACARTHUR MINERALS LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31

	2008	2007
ASSETS		
Current		
Cash	\$ 3,352,337	\$ 617,003
Receivables	197,871	61,351
Prepayments	27,783	18,068
Total current assets	3,577,991	696,422
Non-Current		
Future tax assets (Note 10)	1,248,441	-
Plant and equipment (Note 3)	94,275	28,393
Mineral properties (Note 4)	4,837,774	3,183,018
Total non-current assets	6,180,490	3,211,411
Total assets	\$ 9,758,481	\$ 3,907,833
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 265,809	\$ 117,661
Due to related parties (Note 8)	44,046	194,082
Total current liabilities	309,855	311,743
Deferred dilution gain (Note 4)	940,000	-
Shareholders' equity		
Capital stock (Note 5)	21,989,368	17,681,590
Contributed surplus (Note 5)	1,121,674	678,254
Accumulated other comprehensive income (Note 6)	566,035	314,230
Deficit	(15,168,451)	(15,077,984)
Total shareholders' equity	8,508,626	3,596,090
Total liabilities and shareholders' equity	\$ 9,758,481	\$ 3,907,833

Nature and continuance of operations (Note 1)

Subsequent Events (Note 15)

On behalf of the Board:

"James Canning-Ure"
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 , COMPREHENSIVE INCOME (LOSS) AND DEFICIT
YEAR ENDED MARCH 31**

	2008	2007
EXPENSES		
Amortization	\$ 10,983	\$ -
Filing and transfer agent fees	56,883	26,496
Investor relations & printing	115,848	58,132
Office and general	49,844	44,101
Rent	80,814	18,028
Professional Fees	125,224	149,796
Salaries and management fees	262,504	154,785
Stock-based compensation	568,468	497,629
Travel and accommodation	98,060	97,351
Total Administrative Expenses	1,368,628	1,046,318
Loss before other items	(1,368,628)	(1,046,318)
Other items:		
Interest income	67,503	30,996
Rent income (Note 8)	90,102	-
Foreign exchange gain / (loss)	(127,885)	11,306
	29,720	42,302
Net loss before tax for the year	(1,338,908)	(1,004,016)
Future income tax recovery (Note 10)	1,248,441	-
Net loss after tax for the year	(90,467)	(1,004,016)
Foreign currency translation adjustment	251,805	314,230
Comprehensive income (loss) for the year income	161,338	(689,786)
Deficit, beginning of year	(15,077,984)	(14,073,968)
Deficit, end of year	\$ (15,168,451)	\$ (15,077,984)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.08)
Weighted average number of common shares outstanding	16,344,641	12,846,198

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED MARCH 31

	2008	2007
OPERATING ACTIVITIES		
Net loss for the year	\$ (90,467)	\$ (1,004,016)
Items not involving cash:		
Amortization	10,983	1,132
Stock-based compensation	568,468	497,629
Future income tax recovery	(1,248,441)	-
<i>Changes in non-cash working capital items related to operations</i>		
Receivables	(129,891)	(28,628)
Prepayments	(9,171)	(16,859)
Accounts payable and accrued liabilities	140,689	77,199
Net Cash Used in Operating Activities	(757,830)	(473,543)
INVESTING ACTIVITIES		
Plant and equipment	(73,670)	(27,624)
Mineral exploration expenditures	(1,562,859)	(1,046,327)
Cash flows used in Investing Activities	(1,636,529)	(1,073,951)
FINANCING ACTIVITIES		
Issuance of Common Shares	4,407,000	649,500
Deposit for 30% of IAPL	1,000,000	-
Cost of share issues and deposit	(284,000)	-
Shareholder loan	-	1,000,000
Due to related parties	(144,113)	148,070
Cash flows from Financing Activities	4,978,887	1,797,570
Exchange effect on cash	150,806	34,136
Increase in cash during year	2,735,334	284,212
Cash, beginning of year	617,003	332,791
Cash, end of year	\$ 3,352,337	\$ 617,003

Supplemental disclosures with respect to cash flows (Note 11)

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

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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. As at the date of this report, the Company has raised adequate financing to achieve this (Refer Note 15: Subsequent events).

	2008	2007
Deficit	\$ (15,168,451)	\$ (15,077,984)
Working capital	3,268,136	384,679

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

Effective April 1, 2007, the Company early adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to capital disclosures and financial instruments disclosure and presentation.

Comprehensive Income (Section 1530)

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 April 1, 2007 as a result of applying these new standards.

Capital Disclosures (Section 1535)

This Section established standards for the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Other than the disclosure in Note 14, the adoption of this Section has had no impact on the Company’s financial statements.

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

(a) Changes in accounting policies (cont'd...)

Financial Instruments – Disclosures (Section 3862)

This Section requires an increased emphasis on disclosing the nature and the extent of risk arising from financial statements and how the entity manages those risks. This Section, together with *Section 3863, “Financial Instruments – Presentation”*, replaced *Section 3861, “Financial Instruments – Disclosure and Presentation”*. The adoption of these Sections has had no impact on the Company’s financial statements.

Financial Instruments – Presentation (Section 3863)

This Section established standards for presentation of financial instruments and non-financial derivatives.

The adoption of this Section has had no impact on the Company’s financial statements.

Financial instruments (Section 3855)

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 now exposed to interest rate risk as significant funds are now placed in term deposits (see Note 13).

Future accounting changes

The Company will adopt the new standard “*Goodwill and Intangible Assets*” (*Section 3064*) for its fiscal period beginning April 1, 2009. This Section replaces *Section 3062 “Goodwill and Other Intangible Assets”* and *Section 3450 “Research and Development Costs”*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *Section 3062*. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

(a) Changes in accounting policies (cont'd...)

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board (“AcSB) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be effective September 30, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the period end September 30, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(b) 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.

(c) 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.

(d) Plant and equipment

Items of plant and equipment are stated at cost or deemed costs less accumulated amortization (see below) and impairment losses

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

Items of plant and equipment are amortized as follows:

Asset group	Residual value	Estimated useful life	Basis of amortization
Plant and equipment	-	5 – 10 years	Straight line
Office equipment	-	3 - 5 years	Diminishing value

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

(e) 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.

(f) 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 March 31, 2008 and 2007, there are no material asset retirement obligations.

(g) 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 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 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.

(h) 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.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

(i) Stock-based compensation

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

(j) Foreign currency translation

These accounts are presented in Canadian dollars.

The Australian dollar is 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.

(k) Comparative figures

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

3. PLANT AND EQUIPMENT

	2008	2007
Plant and Equipment		
Plant and equipment	\$ 73,094	\$ 20,581
Accumulated amortization	(5,633)	(1,213)
	<u>67,461</u>	<u>19,368</u>
Office equipment	33,916	9,025
Accumulated amortization	(7,102)	-
	<u>26,814</u>	<u>9,025</u>
	<u>\$ 94,275</u>	<u>\$ 28,393</u>

4. MINERAL PROPERTIES

As at the balance date the Company held 100% of the outstanding and issued capital stock of Internickel Australia. Internickel ("IAPL") Australia's assets include a claim for a 100% interest in the Lake Giles Project located in Western Australia.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4. MINERAL PROPERTIES (cont'd...)

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 were granted.

In April 2008 LPD Holdings (Australia) Pty Ltd ("LPD") acquired a 30% interest in IAPL for \$10 million. In January 2008 the Company received a deposit of \$940,000 net of costs, which has been recorded as a deferred dilution gain until the \$10million has been received (Note 15). Under the terms of the agreement, 85% of the \$10 million consideration will be directed towards a drilling program. LPD has the option to acquire a further 50% of IAPL for \$100 million upon certain conditions being met. LPD also has a further option to acquire the remaining 20% at a future agreed price.

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

	Acquisition Costs	Deferred Exploration Costs	Total
Balance, as at March 31, 2006	\$ 1,371,724	\$ 39,472	\$ 1,411,196
Incurred during the year			
1,000,000 shares issued for option to acquire 20% of Internickel	430,000	-	430,000
Drilling costs	-	487,130	487,130
Geology contractors	-	305,050	305,050
Sampling, testing, research and reports	-	150,485	150,485
Vehicle hire	-	58,712	58,712
Other	-	121,236	121,236
	430,000	1,122,613	1,552,613
Foreign Currency variance on March 31 balances	215,046	4,163	219,209
Balance as at March 31, 2007	2,016,770	1,166,248	3,183,018
Incurred during the year			
Acquisition of tenements	95,970	-	95,970
Drilling	-	766,585	766,585
Fuel	-	48,926	48,926
Geology contractors	-	200,190	200,190
Sampling and testing	-	97,344	97,344
Rent and rates	-	119,181	119,181
Research and reports	-	74,983	74,983
Site preparation and earthwork	-	43,561	43,561
Tenement management and outlays	-	51,114	51,114
Accommodation and camp maintenance	-	53,143	53,143
Vehicle hire	-	50,400	50,400
Other	-	37,197	37,197
	95,970	1,542,624	1,638,594
Foreign Currency variance on March 31 balances	10,241	5,921	16,162
Balance as at March 31, 2008	\$ 2,122,981	\$ 2,714,793	\$ 4,837,774

All deferred exploration costs represent costs incurred during the exploration and evaluation phase.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surpl
Authorized			
Unlimited common voting shares, without par value			
Balance as at March 31, 2006	10,743,062	\$ 15,518,724	\$ 263,991
Share Issue – International Gold	1,000,000	430,000	-
Exercise of options and warrants	1,325,000	397,500	-
Exercise of options – allocation of fair value		83,366	(83,366)
Share Issue – Longview	350,000	252,000	-
Stock-based compensation	-	-	497,629
Conversion of shareholder loan	1,470,588	1,000,000	-
Balance as at March 31, 2007	14,888,650	17,681,590	678,254
Share issues	3,000,000	4,200,000	-
Share issue costs	-	(224,270)	-
Exercise of options	450,000	207,000	-
Exercise of options – Allocation of fair value	-	125,048	(125,048)
Stock-based compensation	-	-	568,468
Balance as at March 31, 2008	18,338,650	\$ 21,989,368	\$ 1,121,674

During the year ended March 31, 2008

On 15 June 2007, 1,000,000 units were issued to Pinetree Resource Partnership at \$1.40 per unit. A placement fee of \$98,000 was paid to PowerOne Capital Markets Limited. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$2.00 for a term of eighteen months from the date of grant.

On July 23, 2007, 90,000 shares were issued at \$0.46 per share upon the exercise of 90,000 options.

On October 19, 2007, 90,000 shares were issued at \$0.46 per share upon the exercise of 90,000 options.

On November 26, 2007, 270,000 shares were issued at \$0.46 per share upon the exercise of 270,000 options.

On January 3, 2008, 1,000,000 units were issued to First Apollo Capital Limited (an entity associated with Alan Phillips) and 500,000 units were issued to Pinetree Capital. All units were issued at \$1.40 and each unit comprises one ordinary share and one warrant exercisable at \$2.00 per share for a term of eighteen months from the date of issue.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

A placement fee of \$84,000 was paid to Unlimited Business Strategies Pty Ltd for the First Apollo Limited placement and a placement fee of \$42,000 was paid to PowerOne Capital Markets Limited for the Pinetree Capital placement.

On January 15 2008, 500,000 units were issued to Longview Capital Partners at \$1.40 per unit. Each unit comprises one ordinary share and one warrant exercisable at \$2.00 per share for a term of eighteen months from the date of issue.

During the year ended March 31, 2007

- i) 1,000,000 shares were issued to International Gold at a value of \$0.43 per share on July 28, 2006 (Note 4).
- ii) 350,000 shares were issued to Longview Strategies at \$0.72 per share on September 29, 2006, pursuant to a private placement.
- iii) A total of 1,325,000 options and warrants were exercised, all at \$0.30.
- iv) 1,470,588 shares issued at \$0.68 per share on conversion of a shareholder loan. (See Note 6 (g)).

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.

On September 22, 2006, the Company granted stock options to a director to acquire 50,000 common shares of the Company at a price of \$1.50 expiring on September 22, 2011.

On December 22, 2006, the Company granted stock options to directors to acquire 750,000 common shares of the Company at a price of \$2.15 expiring on December 22, 2011. On August 30, 2007, the exercise price of these options was amended to \$1.60, in accordance with a resolution carried at the shareholders meeting held on that day.

On October 19, 2007, the Company granted stock options to directors and officers to acquire 200,000 common shares of the Company at a price of \$1.00 per share expiring on October 19, 2012.

On November 26, 2007, the Company granted stock options to directors and officers to acquire 300,000 common shares of the Company at a price of \$1.20 per share expiring on November 26, 2012.

On December 4, 2007, the Company granted stock options to consultants to acquire 75,000 common shares of the Company at a price of \$1.30 per share expiring on December 4, 2012.

On April 23, 2006, 36,000 stock options expired unexercised.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options (cont'd...)

The fair value of all share purchase options are expensed over their vesting period and estimated term, with a corresponding increase in contributed surplus.

Upon exercise of share purchase options, the consideration paid by the option holder, together with the amounts previously recognized in contributed surplus, is recorded as an increase to share capital.

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

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,450,000	\$ 1.35	1,061,000	\$ 0.49
Granted	575,000	1.14	800,000	2.11
Exercised	(450,000)	0.46	(375,000)	0.30
Expired/cancelled	-	-	(36,000)	3.75
Outstanding, end of year	1,575,000	\$ 1.47	1,450,000	1.07
Options exercisable, end of year	1,500,000	\$ 1.47	650,000	\$ 0.43

Stock options outstanding at March 31, 2008 are as follows:

Number of Options	Exercise Price	Expiry Date
	\$	
200,000	0.35	January 10, 2011
50,000	1.50	September 22, 2011
750,000	1.60	December 22, 2011
200,000	1.00	October 19, 2012
300,000	1.20	November 26, 2012
75,000	1.30	December 4, 2012

Warrants

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

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

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants (cont'd...)

On January 3, 2008, the Company granted warrants to First Apollo Capital Limited (an entity associated with Alan Phillips) to acquire 1,000,000 common shares of the Company at a price of \$2.00 per share expiring on July 3, 2009.

On January 3, 2008, the Company granted warrants to Pinetree Resource Partnership to acquire 500,000 common shares of the Company at a price of \$2.00 per share expiring on July 3, 2009.

On January 15, 2007, the Company granted warrants to Longview Capital Partners to acquire 500,000 common shares of the Company at a price of \$1.40 per share expiring on July 15, 2012.

	2008		2007	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	950,000	\$ 0.30
Granted	2,500,000	\$ 1.52	-	-
Exercised	-	-	(950,000)	0.30
Expired	-	-	-	-
Outstanding, end of year	2,500,000	\$ 1.52	-	\$ -
Warrants exercisable, end of year	2,500,000	\$ 1.52	-	-

6. ACCUMULATED OTHER COMPREHENSIVE INCOME

Balance as at March 31, 2006	\$ -
Foreign currency translation adjustment for the year	314,230
Balance as at March 31, 2007	314,230
Foreign currency translation adjustment for the year	251,805
Balance as at March 31, 2008	\$ 566,035

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

7. STOCK-BASED COMPENSATION

During the year ended March 31, 2008, the Company granted 575,000 (2007: 800,000) stock options to directors, officers and consultants.

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

200,000 options were issued in October 2007 at a fair value of \$0.68 per option, a total value of \$136,335.

300,000 options were issued in November 2007 at a fair value of \$1.22 per option, a total value of \$364,687.

75,000 options were issued in December 2007 at a fair value of \$0.90 per option, a total value of \$67,446.

The above amounts are being expensed over their vesting period as stock-based compensation as the options vest in the statement of operations with a corresponding amount recorded as contributed surplus in the shareholders' equity and reduced by the options exercised during the year. The weighted average fair value of options granted during the year was \$0.99 (2007 - \$1.66),

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2008	2007
Risk-free interest rate	7.00%	3.82 – 6.25%
Expected life of options	2.0 years	3.0 years
Annualized volatility	430.7% - 435.1%	120.72% - 129.39%
Dividend rate	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$144,529 (2007: \$112,706) for geological services provided by International Gold Mining Ltd, an entity with common directors.
- b) \$51,123 (2007: \$47,833) for Investor Relations Services paid to Longview Strategies Inc, a substantial shareholder and an entity with a common director.
- c) \$5,374 (2007: \$11,328) paid for office rent and nil (2007: \$4,357) for secretarial services to NewEcon Pty Ltd, an entity with a common director.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

- d) Paid or accrued \$120,463 (2007: \$102,561) in directors fees during the year.
- e) At March 31, 2008, \$9,014 (2007: \$158,694) 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.
- f) At March 31, 2008, there is \$35,582 (2007: \$35,388) owing to a major shareholder.
- g) The Company granted 575,000 (2007: 800,000) stock options to directors and officers, which are recorded as stock-based compensation with fair a value of \$568,468 (2007 - \$497,629).
- h) The Company received \$45,051 in rent from Cadan Resources Corporation, a company of which Alan Phillips is a director, for offices sub-let by the Company in Vancouver.
- i) The Company received \$45,051 in rent from International Gold Mining Ltd, a company of which Alan Phillips and Nick Revell are directors, for offices sub-let by the Company in Vancouver.

These transactions were in the normal course of operations and, in management's opinion, were undertaken with the same terms and conditions as transactions with unrelated parties.

9. TAX CONSOLIDATION

The Company and its subsidiaries are in the process of forming a tax-consolidated group for Australian taxation purposes, with effect from January 2006. All entities are therefore expected to be taxed as a single entity from that date. The head entity within the tax-consolidated group will be Macarthur Minerals Limited.

Current tax expense/income, future tax liabilities and future tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

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10. INCOME TAXES

Income tax recovery varies from the amount that would be computed by applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2008	2007
Loss before income tax recovery	\$ (1,338,908)	\$ (1,004,016)
Expected income tax recovery	\$ (401,672)	\$ (357,630)
Differences in foreign tax rates	-	17,780
Non-deductible expenses	203,911	177,659
Tax loss benefit not recognized for book purposes	-	162,191
Tax deductible exploration expenditure	(462,788)	-
Recognition of prior year unrecognised tax losses	(587,892)	-
Actual income tax recovery	\$ (1,248,441)	\$ -

The significant components of the Company's future tax assets are as follows:

Net operating loss carried forwards	\$ 3,583,094	\$ 3,181,422
Cumulative exploration and development expenses	1,375,285	912,497
	4,958,379	4,093,919
Less: valuation allowances	(3,709,938)	(4,093,919)
Net future tax assets	\$ 1,248,441	\$ -

The Company has non-capital losses of approximately \$4,161,470, including \$2,714,793 in resource exploration and development expenditures, which may be carried forward and applied against Australian taxable income in future years. These losses have been incurred since 2004.

Future tax benefits which may arise as a result of these non-capital losses and resource deductions have been recognized in these financial statements, as the directors believe it is more likely than not that these losses will be recovered.

11. SUPPLEMENTAL DISCLOSURES with RESPECT TO CASH FLOWS

	2008	2007
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	-	-

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. SUPPLEMENTAL DISCLOSURES with RESPECT TO CASH FLOWS (cont'd...)

During the year ended March 31, 2008, the Company entered into the following non-cash transactions:

- a) Issued 575,000 options as stock-based compensation. Expense for the year was \$568,468.

During the year ended March 31, 2007, the Company entered into the following non-cash transactions:

- b) Issued 1,000,000 common shares at CDN \$0.43 in exchange for the option to acquire 20% of Internickel Australia Pty Ltd (See Note 4).
- c) Issued 1,470,588 common shares at CDN \$0.68 on conversion of a shareholder loan (See Note 5).
- d) Issued 800,000 options as stock-based compensation. Expense for the year was \$497,629.

12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and development of mineral properties in Australia. All of the Company's mineral properties and plant and equipment are located in Australia.

13. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. This amount is as follows:

	Carrying amount	
	2008	2007
Financial assets		
Cash	\$ 3,352,337	\$ 617,003
Receivables	197,871	61,351
Prepayments	27,783	18,068
	\$ 3,577,991	\$ 696,422

The Company's maximum exposure to credit risk at the reporting date was \$3,352,337 (2007: \$617,003) for cash \$197,871 (2007: \$61,351) for receivables and \$27,783 (2007: \$18,068) for prepayments.

The Company receivables comprised current outstanding rental invoices and taxation payments recoverable from the Australian government.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. FINANCIAL INSTRUMENTS (cont'd...)

Credit risk (cont'd...)

The Company's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	Carrying amount	
	2008	2007
Australia	\$ 179,704	\$ 43,283
Canada	18,167	18,068
	\$ 197,871	\$ 61,351

None of the Company's receivables is overdue or impaired in 2008 and 2007.

Exposure to liquidity risk

The Company has no financial liabilities at the balance date, other than payables.

Exposure to currency risk

The Company's exposure to foreign currency risk at balance date was as follows:

	AUD	CAD	AUD	CAD
	March 31, 2008		March 31, 2007	
Cash	\$ 2,568,788	\$ 783,549	\$ 359,564	\$ 257,439
Receivables	174,307	23,564	61,351	-
Prepayments	9,616	18,167	9,563	8,505
	2,752,711	825,280	430,478	265,944
Trade and other payables	265,809	-	117,661	-
Owing to related parties	37,743	6,303	85,097	108,985
	303,552	6,303	202,758	108,985
Net exposure	\$ 3,056,263	\$ 831,583	\$ 633,236	\$ 384,489

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13. FINANCIAL INSTRUMENTS (cont'd...)

Credit risk (cont'd...)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
<i>AUD</i>				
Canadian dollar (CAD)	1.11865	1.15071	1.06720	1.07140

Currency risk

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the Canadian dollar at March 31 would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Equity	Profit or loss
31 March 2008		
<i>CAD</i>	(122,846)	48,214
31 March 2007		
<i>CAD</i>	(24,978)	114,076

A 10 percent weakening of the Australian dollar against the Canadian dollar at March 31 would have had the equal but opposite effect on the Canadian dollars above to the amounts shown above, on the basis that all other variables remain constant.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. FINANCIAL INSTRUMENTS (cont'd...)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount	
	2008	2007
<i>Variable rate instruments</i>		
Financial assets	\$ 3,352,337	\$ 617,003

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
31 March 2008				
Variable rate instruments	33,523	(33,523)	33,523	(33,523)
31 March 2007				
Variable rate instruments	6,170	(6,170)	6,170	(6,170)

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. FINANCIAL INSTRUMENTS (cont'd...)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 March 2008		31 March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	\$ 197,871	\$ 197,871	\$ 61,351	\$ 61,351
Cash and cash equivalents	3,352,337	3,352,337	617,003	617,003
Trade and other payables	(309,855)	(309,855)	(311,743)	(311,743)
	\$ 3,240,353	\$ 3,240,353	\$ 366,611	\$ 366,611

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

15. SUBSEQUENT EVENTS

On April 1, 2008, 200,000 shares were issued at \$0.37 (CDN \$0.35) per share upon the exercise of 200,000 options.

On April 28, 2008, LPD acquired 30% of IAPL for C\$10 million.