

MACARTHUR MINERALS LIMITED
Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

(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 periods ended December 31, 2008. Accordingly, the interim financial statements for the three month and nine month periods ended December 31, 2008 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

	December 31, 2008	March 31, 2008
ASSETS		
Current		
Cash	\$ 6,132,585	\$ 3,352,337
Receivables	364,246	197,871
Prepayment and deposits	42,723	27,783
	<u>6,539,554</u>	<u>3,577,991</u>
Total current assets		
Future tax assets	2,705,345	1,248,441
Plant and equipment (Note 3)	90,406	94,275
Mineral properties (Note 4)	9,148,990	4,837,774
	<u>11,944,741</u>	<u>6,180,490</u>
Total non-current assets		
Total assets	\$ 18,484,295	\$ 9,758,481
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 321,770	\$ 265,809
Due to related parties (Note 6)	43,677	44,046
	<u>365,447</u>	<u>309,855</u>
Total current liabilities	365,447	309,855
Deferred dilution gain	-	940,000
Non-controlling interest	2,776,016	
Shareholders' equity		
Capital stock (Note 5)	23,114,945	21,989,368
Contributed surplus (Note 5)	1,085,037	1,121,674
Accumulated other comprehensive income (loss)	(781,795)	566,035
Deficit	(8,075,355)	(15,168,451)
	<u>15,342,832</u>	<u>8,508,626</u>
Total shareholders' equity		
Total liabilities and shareholders' equity	\$ 18,484,295	\$ 9,758,481

Nature and continuance of operations (Note 1)

Subsequent events (Note 9)

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 AND DEFICIT
(Unaudited - prepared by Management)
THIRD QUARTER ENDED DECEMBER 31, 2008

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
Administrative Expenses				
Depreciation	\$ 4,816	\$ 2,875	\$ 14,146	\$ 7,802
Filing and transfer agent fees	10,878	21,389	46,816	45,979
Investor relations & printing	4,374	469	18,750	67,641
Office and general	9,554	20,990	36,029	41,439
Professional Fees	197,447	70,819	305,681	190,044
Rent	27,130	20,530	80,736	86,828
Salaries and management fees	190,984	23,662	398,386	85,263
Stock-based compensation	-	64,553	18,940	64,553
Travel and accommodation	47,016	3,961	85,857	53,140
Total Administrative Expenses	492,199	229,248	1,005,341	642,689
Loss before other items	(492,199)	(229,248)	(1,005,341)	(642,689)
Other items:				
Dilution gain/(loss)	(266,831)	-	6,502,618	-
Interest income	93,700	7,933	392,548	27,724
Rent received	26,608	21,673	84,380	67,291
Finders fee LPD investment in IAPL	-	-	(602,574)	-
Foreign exchange gain/(loss)	19,395	34	98,127	(3,264)
Net profit (loss) before tax for the period	(619,327)	(199,608)	5,469,758	(550,938)
Future income tax recovery	434,177	-	1,623,338	-
Net profit (loss) after tax for the period	(185,150)	(199,608)	7,093,096	(550,938)
Deficit, beginning of the period	(7,890,205)	(15,429,314)	(15,168,451)	(15,077,984)
Deficit, end of the period	\$ (8,075,355)	\$(15,628,922)	\$ (8,075,355)	\$ (15,628,922)
Basic earnings (loss) per common share	(0.01)	(0.01)	0.38	(0.04)
Basic weighted average number of common shares outstanding	18,648,540	16,168,433	18,574,286	15,728,468
Diluted earnings (loss) per common share	(0.01)	(0.01)	0.37	(0.04)
Diluted weighted average number of common shares outstanding	18,648,540	16,168,433	18,953,924	15,728,468

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - prepared by Management)
THIRD QUARTER ENDED DECEMBER 31, 2008

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating Activities				
Net profit (loss) for the period	(185,150)	(199,608)	7,093,096	(550,938)
Deduct items not involving cash:				
Dilution gain	266,831	-	(6,502,618)	-
Future income tax recovery	(434,177)	-	(1,623,338)	-
Depreciation	4,816	2,875	14,146	7,802
Cost of deposit received expenses	-	-	60,000	-
Stock-based compensation	-	64,553	18,940	64,553
	<u>(347,680)</u>	<u>(132,180)</u>	<u>(939,774)</u>	<u>(478,583)</u>
<i>Changes in non-cash working capital items related to operations</i>				
Receivables	235,954	(45,076)	(197,890)	(46,512)
Prepayments and deposits	(18,516)	(10,551)	(18,841)	(10,551)
Accounts payable and accrued liabilities	96,074	(24,610)	(86,831)	(30,235)
Cash flows used in Operating Activities	<u>(34,168)</u>	<u>(212,417)</u>	<u>(1,243,336)</u>	<u>(565,881)</u>
Investing Activities				
Plant & equipment	-	-	(20,689)	(23,821)
Deferred acquisition costs	-	-	-	(92,031)
Mineral exploration expenditures	(1,548,362)	(389,161)	(4,922,247)	(615,426)
Cash flows used in Investing Activities	<u>(1,548,362)</u>	<u>(389,161)</u>	<u>(4,942,936)</u>	<u>(731,278)</u>
Financing Activities				
Issuance of common shares	1,000,000	165,600	1,070,000	1,607,000
Proceeds from issuance of shares in subsidiary	-	-	9,000,000	-
Share issuance costs	-	-	(125,708)	(98,000)
Shares subscribed	-	1,400,000	-	1,400,000
Due to related parties	(16,373)	(46,642)	4,313	(139,371)
Cash flows from Financing Activities	<u>983,627</u>	<u>1,518,958</u>	<u>9,948,605</u>	<u>2,769,629</u>
Effect of foreign exchange on cash flows	(84,592)	(24,177)	(982,085)	(74,089)
Increase (decrease) in cash during the period	<u>(683,495)</u>	<u>893,203</u>	<u>2,780,248</u>	<u>1,398,381</u>
Cash, beginning of the period	<u>6,816,080</u>	<u>1,122,181</u>	<u>3,352,337</u>	<u>617,003</u>
Cash, end of the period	<u>6,132,585</u>	<u>2,015,384</u>	<u>6,132,585</u>	<u>2,015,384</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)
THIRD QUARTER ENDED DECEMBER 31, 2008

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These consolidated 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.

	December 31, 2008	March 31,2008
Deficit	\$ (8,075,355)	\$ (15,168,451)
Working capital	6,174,107	3,268,136

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine-month period ended December 31, 2008 are not necessarily indicative of the results that may be expected for the year ended March 31, 2009.

The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company’s annual consolidated financial statements for the year ended March 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended March 31, 2008.

Comparative figures

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

Future accounting changes

The Company will adopt the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year 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 Section on its consolidated financial statements.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THIRD QUARTER ENDED DECEMBER 31, 2008

2. SIGNIFICANT 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 April 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. 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.

3. PLANT AND EQUIPMENT

	December 31, 2008	March 31, 2008
Plant and Equipment		
Plant and equipment	\$ 84,670	\$ 73,094
Accumulated depreciation	(12,898)	(5,633)
	<u>71,772</u>	<u>67,461</u>
Office equipment	30,506	33,916
Accumulated depreciation	(11,872)	(7,102)
	<u>18,634</u>	<u>26,814</u>
	<u>\$ 90,406</u>	<u>\$ 94,275</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. In July 2006 the Company acquired this option from International Gold by issuing 1,000,000 common shares from treasury at a value of CDN\$ 430,000.

In October 2006 the Company entered into an agreement with an adjoining landholder to acquire additional tenements for \$100,000 progressively as they were granted.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THIRD QUARTER ENDED DECEMBER 31, 2008

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

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

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Balance, as at March 31, 2008	2,122,981	2,714,793	4,837,774
Incurred during the first quarter	-	1,698,415	1,698,415
Foreign currency variance on June 30, 2008 balances	75,062	95,986	171,048
Balance, as at June 30, 2008	2,198,043	4,509,194	6,707,237
Incurred during the second quarter	-	2,075,281	2,075,281
Foreign currency variance on September 30, 2008 balances	(272,730)	(559,491)	(832,221)
Balance as at September 30, 2008	1,925,313	6,024,984	7,950,297
Incurred during the third quarter	-	1,263,776	1,263,776
Foreign currency variance on December 31, 2008 balances	(15,761)	(49,322)	(65,083)
Balance as at December 31, 2008	1,909,552	7,239,438	9,148,990

5. CAPITAL STOCK

	Number of Shares	Capital Stock \$	Contributed Surplus \$
Authorized			
Unlimited common voting shares, without par value			
Balance as at March 31, 2008	18,338,650	21,989,368	1,121,674
Exercise of options	200,000	125,577	(55,577)
Balance as at June 30, 2008	18,538,650	22,114,945	1,066,097
Stock-based compensation	-	-	18,940
Balance as at September 30, 2008	18,538,650	22,114,945	1,085,037
Exercise of warrants	500,000	1,000,000	-
Balance as at December 31, 2008	19,038,650	23,114,945	1,085,037

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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THIRD QUARTER ENDED DECEMBER 31, 2008

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

During the nine month period ended December 31, 2008,

- (i) 200,000 options were exercised at \$0.35 on April 1, 2008.
- (ii) 500,000 warrants were exercised at \$2.00 on December 11, 2008.

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:

	Nine Months Ended December 31, 2008		Year Ended March 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,575,000	\$ 1.27	1,450,000	\$ 1.35
Granted	200,000	1.77	575,000	1.14
Exercised	(200,000)	0.35	(450,000)	0.46
Expired/cancelled	-	-	-	-
Outstanding, end of period	1,575,000	1.45	1,575,000	1.27
Options exercisable, end of period	1,375,000	\$ 1.41	1,500,000	\$ 1.47

On July 14, 2008, the Company issued 100,000 options to a consultant with an exercise price of \$2.25 and expiring on July 14, 2010. The options vest when the share price reaches \$3.25.

On September 16, 2008, the Company issued 100,000 options to a consultant with an exercise price of \$1.288 and expiring on September 16, 2011.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. CAPITAL STOCK (Cont'd...)

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

Number of Options	Exercise Price	Expiry Date
	\$	
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
100,000	2.25	July 14, 2010
100,000	1.288	September 16, 2011

Warrants

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

	Nine Months Ended December 31, 2008		Year Ended March 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,500,000	\$ 1.88	-	\$ -
Granted	-	-	2,500,000	1.88
Exercised	(500,000)	2.00	-	-
Expired	-	-	-	-
Outstanding, end of period	2,000,000	\$ 1.85	2,500,000	1.88
Warrants exercisable, end of period	2,000,000	\$ 1.85	2,500,000	\$ 1.88

Stock warrants outstanding at December 31, 2008 are as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
1,000,000	2.00	July 3, 2009
500,000	2.00	July 3, 2009
500,000	1.40	July 15, 2012

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the nine month period ended December 31, 2008:

- a) Paid or accrued \$125,725 (2007: \$34,318) for geological, office rental and other services provided by International Gold Mining Limited.
- b) Paid or accrued \$196,935 (2007: \$85,305) in directors and management fees during the period.
- c) Paid or accrued \$11,216 (2007: nil) for geological services provided by Ruby Rich Pty Ltd.
- d) Paid or accrued \$538 (2007: nil) for office rental provided by Strategic Capital Pty Ltd.
- e) At December 31, 2008 \$11,673 (2007: \$11,653) is owed to directors and International Gold Pty Ltd and Ruby Rich Pty Ltd for accrued directors and management fees, geological services and expenses paid on behalf of the Company.
- f) At December 31, 2008 there is \$32,004 (2007: \$32,626) owing to Talbot Group Holdings Pty Ltd.
- g) The Company received \$31,427 (2007: \$24,591) in rent from Cadan Resources Corporation, for offices sub-let by the Company in Vancouver.
- h) The Company received \$45,903 (2007: \$42,700) in rent from International Gold Mining Limited, 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.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THIRD QUARTER ENDED DECEMBER 31, 2008

7. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

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

	<i>Carrying amount</i>
<i>Financial assets</i>	
Cash	\$ 6,132,585
Trade and other receivables	364,246
Prepayments and deposits	42,723
	<u>\$ 6,539,554</u>

The Company receivables comprised current outstanding rental invoices, accrued interest on term deposits and taxation payments recoverable from the Australian government.

None of the Company's receivables are overdue or impaired as at December 31, 2008.

Exposure to liquidity risk

The Company has no financial liabilities at the balance date, other than payables and a loan from a shareholder.

Exposure to currency risk

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

	AUD	CAD
Cash	4,815,968	1,316,617
Receivables	338,094	26,152
Deposits	40,020	2,703
	<u>5,194,082</u>	<u>1,345,472</u>
Trade and other payables	306,567	15,203
Owing to related parties	37,677	6,000
	<u>344,244</u>	<u>21,203</u>
Net exposure	<u>4,849,838</u>	<u>1,324,269</u>

Interest rate risk

Profile

As at December 31, 2008 the interest rate profile of the Company's interest-bearing financial instruments was:

	Consolidated Carrying amount
<i>Variable rate instruments</i>	
Financial assets	<u>\$ 6,131,566</u>

Fair values

The carrying value of all financial instruments at balance date is equal to fair value.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THIRD QUARTER ENDED DECEMBER 31, 2008

8. EARNINGS (LOSS) PER SHARE

The following weighted average number of shares was used for computation of earnings per share:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2007
Weighted average shares used in computation of basic earnings per share	18,648,540	16,168,433	18,574,286	15,728,468
Effect of diluted securities				
Stock options	-	-	379,638	-
Weighted average shares used in computation of diluted earnings per share	18,648,540	16,168,433	18,953,924	15,728,468

8. SUBSEQUENT EVENTS

In January 2009 the Company was advised that two of the exploration licences held by IAPL E30/241 and E30/260 (**Tenements**) have expired as a natural result of the operation of the *Mining Act 1978 (WA) (Act)*.

Under the Act, an exploration licence expires after five years unless an extension of term is granted by the Minister or a mining lease or retention licence has been applied for. The Western Australian (“WA”) consultant tenement manager for the Company applied for an extension of the Tenements, but the WA Department of Mines and Petroleum recommended that the application be refused on the grounds that there has been no iron ore resource identified by MMS within these Tenements, as the Tenements are a low priority to the Company, and no meaningful exploration conducted to-date.