

MACARTHUR MINERALS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
(Australian Company Number 103 011 436)

September 30, 2008

(Unaudited – Prepared by Management)

MACARTHUR MINERALS LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT

	September 30, 2008	March 31, 2008
ASSETS		
Current		
Cash	\$ 6,816,080	\$ 3,352,337
Receivables	579,583	197,871
Prepayments and deposits	25,495	27,783
Total current assets	7,421,158	3,577,991
Non-Current		
Future tax assets	2,283,833	1,248,441
Plant and equipment (Note 3)	95,973	94,275
Mineral properties (Note 4)	7,950,297	4,837,774
Total non-current assets	10,330,103	6,180,490
Total assets	17,751,261	9,758,481
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	538,007	265,809
Due to related parties (Note 6)	44,601	44,046
Total current liabilities	582,608	309,855
Deferred dilution gain	-	940,000
Non-controlling interest	2,726,676	-
Shareholders' equity		
Capital stock (Note 5)	22,114,945	21,989,368
Contributed surplus (Note 5)	1,085,037	1,121,674
Accumulated other comprehensive income	5,901,649	566,035
Deficit	(14,659,654)	(15,168,451)
Total shareholders' equity	14,441,977	8,508,626
Total liabilities and shareholders' equity	\$ 17,751,261	\$ 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
PERIOD ENDED SEPTEMBER 30

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Administrative Expenses				
Depreciation	\$ 4,989	\$ 2,857	\$ 9,330	\$ 4,927
Filing and transfer agent fees	30,005	2,680	35,938	24,590
Investor relations & printing	7,015	35,072	14,376	67,172
Office and general	12,166	10,595	26,475	20,449
Professional Fees	55,119	87,727	108,234	119,225
Rent	29,658	55,834	53,606	66,298
Salaries and management fees	123,327	24,922	207,402	61,601
Stock-based compensation	18,940	-	18,940	-
Travel and accommodation	9,249	34,656	38,841	49,179
Total Administrative Expenses	290,468	254,343	513,142	413,441
Loss before other items	(290,468)	(254,343)	(513,142)	(413,441)
Other items:				
Interest income	138,427	13,375	298,848	19,791
Rent received	33,111	45,618	57,772	45,618
Finders fee LPD investment in IAPL	-	-	(602,574)	-
Foreign exchange gain/(loss)	100,833	(3,298)	78,732	(3,298)
Net loss before tax for the period	(18,097)	(198,648)	(680,364)	(351,330)
Future income tax recovery	1,150,921	-	1,189,161	-
Net income/(loss) after tax for the period	1,132,824	(198,648)	508,797	(351,330)
Deficit, beginning of the period	(15,792,478)	(15,230,666)	(15,168,451)	(15,077,984)
Deficit, end of the period	\$ (14,659,654)	\$ (15,429,314)	\$ (14,659,654)	\$ (15,429,314)
Basic and diluted earnings/(loss) per common share	\$0.06	\$(0.01)	\$0.03	\$(0.02)
Weighted average of common shares outstanding				
Basic	18,538,650	15,956,150	18,537,557	15,507,284
Diluted	18,597,573	15,956,150	18,633,195	15,507,284

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
PERIOD ENDED SEPTEMBER 30, 2008

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating Activities				
Net income/(loss) for the period	\$ 1,132,824	\$ (198,648)	\$ 508,797	\$ (351,330)
Deduct item not involving cash:				
Depreciation	4,989	2,857	9,330	4,927
Future income tax recovery	(1,150,921)	-	(1,189,161)	-
Cost of expensing deposit received	-	-	60,000	-
Stock-based compensation	18,940	-	18,940	-
	5,832	(195,791)	(592,094)	(346,403)
<i>Changes in non-cash working capital items related to operations</i>				
Receivables and prepayments and deposits	(278,705)	3,506	(434,169)	(1,437)
Accounts payable and accrued liabilities	(76,119)	52,942	(182,905)	(5,625)
Cash flows used in Operating Activities	(348,992)	(139,343)	(1,209,168)	(353,465)
Investing Activities				
Plant and equipment	(5,496)	(2,151)	(20,689)	(23,821)
Deferred acquisition costs	-	(90,015)	-	(92,031)
Mineral exploration expenditure *	(1,708,296)	(77,353)	(3,373,885)	(226,265)
Cash flows used in Investing Activities	(1,713,792)	(169,519)	(3,394,574)	(342,117)
Financing Activities				
Issuance of capital stock	-	41,400	70,000	1,441,400
Proceeds from issuance of shares in subsidiary	-	-	9,000,000	-
Share issuance costs	(45,742)	-	(125,708)	(98,000)
Due to related parties	17,619	(124,971)	20,686	(92,729)
Cash flows from/(used in) Financing Activities	(28,123)	(83,571)	8,964,978	1,250,671
Effect of foreign exchange on cash flows	(1,164,610)	(28,023)	(897,493)	(49,911)
Increase/(decrease) in cash during the period	(3,255,517)	(420,456)	3,463,743	505,178
Cash, beginning of the period	10,071,597	1,542,637	3,352,337	617,003
Cash, end of the period	\$ 6,816,080	\$ 1,122,181	\$ 6,816,080	\$ 1,122,181
* Minerals exploration expenditure included in accounts payable at September 30, 2008 is \$489,229 (2007: Nil).				

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

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIOD ENDED SEPTEMBER 30, 2008

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, 2008	March 31, 2008
Deficit	\$ (14,659,654)	\$(15,168,451)
Working capital	\$ 6,838,550	\$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 six-month period ended September 30, 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 with 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
PERIOD ENDED SEPTEMBER 30, 2008

3. 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

	September 30, 2008	March 31, 2008
Plant and Equipment		
Plant and equipment	\$ 85,369	\$ 73,094
Accumulated depreciation	(10,028)	(5,633)
	<u>75,341</u>	<u>67,461</u>
Office equipment	30,758	33,916
Accumulated depreciation	(10,126)	(7,102)
	<u>20,632</u>	<u>26,814</u>
	<u>\$ 95,973</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 as 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 value of CDN\$ 430,000.

In October 2006, the Company entered into an agreement with an adjoining landholder to acquire additional tenements for A\$100,000 progressively as they are granted. All tenements have now been granted.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIOD ENDED SEPTEMBER 30, 2008

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

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

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Balance, as at March 31, 2008	2,122,981	2,714,793	4,837,774
Incurring during the first quarter	-	1,698,415	1,698,415
Foreign currency variances 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
Incurring during the second quarter	-	2,075,281	2,075,281
Foreign currency variances 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

5. CAPITAL STOCK

	Number of Shares \$	Capital Stock \$	Contributed Surpl \$
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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. 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.

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

	Six Months Ended September 30, 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
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	\$ 1.27

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 reached \$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.

Stock options outstanding at September 30, 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

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIOD ENDED SEPTEMBER 30, 2008

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

Warrants

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

	Six Months Ended September 30, 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	-	-	-	-
Outstanding, end of period	2,500,000	1.88	2,500,000	1.88
Warrants exercisable, end of period	2,500,000	\$ 1.88	2,500,000	\$ 1.88

Warrants outstanding at September 30, 2008 are as follows:

Number of Shares	Exercise Price	Expiry Date
500,000	\$ 2.00	December 15, 2008
1,000,000	\$ 2.00	July 3, 2009
500,000	\$ 2.00	July 3, 2009
500,000	\$ 1.40	July 15, 2012

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$67,538 (2007: \$33,587) for geological, office rental and other services provided by International Gold Mining Limited, an entity with a common director.
- b) Paid or accrued \$47,236 (2007: \$102,561) in directors and management fees to directors during the year.
- c) At September 30, 2008 \$12,332 (2007: \$59,050) is owed to a director and an entity with a common director for accrued directors and management fees, geological services and expenses paid on behalf of the Company.
- d) At September 30, 2008 there is \$32,269 (2007: \$33,425) owing to a major shareholder.
- e) The Company received \$13,196 (2007: \$16,672) in rent from Cadan Resources Corporation, a company of which Alan Phillips is a director, for offices sub-let by the Company in Vancouver.
- f) The Company received \$19,915 (2007: \$28,946) in rent from International Gold Mining Limited, 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.

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 and cash equivalents	\$ 6,816,080
Trade and other receivables	579,583
Prepayments and deposits	25,495
	<u>\$ 7,421,158</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 is overdue or impaired in 2008.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. FINANCIAL INSTRUMENTS (Cont'd...)

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 and cash equivalents	6,468,008	348,072
Receivables	544,162	35,421
Deposits	9,020	16,475
	<u>7,021,190</u>	<u>399,968</u>
Trade and other payables	538,007	-
Owing to related parties	41,695	2,906
	<u>579,702</u>	<u>2,906</u>
Net exposure	<u>6,441,488</u>	<u>397,062</u>

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
<i>Variable rate instruments</i>	
Financial assets	<u>\$ 6,815,052</u>

Fair values

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

9. SUBSEQUENT EVENTS

On November 24, 2008 the Company announced that the completion date for the proposed second stage transaction with LPD for the acquisition by LPD of a further 50% of Internickel has been extended from November 30, 2008 to December 18, 2008 to provide both parties with sufficient time for key transaction documentation to be put in place.