

MACARTHUR MINERALS LIMITED
Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

(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 and nine month periods ended December 31, 2009. Accordingly, the interim financial statements for the three and nine month periods ended December 31, 2009 have been prepared by management and have not been reviewed by an independent auditor.

Vancouver BC
February 23, 2010

MACARTHUR MINERALS LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited - prepared by Management)
AS AT DECEMBER 31, 2009 AND MARCH 31, 2009

	December 31, 2009	March 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 2,623,074	\$ 5,698,196
Receivables	163,620	150,711
Prepayments and deposits	53,527	44,801
Total current assets	2,840,221	5,893,708
Non-Current		
Future tax assets	1,293,782	1,029,026
Plant and equipment (Note 3)	99,826	86,589
Mineral properties (Note 4)	14,048,561	9,867,204
Total non-current assets	15,442,169	10,982,819
Total assets	\$ 18,282,390	\$ 16,876,527
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	472,095	444,576
Due to related parties	-	57,001
Total current liabilities	472,095	501,577
Non-controlling interest (Note 5)	-	2,239,624
Shareholders' equity		
Capital stock (Note 6)	26,888,528	23,114,945
Contributed surplus (Note 6)	1,945,470	1,146,295
Accumulated other comprehensive income (Note 7)	1,052,005	(747,200)
Deficit	(12,075,708)	(9,378,714)
Total shareholders' equity	17,810,295	14,135,326
Total liabilities and shareholders' equity	\$ 18,282,390	\$ 16,876,527

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Alan Spence Phillips" Director
Alan Spence Phillips

"John Toigo" Director
John Toigo

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, 2009

	Three Months Ended December 31		Nine Months Ended December 31	
	2009	2008	2009	2008
Administrative Expenses				
Depreciation	\$ 5,728	\$ 4,816	\$ 13,848	\$ 14,146
Filing and transfer agent fees	1,425	10,878	27,420	46,816
Investor relations & printing	4,445	4,374	39,796	18,750
Office and general	28,609	9,554	53,215	36,029
Professional Fees	164,291	197,447	414,754	305,681
Rent	42,231	27,130	105,361	80,736
Salaries and management fees	34,852	190,984	244,385	398,386
Stock-based compensation	686,750	-	908,270	18,940
Travel and accommodation	16,076	47,016	41,043	85,857
Total Administrative Expenses	984,407	492,199	1,848,092	1,005,341
Loss before other items	(984,407)	(492,199)	(1,848,092)	(1,005,341)
Other items:				
Dilution gain/(loss)	(850,587)	-	(1,296,563)	6,974,084
Interest income	21,930	93,700	62,466	392,548
Rent received	-	26,608	39,701	84,380
Finders fee LPD investment in IAPL	-	-	-	(602,574)
Foreign exchange gain/(loss)	-	19,395	-	98,127
Net profit/(loss) before tax for the period	(1,813,064)	(352,496)	(3,042,488)	5,941,224
Future income tax recovery	82,654	434,177	258,354	1,623,338
Net profit/(loss) after tax for the period	(1,730,410)	81,681	(2,784,134)	7,564,562
Less				
Net profit/loss attributable to minority interests	-	78,600	10,808	140,504
Net income/(loss) after tax for the period attributable to the Company	(1,730,410)	3,081	(2,773,326)	7,424,058
Deficit, beginning of the period	(10,345,298)	(7,747,474)	(9,302,382)	(15,168,451)
Deficit, end of the period	\$ (12,075,708)	\$ (7,744,393)	\$ (12,075,708)	\$ (7,744,393)
Basic earnings (loss) per common share	(0.08)	(0.01)	(0.13)	0.38
Basic weighted average number of common shares outstanding	21,568,044	18,648,540	20,073,525	18,574,286
Diluted earnings (loss) per common share	(0.08)	(0.01)	(0.13)	0.37
Diluted weighted average number of common shares outstanding	21,568,044	18,648,540	20,073,525	18,953,924

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, 2009

	Three Months Ended December 31		Nine Months Ended December 31	
	2009	2008	2009	2008
Operating Activities				
Net income/(loss) for the period	(1,730,410)	81,681	(2,784,134)	7,564,562
Deduct items not involving cash:				
Dilution gain/loss	850,587	-	1,296,563	(6,974,084)
Future income tax recovery	(82,654)	(434,177)	(54,186)	(1,623,338)
Depreciation	5,728	4,816	13,848	14,146
Cost of expensing deposit received expenses	-	-	-	60,000
Stock-based compensation	686,750	-	908,270	18,940
	(269,999)	(347,680)	(619,639)	(939,774)
<i>Changes in non-cash working capital items related to operations</i>				
Receivables	(46,301)	235,954	(775)	(197,890)
Prepayments and deposits	(1,303)	(18,516)	(1,303)	(18,841)
Accounts payable and accrued liabilities	(361,350)	96,074	(47,649)	(86,831)
Cash flows used in Operating Activities	(678,953)	(34,168)	(669,366)	(1,243,336)
Investing Activities				
Plant and equipment	(5,457)	-	(17,679)	(20,689)
Mineral exploration expenditure	(358,622)	(1,548,362)	(2,678,669)	(4,922,247)
Cash flows used in Investing Activities	(364,079)	(1,548,362)	(2,696,348)	(4,942,936)
Financing Activities				
Issuance of common shares	-	1,000,000	-	1,070,000
Proceeds from issuance of shares in subsidiary	-	-	-	9,000,000
Share issuance costs	-	-	-	(125,708)
Due to related parties	-	(16,373)	(55,822)	4,313
Cash flows from Financing Activities	-	983,627	(55,822)	9,948,605
Effect of foreign exchange on cash flows	(44,934)	(84,592)	346,414	(982,085)
Increase/(decrease) in cash during the period	(1,087,966)	(683,495)	(3,075,122)	2,780,248
Cash, beginning of the period	3,711,040	6,816,080	5,698,196	3,352,337
Cash, end of the period	2,623,074	6,132,585	2,623,074	6,132,585

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)
DECEMBER 31, 2009

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.

	December 31, 2009	March 31, 2009
Deficit	\$(12,075,708)	\$ (9,378,714)
Working capital	\$ 2,368,126	\$ 5,392,131

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, 2009 are not necessarily indicative of the results that may be expected for the year ended March 31, 2010.

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, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended March 31, 2009.

Comparative figures

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

3. PLANT AND EQUIPMENT

	December 31, 2009	March 31, 2009
Plant and Equipment		
Plant and equipment	100,441	85,623
Accumulated depreciation	(24,917)	(16,029)
	<u>75,524</u>	<u>69,594</u>
Office equipment	49,513	30,849
Accumulated depreciation	(25,211)	(13,854)
	<u>24,302</u>	<u>16,995</u>
	<u>\$ 99,826</u>	<u>\$ 86,589</u>

MACARTHUR MINERALS LIMITED
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4. MINERAL PROPERTIES

In April 2008 LPD Holdings (Australia) Pty Ltd (“LPD”) acquired a 30% interest in IAPL for \$10 million. In January 2009 LPD sold 20% of IAPL’s shares to Minmetals Mining Corporation Limited (MMCL) and the shareholding in IAPL was MMS 70%, MMCL 20% and LPD 10%.

The Company has reacquired the 30% of IAPL held by LPD and MMCL in exchange for the issuance of 1,572,326 and 3,144,654 common shares in MMS to LPD and MMCL respectively, all at a deemed price of C\$2.12 per common share. On August 11, 2009 10% was acquired from LPD in exchange for the issuance of 1,572,326 shares in MMS at a deemed price of \$2.12 per share. On December 3, 2009, following satisfaction of conditions, 20% was acquired from MMCL in exchange for the issuance of 3,144,654 shares in MMS at a deemed price of \$2.12 per share.

The Company will continue to seek out strategic partners for the development of the Lake Giles project and/or parties interested in acquiring the project

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

	Acquisition Costs	Deferred Exploration Costs	Total
	\$	\$	\$
Balance, as at March 31, 2009	1,931,031	7,936,173	9,867,204
Incurring during the first quarter	-	942,630	942,630
Foreign currency variances on June 30, 2009 balances	172,280	708,041	880,321
Balance, as at June 30, 2009	2,103,311	9,586,844	11,690,155
Incurring during the second quarter	-	1,454,876	1,454,876
Foreign currency variances on September 30, 2009 balances	35,723	85,361	121,084
Balance, as at September 30, 2009	2,139,034	11,127,081	13,266,115
Incurring during the third quarter	-	358,622	358,622
Foreign currency variances on December 31, 2009 balances	53,357	370,467	423,824
Balance, as at December 31, 2009	2,192,391	11,856,170	14,048,561

MACARTHUR MINERALS LIMITED
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5. NON-CONTROLLING INTEREST

	\$
Balance as at March 31, 2009	2,239,624
Loss attributable to minority interests for the June quarter	(3,604)
Foreign currency variances on June 30, 2009 balances	199,634
Balance as at June 30, 2009	2,435,654
Loss attributable to minority interests for the September quarter	(7,204)
Foreign currency variances on September 30, 2009 balances	48,570
Repurchase of 10% interest	(811,884)
Balance as at September 30, 2009	1,665,136
Repurchase of 20% interest	1,665,136
Balance as at December 31, 2009	<u>NIL</u>

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock \$	Contributed Surplus \$
Authorized			
Unlimited common voting shares, without par value			
Balance as at March 31, 2009	19,038,650	23,114,945	1,146,295
Lapse of options	-	-	(109,095)
Balance as at June 30, 2009	19,038,650	23,114,945	1,037,200
Stock-based compensation	-	-	221,520
Issue of shares	1,572,326	1,257,861	-
Balance as at September 30, 2009	<u>20,610,976</u>	<u>24,372,806</u>	<u>1,258,720</u>
Stock-based compensation	-	-	686,750
Issue of shares	3,144,654	2,515,722	-
Balance as at December 31, 2009	<u>23,755,630</u>	<u>26,888,528</u>	<u>1,945,470</u>

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

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, 2009		Year Ended March 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,575,000	\$ 1.45	1,575,000	\$ 1.47
Granted	1,545,000	1.00	200,000	1.77
Exercised	-	-	(200,000)	0.35
Expired/cancelled	(890,000)	\$ 1.60	-	-
Outstanding, end of period	2,230,000	\$ 1.43	1,575,000	\$ 1.45
Options exercisable, end of period	2,230,000	\$ 1.43	1,575,000	\$ 1.31

Stock options outstanding at December 31, 2009 are as follows:

Number of Options	Exercise Price	Expiry Date
	\$	
330,000	1.60	December 22, 2011
100,000	1.00	October 19, 2012
200,000	1.20	November 26, 2012
75,000	1.30	December 4, 2012
100,000	2.25	July 14, 2013
100,000	1.288	September 10, 2013
300,000	1.00	July 31, 2014
1,025,000	1.10	December 2, 2012

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

Warrants

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

	Nine Months Ended December 31, 2009		Year Ended March 31, 2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,000,000	\$ 2.00	2,500,000	
Granted	-		-	\$ 2.00
Exercised	-		(500,000)	
Expired	-		-	
Outstanding, end of period	2,000,000	\$ 2.00	2,000,000	\$ 2.00
Warrants exercisable, end of period	2,000,000	\$ 2.00	2,000,000	\$ 2.00

Warrants outstanding at December 31, 2009 are as follows:

Number of Warrants	Exercise Price \$	Expiry Date
1,500,000	2.00	January 3, 2013 (extended from July 3, 2010)
500,000	2.00	January 15, 2013 (extended from July 15, 2010)

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7. ACCUMULATED OTHER COMPREHENSIVE INCOME

Balance as at September 30, 2009	\$ 723,846
Foreign currency translation adjustment for the quarter	328,159
Balance as December 31, 2009	\$ 1,052,005

8. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued nil (2008: \$125,725) for geological services provided by Central Iron Ore Ltd, an entity associated with directors Alan Phillips and Nick Revell (resigned 6 February 2009).
- b) Paid or accrued \$88,306 (2008: \$196,935) in directors fees and management fees to directors and an officer of the Company.
- c) Paid or accrued \$26,592 (2008: \$538) for office rental provided by Strategic Capital Pty Ltd a company of which Alan Phillips is a director.
- d) The Company received \$NIL (2008: \$31,427) in rent from Cadan Resources Corporation, a company of which Alan Phillips is a director, for offices sub-let by the Company in Vancouver.

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.

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9. 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	2,632,074
Trade and other receivables	163,620
Prepayments and deposits	53,527
	<u>2,849,221</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 2009.

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
Cash and cash equivalents	2,260,926	302,737
Receivables	168,733	-
Prepayments and deposits	47,807	-
	<u>2,477,466</u>	<u>302,737</u>
Trade and other payables	487,116	-
	<u>487,116</u>	<u>-</u>
Net exposure	<u>1,990,350</u>	<u>302,737</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	2,477,466

Fair values

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