MACARTHUR MINERALS LIMITED

Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

All amounts are in Australian 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, 2010 and 2009 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, 2010 and 2009 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

July 26, 2010

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MACARTHUR MINERALS LIMITED
CONSOLIDATED BALANCE SHEETS
(Expressed in Australian Dollars)
AS AT MARCH 31

		2010		2009
ASSETS				
Current				
Cash	$	1,618,693	$	6,671,580
Receivables		125,454		176,456
Prepayments and deposits		398,227		52,454
Total current assets		2,142,374		6,900,490
Non-Current				
Future tax assets (Note 10)		-		1,140,612
Plant and equipment (Note 3)		266,472		101,380
Mineral properties (Note 5)		16,721,854		11,552,751
Total non-current assets		16,988,326		12,794,743
Total assets	**$**	**19,130,700**	**$**	**19,695,233**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	1,196,275	$	520,521
Due to related parties (Note 9)		12,225		66,739
Capital lease obligation (Note 4)		33,168		
Total current liabilities		**1,241,668**		**587,260**
Capital lease obligation – non-current (Note 4)		124,180		-
Non-controlling interest (Note 6)		-		2,622,204
		124,180		2,622,204
Shareholders' equity				
Capital stock (Note 7)		29,621,484		25,304,476
Contributed surplus (Note 7)		2,407,949		1,559,796
Deficit		(14,264,581)		(10,378,503)
Total shareholders' equity		**17,764,852**		**16,485,769**
Total liabilities and shareholders' equity	**$**	**19,130,700**	**$**	**19,695,233**

Nature and continuance of operations (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

On behalf of the Board:

"Alan Phillips" Director ***"John Toigo"*** 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
(Expressed in Australian Dollars)
YEARS ENDED MARCH 31

	2010	2009
EXPENSES		
Amortization	$ 26,381	$ 21,426
Filing and transfer agent fees	30,725	55,806
Investor relations & printing	43,449	25,214
Office and general	149,779	61,389
Rent	432,829	122,381
Professional Fees	286,643	457,704
Salaries and management fees	659,679	635,599
Stock-based compensation	1,052,153	92,460
Travel and accommodation	63,320	107,326
Total Administrative Expenses	2,744,958	1,579,305
Loss before other items	(2,744,958)	(1,579,305)
Other items:		
Dilution gain	-	7,314,888
Interest income	95,981	497,821
Rent income (Note 10)	16,555	100,870
Finders fee: investment in IAPL	-	(632,020)
Foreign exchange gain / (loss)	(113,172)	54,820
	(636)	7,336,379
Net profit/(loss) before tax for the year	(2,745,594)	5,757,074
Future income tax (expense)/recovery (Note 11)	(1,140,484)	(253,360)
Net profit/(loss) after tax for the year	(3,886,078)	5,503,714
Add: Net loss after tax attributable to minority interests	-	512,686
Net profit/(loss) after tax and comprehensive income (loss) the year attributable to the Company	(3,886,078)	6,016,400
Deficit, beginning of year	(10,378,503)	(16,394,903)
Deficit, end of year	$ (14,264,581)	$ (10,378,503)
Basic profit/(loss) per common share	$ (0.18)	$ 0.32
Diluted profit/(loss) per common share	$ (0.18)	$ 0.32
Basic weighted average number of common shares outstanding	21,017,850	18,688,787
Diluted weighted average number of common shares outstanding	21,017,850	19,072,537

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Australian Dollars)
YEARS ENDED MARCH 31

	2010	2009
OPERATING ACTIVITIES		
Net profit/(loss) for the year	$ (3,886,078)	$ 6,016,400
Items not involving cash:		
Amortization	26,381	21,426
Stock-based compensation	1,052,153	92,460
Future income recovery	1,140,484	253,360
Dilution gain	-	(7,314,888)
Minority interest	-	(512,686)
Changes in non-cash working capital items related to operations		
Receivables	51,002	34,270
Prepayments	(345,773)	(22,867)
Accounts payable and accrued liabilities	542,399	(177,748)
Net Cash Used in Operating Activities	(1,419,432)	(1,610,273)
INVESTING ACTIVITIES		
Plant and equipment	(34,125)	(22,407)
Mineral exploration expenditures	(3,651,570)	(5,985,511)
Cash flows used in Investing Activities	(3,685,695)	(6,007,918)
FINANCING ACTIVITIES		
Issuance of Common Shares	227,814	1,257,650
Balance of IAPL share issue proceeds	-	9,444,224
Cost of share issues and deposit	-	(83,874)
Repayment of loan funds	(37,890)	-
Due to related parties		19,832
Cash flows from Financing Activities	189,924	10,637,832
Exchange effect on cash	(137,684)	81,825
Change in cash during year	(5,052,887)	3,101,466
Cash, beginning of year	6,671,580	3,570,114
Cash, end of year	$ 1,618,693	$ 6,671,580

Supplemental disclosures with respect to cash flows (Note 12)

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

(Expressed in Australian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited (the "Company") is in the business of acquisition and exploration of its resource properties.

These consolidated 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 17: Subsequent events).

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.

	2010	2009
Deficit	**$ (14,264,581)**	**$ (10,378,503)**
Working capital	**900,706**	**6,313,230**

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

Amendment to Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See note 14 for relevant disclosures.

Future accounting changes

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes (cont'd…)

Consolidated Financial Statements (Section 1601) and Non-Controlling Interests (Section 1602)

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. Theses standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company does not expect the adoption of this section to have a significant effect on its financial statements.

International Financial Reporting Standards ("IFRS")

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 end March 31, 2011. The Company has begun assessing the adoption of IFRS for 2011, and is currently in the planning phase of implementation, 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.

Significant accounts that require estimates relate to stock-based compensation, valuation allowance for income taxes, and impairment assessment of long lived assets.

(c) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Tracker Resources Pty Ltd and Internickel Australia Pty Ltd ("IAPL") (70% of IAPL for 2009 and up to date of repurchase of the 30% interest (Note 5)). All 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(d) Plant and equipment (cont'd…)

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

(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, 2010 and 2009, there are no material asset retirement obligations.

(g) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(h) Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and due to related parties are classified as other liabilities, which are measured at amortized cost.

(i) Profit/(Loss) per share

Basic profit/(loss) per share is computed by dividing the profit/(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.

	2010	2009
Net profit (loss)	$ (3,886,078)	$ 6,016,400
Basic weighted average number of common shares outstanding	21,017,850	18,688,787
Effect of dilutive securities	-	383,750
Diluted weighted average number of common shares outstanding	21,017,850	19,072,537

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

(j) 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.

(k) Stock-based compensation

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

(l) Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

(m) Comparative figures

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

During fiscal 2010, the Company changed its reporting currency from the Canadian dollar to the Australian dollar as most of its significant transactions are incurred in Australian dollars.

3. PLANT AND EQUIPMENT

		2010		2009
Plant and Equipment				
Plant and equipment	$	249,923	$	100,249
Accumulated amortization		(31,413)		(18,767)
		218,510		81,482
Office equipment		77,916		36,119
Accumulated amortization		(29,954)		(16,221)
		47,962		19,898
	$	266,472	$	101,380

(Expressed in Australian Dollars)

3. PLANT AND EQUIPMENT (cont'd…)

Included in plant and equipment is $146,390 in equipment purchased through capital lease.

4. CAPITAL LEASE OBLIGATION

On March 23, 2010, the Company entered into a 36 month capital lease contract for the purchase of three vehicles. The vehicles are classified as a depreciable asset and recorded at a cost equal to the present value of the lease payments due of $146,390. During the fiscal years ending March 31 from 2011 to 2013 the minimum lease payments will be $41,292 for each year. Title of the vehicles will transfer to the Company on March 23, 2013 upon payment of $60,974. The amount representing interest over the term of the lease is $24,058.

Future payment obligations are as follows:

2011	$ 41,291
2012	41,291
2013	98,824
	181,406
Less: interest	(24,058)
Total future principal payments	157,348
Less: current portion	(33,168)
	$ 124,180

5. MINERAL PROPERTIES

As at the balance sheet date the Company held 100% of the outstanding and issued capital stock of IAPL. Its assets include a claim for a 100% interest in the Lake Giles Project located in Western Australia.

In April, 2008 LPD Holdings (Australia) Pty Ltd ('LPD') acquired a 30% interest in IAPL for $10,475, 024 (CAD $10 million). In January, 2009, LPD sold 20% of IAPL's shares to Minmetals Mining Corporation Limited ('MMCL'). The resultant shareholdings in IAPL were at that time, Macarthur 70%, MMCL 20% and LPD 10%.

MMCL had the option until March 2, 2009 to acquire a further 50% of IAPL for CAD $100 million upon certain conditions being met. This option lapsed on March 2, 2009. The Company then had 3 months to seek a commercial solution with LPD and MMCL or seek an alternative partner, failing which, the Company was entitled to acquire back 30% of IAPL from LPD and MMCL for the issue of 4,716,980 shares in the Company at a notional price of CAD $2.12 per share.

On June 3, 2009, the Company exercised its rights to reacquire MMCL's and LPD's 30% share holding in IAPL. Macarthur completed the acquisition of a 10% interest in IAPL from LPD on August 28, 2009 for the issue of 1,572,326 shares in the Company. Reacquisition of the remaining 20% of IAPL, held by MMCL, was completed on December 3, 2009 for the issue of 3,144,654 shares in the Company to MMCL. The Company now holds a 100% interest in IAPL and the Lake Giles Project.

(Expressed in Australian Dollars)

5. 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	**$ 2,260,896**	**$ 2,891,153**	**$ 5,152,049**
Incurred during the year			
Drilling	-	3,165,844	3,165,844
Fuel	-	357,735	357,735
Geology contractors	-	362,986	362,986
Sampling and testing	-	1,213,066	1,213,066
Rent and rates	-	195,594	195,594
Research and reports	-	248,933	248,933
Site preparation and earthwork	-	240,236	240,236
Tenement management and outlays	-	22,642	22,642
Accommodation and camp maintenance	-	342,031	342,031
Vehicle and equipment	-	227,609	227,609
Other	-	24,026	24,026
Balance as at March 31, 2009	**2,260,896**	**9,291,855**	**11,552,751**
Incurred during the year			
Acquisition of 30% of IAPL	1,262,990	-	1,262,990
Drilling	-	1,456,247	1,456,247
Fuel	-	44,441	44,441
Geology contractors	-	580,043	580,043
Sampling and testing	-	596,066	596,066
Rent and rates	-	159,930	159,930
Research and reports	-	312,852	312,852
Site preparation and earthwork	-	58,646	58,646
Tenement management and outlays	-	65,507	65,507
Accommodation and camp maintenance	-	273,580	273,580
Vehicle hire	-	315,952	315,952
Other	-	42,849	42,849
Balance as at March 31, 2010	**$ 3,523,886**	**$ 13,197,968**	**$ 16,721,854**

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

(Expressed in Australian Dollars)

6. NON-CONTROLLING INTEREST

Balance as at March 31, 2009	**$ 2,622,204**
Buyback minority interest in IAPL	(2,622,204)
Balance as at March 31, 2010	**$ -**

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common voting shares, without par value			
Issued:			
Balance as at March 31, 2008	**18,338,650**	**$ 23,983,866**	**$ 1,530,946**
Exercise of options	200,000	72,000	-
Exercise of options – Allocation of fair value	-	63,610	(63,610)
Exercise of warrants	500,000	1,185,000	-
Stock-based compensation	-	-	92,460
Balance as at March 31, 2009	**19,038,650**	**25,304,476**	**1,559,796**
Exercise of options	200,000	227,814	-
Exercise of options – Allocation of fair value	-	204,000	(204,000)
Acquisition of IAPL (Note 5)	4,716,980	3,885,194	-
Stock-based compensation	-	-	1,052,153
Balance as at March 31, 2010	**23,955,630**	**$ 29,621,484**	**$ 2,407,949**

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

During the year ended March 31, 2010

On 28 August 2008, 1,572,326 common shares were issued to LPD Holdings (Australia) Pty Ltd at the fair value of $0.82 cents per share to buy back a 10% interest in IAPL.

On 1 December 2009, 3,144,654 common shares were issued to Minmetals Mining Corporation Limited at the fair value of $0.82 cents per share to buy back a 20% interest in IAPL.

On 24 February 2010, 100,000 common shares were issued to James Canning-Ure at $1.03 (CAD$1.00) per share on the exercise of 100,000 options.

On 24 February 1010, 100,000 common shares were issued to James Canning-Ure at $1.24 (CAD$1.20) per share on the exercise of 100,000 options.

During the year ended March 31, 2009

On April 1, 2008, 200,000 shares were issued to Longview Capital Partners at $0.36 (CAD$0.35) per share upon the exercise of 200,000 options.

On December 11, 2008, 500,000 shares were issued to Pinetree Resource Partnership at $2.37 (CAD$2.00) per share upon the exercise of 500,000 warrants.

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.

The fair value of all share purchase options are expensed over their vesting period and estimated term, with a corresponding increase in contributed surplus, see Note 8.

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.

(Expressed in Australian Dollars)

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

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

	2010			2009		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	1,575,000	$	1.66 (CAD $1.45)	1,575,000	$	1.47 (CAD $1.27)
Granted	1,545,000		1.16 (CAD $1.07)	200,000		1.77 (CAD $1.77)
Exercised	(200,000)		1.19 (CAD $1.10)	(200,000)		0.39 (CAD $0.35)
Expired/cancelled	(1,275,000)		1.54 (CAD $1.42)	-		
Outstanding, end of year	1,645,000	$	1.16 (CAD $1.07)	1,575,000	$	1.66 (CAD $1.45)
Options exercisable, end of year	1,645,000	$	1.66 (CAD $1.07)	1,475,000	$	1.66 (CAD $1.45)

Stock options outstanding at March 31, 2010 are as follows:

Number of Options	Exercise Price	Expiry Date
220,000	$1.84 (CAD$1.60)	December 22, 2011
100,000	1.15 (CAD$1.00)	October 19, 2012
100,000	1.38 (CAD$1.20)	November 26, 2012
1,025,000	1.14 (CAD$1.10)	December 2, 2012
200,000	1.12 (CAD 1.00)	July 31, 2014

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. All of these options were exercised on December 11, 2008.

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 $2.30 (CAD$2.00) per share expiring on July 3, 2009. During the year ended March 31, 2010 the expiry date of these warrants was extended to January 3, 2013.

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 $2.30 (CAD$2.00) per share expiring on July 3, 2009. During the year ended March 31, 2010 the expiry date of these warrants was extended to January 3, 2013.

(Expressed in Australian Dollars)

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants (cont'd…)

On January 15, 2008, the Company granted warrants to Longview Capital Partners to acquire 500,000 common shares of the Company at a price of $2.19 (CAD$2.00) per share expiring on July 15, 2009. During the year ended March 31, 2010 the expiry date of these warrants was extended to January 15, 2013.

	2010		2009	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**2,000,000**	**$2.27 (CAD$2.00)**	**2,500,000**	**$ 2.13 (CAD$2.00)**
Granted	**-**		**-**	**-**
Exercised	**-**		**(500,000)**	**2.37 (CAD$2.00)**
Expired	**-**		**-**	**-**
Outstanding, end of year	**2,000,000**	**$2.27 (CAD$2.00)**	**2,000,000**	**$ 2.27(CAD$2.00)**
Warrants exercisable, end of year	**2,000,000**	**$2.27 (CAD$2.00)**	**2,000,000**	**$ 2.27 (CAD$2.00)**

8. STOCK-BASED COMPENSATION

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.

520,000 options were issued in August 2009 at a fair value of $0.64 per option, a total value of $332,800.

1,025,000 options were issued in December 2009 at a fair value of $0.70 per option, a total value of $719,353.

100,000 options were issued in July 2008 at a fair value of $0.87 per option, a total value of $86,982.

100,000 options were issued in September 2008 at a fair value of $1.10 per option, a total value of $110,122.

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 shareholders' equity and reduced by the options exercised during the year. The weighted average fair value of options granted during the year was $0.68 (2009 - $0.99).

(Expressed in Australian Dollars)

8. STOCK-BASED COMPENSATION (cont'd…)

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

	2010	2009
Risk-free interest rate	**2.00%**	**4.25%**
Expected life of options	**3.67 years**	**2.5 years**
Annualized volatility	**116.51%**	**113.16%**
Dividend rate	**0.00%**	**0.00%**

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties.

a) Paid or accrued $23,758 (2009: $113,964) for rent and geological services provided by Central Iron Ore Ltd. an entity with common directors.

b) Paid or accrued $286,374 (2009: $293,503) in directors and management fees during the year.

c) Paid $63,000 (2009: $1,015) to Strategic Capital, an entity with a director and officer in common for office services and rent.

d) $Nil (2009: $43,875) paid to Ruby Rich Pty Ltd., an entity with a common director, for geological services.

e) At March 31, 2010, $1,490 (2009: $24,637) 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, 2010, there is $12,225 (2009: $66,739) owing to a major shareholder.

g) The Company granted 1,545,000 (2009: 200,000) stock options to directors, officers and consultants, which are recorded as stock-based compensation with fair a value of $1,052,153 (2009 - $92,460).

h) The Company received $18,031 (2009: $53,867) in rent from Cadan Resources Corporation for offices sub-let by the Company in Vancouver.

i) The Company received $Nil (2009: $45,014) in rent from Central Iron Ore Ltd, for offices sub-let by the Company in Vancouver.

j) Paid or accrued $13,106 (2009 - $Nil) to a law firm of which a director of the Company is a partner.

k) Paid $54,545 (2009: $Nil) to Unlimited Business Strategies Pty Ltd., an entity with a director in common, for consulting services.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd…)

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.

10. TAX CONSOLIDATION

The Company and its subsidiaries have formed a tax consolidated group for Australian taxation purposes, effective January 2006. All entities are therefore taxed as a single entity from that date.

IAPL left this group at the end of April 2008, when it issued shares to LPD Holdings (Australia) Pty Ltd and ceased to be a wholly owned subsidiary of the Company. On December 1, 2009 a buy back was completed and Internickel Australia Pty Ltd. again was a 100% owned subsidiary and part of the consolidated group.

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.

11. 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:

		2010		2009
Profit/(loss) before income tax	$	(2,745,594)	$	5,757,074
Expected income tax recovery/(expense)	$	(823,678)	$	1,727,122
Internickel loss excluded from tax consolidation		-		512,666
Non-assessable dilution gain		-		(2,194,466)
Non-deductible expenses		285,640		260,539
Tax deductible exploration expenditure		-		-
Unrecognized (recognized) benefits of non-capital losses		1,678,522		(52,501)
Actual income tax expense	$	1,140,484	$	253,360

(Expressed in Australian Dollars)

11. **INCOME TAXES** (cont'd…)

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

		2010		2009
Net operating loss carried forwards	$	5,159,737	$	3,328,281
Less: valuation allowances		(5,159,737)		(2,187,669)
Net future tax assets	$	-	$	1,140,612

The Company has non-capital losses of approximately $17,199,000, 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 not been recognized for fiscal 2010, as the directors believe it is more likely than not that these losses will not be recovered. During fiscal 2009, there was an expectation that the losses would be utilized through the sale of an additional 50% of IAPL for $100 million.

12. SUPPLEMENTAL DISCLOSURES with RESPECT TO CASH FLOWS

		2010		2009
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes		-		-

During the year ended March 31, 2010, the Company entered into the following non-cash transactions:

Issued 4,716,980 common shares to repurchase 30% of IAPL.

Issued 1,545,000 options as stock-based compensation. Expense for the year was $1,052,153.

Reallocated $204,000 from contributed surplus to capital stock upon exercise of 200,000 stock options.

Recorded $548,546 in mineral property expenditures through accounts payable.

During the year ended March 31, 2009, the Company entered into the following non-cash transactions:

Issued 200,000 options as stock-based compensation. Expense for the year was $92,460.

A dilution gain of $7,314,888 arose from the issue of shares from IAPL to LPD.

Recorded $415,191 in mineral property expenditures through accounts payable.

(Expressed in Australian Dollars)

13. SEGMENTED INFORMATION

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

14. 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	
	2010	2009
Financial assets		
Cash	**$ 1,618,693**	**$ 6,671,580**
Receivables	**125,454**	**176,456**
Prepayments	**146,321**	**52,454**
	$ 1,890,468	**$ 6,900,490**

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

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

	Carrying Amount	
	2010	2009
Australia	**$ 85,299**	**$ 164,116**
Canada	**40,155**	**12,340**
	$ 125,454	**$ 176,456**

None of the Company's receivables is overdue or impaired in 2010 and 2009.

14. FINANCIAL INSTRUMENTS (cont'd…)

Exposure to liquidity risk

The financial liabilities the Company has at the balance sheet date, are payables and accrued liabilities, due to related parties and a capital lease. The Company has sufficient cash to cover these liabilities as they come due.

Exposure to currency risk

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

	AUD	**CAD**	AUD	CAD
	March 31, 2010		March 31, 2009	
Cash	**$ 1,173,635**	**$ 445,058**	**$ 5,197,375**	**$ 1,474,205**
Receivables	**105,541**	**19,913**	**164,116**	**12,340**
Prepayments	**380,455**	**17,772**	**30,707**	**21,747**
	1,659,631	**482,743**	**5,392,198**	**1,508,292**
Trade and other payables	**1,350,215**	**40,000**	**495,520**	**25,000**
Owing to related parties	**12,225**	**-**	**56,035**	**10,704**
	1,362,440	**40,000**	**551,555**	**35,704**
Net exposure	**$ 297,191**	**$ 442,743**	**$ 4,840,633**	**$ 1,472,588**

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
AUD	**2010**	2009	**2010**	2009
Canadian dollar (CAD)	**1.0804**	**1.1364**	**1.0739**	**1.1708**

Sensitivity analysis

As at March 31, 2010, the Company's expenditures are in Australian dollars and Canadian dollars. As at March 31, 2010, the Company has cash of $448,994 Canadian dollars and accounts payable of $40,000 denominated in Canadian dollars. For each 10% change in the Australian dollar vs. Canadian dollar a $47,696 gain/loss would arise.

(Expressed in Australian Dollars)

14. 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	
	2010	2009
Variable rate instruments		
Financial assets	**$ 1,618,693**	**$ 6,671,580**

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 2009.

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
31 March 2010				
Variable rate instruments	**16,187**	**(16,187)**	**15,996**	**(15,996)**
31 March 2009				
Variable rate instruments	66,716	(66,716)	51,568	(51,568)

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:

(Expressed in Australian Dollars)

14. FINANCIAL INSTRUMENTS (cont'd…)

Fair values (cont'd…)

	31 March 2010		31 March 2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Receivables	**$ 401,730**	**$ 401,730**	**$ 176,456**	**$ 176,456**
Cash and cash equivalents	**1,618,693**	**1,618,693**	**6,671,580**	**6,671,580**
Trade and other payables	**(1,390,215)**	**(1,390,215)**	**(587,260)**	**(587,260)**
	$ 630,208	**$ 630,208**	**$ 6,260,776**	**$ 6,260,776**

The Company has classified its cash as a level 1 financial instrument on the fair value hierarchy.

15. 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.

In addition to its exploration and evaluation activities with the Lake Giles project, 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

.16. COMMITMENTS

The Company has entered into an operating lease for office space which expires on March 1, 2012. Total lease payments in the first year will be $50,535 and $46,323 in year two for total payments over the term of the lease of $96,858.

.17. SUBSEQUENT EVENTS

Subsequent to year-end the Company:

a) completed a private placement financing of 6,000,000 shares at CAD$1.50 per share for gross proceeds of CAD $9,000,000. In connection with the private placement the Company paid finders' fees of $508,725 in cash and issued 339,150 share purchase warrants exercisable at a price CAD $1.80 on or before April 29, 2013.

b) granted 1,340,000 stock options to various directors, officers, employees and consultants. The options are exercisable for a period of three years at CAD $2.00 per share.