Macarthur Minerals Limited ACN 103011436

Annual Report - Year ended 31 March 2010

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Macarthur Minerals Limited

Corporate Directory
31 March 2010

Stock Exchange Listing

The company is a public company and is quoted on the Official Lists of the TSX-V (Canadian Stock Exchange). The company was incorporated in Queensland and is domiciled in Australia.

Directors
Alan S Phillips - Chairman
Simon Hickey
John Toigo

Secretary
David Taplin

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Share Registry
CIBC Mellon Trust Company
320 Bay Street
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Website address: www.cibcmellon.com

Auditors - Australia
WHK Horwath Melbourne
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181 William Street
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Auditors - Canada
Davidson & Company LLP
1200-609 Granville Street
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Vancouver BC V7Y1G6
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Telephone: 604-687-0947
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Directors' Report
31 March 2010

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Macarthur Minerals Limited and the entities it controlled at the end of, or during, the year ended 31 March 2010.

Directors

The following persons were directors of Macarthur Minerals Limited during the whole of the financial year and up to the date of this report:

A S Phillips
S Hickey

J Toigo was appointed a director on 31 August 2009 and continues in office at the date of this report.

D K Barwick and J Canning-Ure were not re-elected to the Board at the Annual General Meeting held on 31 August 2009.

N Revell resigned as a director on 20 April 2009.

Directors' Skills, Experience and Expertise

Mr Alan S Phillips was appointed to the board on 19 October 2005. Mr Phillips has been a senior executive, director and chairman of ASX, TSX and AIM-listed companies over a period of 30 years covering a broad range of industries, but predominantly in the mining and exploration and technology sectors.

Mr Simon Hickey was appointed to the board on 15 February 2005. Mr Hickey has experience as a director of ASX and TSX listed companies in the resource sector over 18 years. He has also acted as a corporate advisor in Australia and North America. Over the past 7 years he has established several successful private businesses in the USA. Simon Hickey holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment.

Mr John Toigo was appointed to the board on 31 August 2009**.** Mr Toigo is a partner of ClarkeKann Lawyers, an Australian based corporate & commercial law firm with offices in Brisbane and Sydney. He is the leader of the corporate & commercial division of the firm. John has over 20 years experience as a corporate lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation, company structuring, corporate governance, corporate finance and complex commercial transactions. He holds a Bachelor of Laws (Honours) and a graduate diploma in applied finance and investment. John is a member of Australian Institute of Company Directors and Queensland Law Society. John is also a board member of Rosies Youth Mission Inc. a not-for-profit street outreach organisation.

Directorships of other Listed Companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

Directors	*Company*	*Period of Directorship*
Alan S Phillips	Cadan Resources Ltd	15 June, 2003 – Present
	Liberty Resources Ltd	25 August, 2008 – 25 February, 2010
	Central Iron Ore Limited (Formerly International Gold Mining Limited)	21 December, 1999 – 10 November, 2009
	Manaccom Corporation Limited (Formerly Jumbo Corporation Limited)	10 May, 1999 - 22 November, 2007
Simon Hickey	-	-
John Toigo	-	-

Company Secretary

Mr David Taplin was appointed company secretary on 31 August, 2009. Mr Taplin has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX-V companies and government-owned corporations, with a particular focus on resources and energy. Mr Taplin has worked extensively in corporate law, corporate governance and corporate finance both in Australia and internationally. He also regularly instructs courses in corporate governance at some of Australia's leading business schools and professional institutions. David Taplin holds an MBA, LLB, GradDipACG and is a solicitor, CPA and chartered secretary.

Principal Activities

Macarthur Minerals Limited is an Australian public company listed in Canada (TSX-V) currently focused on the exploration and development of its Lake Giles project located in Western Australia.
The area is prospective for significant iron-ore, nickel sulphide mineralisation and gold. The Lake Giles Project is located about 450 km east-northeast of the coastal city of Perth, Western Australia. Its contiguous tenements cover a total area of 1155 km2. Geologically it is situated in the Southern Cross Province of the Archaean (rocks more than 2,500 million years old) Yilgarn Block of south-western Western Australia. The Southern Cross Province has been and still is host to many significant mineral deposits that have been or are being mined for gold, nickel sulphide's and iron ore. There was no change in the nature of the group's principal activities during the year.

Dividends

No dividends were paid or recommended for payment during the financial year.

Review of Operations and State of Affairs

Operating Results

The consolidated loss of the consolidated group amounted to $3,886,078 after providing for income tax. This represents a 124% increase on the loss of $1,738,152 reported for the year ended 31 March 2009.

The increased loss was mainly due to a decrease of $486,155 in revenue and an increase of $1,032,715 in stock based compensation and $887,124 income tax expense write back of deferred tax asset.

Buy Back of 30% Interest in Internickel Australia Pty Ltd

In April 2008, LPD Holdings (Australia) Pty Ltd ('LPD') acquired a 30% interest in the Company's subsidiary, Internickel Australia Pty Ltd ('IAPL') for $10 million. In January 2009, LPD sold 20% of IAPL's shares to Minmetals Mining Corporation Limited ('MMCL'), resulting in shareholdings in IAPL of, Macarthur 70%, MMCL 20% and LPD 10%.

MMCL had the option until 2 March, 2009 to acquire a further 50% of IAPL for $100 million upon certain conditions being met. This option lapsed on 2 March, 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 4,716,981 common shares in the Company at a notional price of $2.12 per share. On 3 June, 2009 the Company exercised its rights to reacquire MMCL's and LPD's 30% shareholding in IAPL.

Macarthur completed the acquisition of the 10% interest in IAPL from LPD on 28 August, 2009 for the issue of 1,572,326 common shares in the Company. On 3 December, 2009 the Company completed acquisition of the 20% interest in IAPL from MMCL for the issuance of 3,144,654 common shares in the Company. The Company now holds a 100% interest in IAPL and the Lake Giles project.

Matters subsequent to the end of the financial year

Private Placement

As announced by the Company on 21 April, 2010, the private placement financing previously announced on 22 March 2010 was fully subscribed and closed on final acceptance of the TSX Venture Exchange, as announced in their bulletin published on 22 April, 2010.

The non-brokered private placement of up to 6,000,000 common shares at the price of CAD $1.50 per share raised total gross proceeds of CAD $9,000,000.

As announced in the TSX-V's bulletins published on 22 and 23 April, 2010, the Company paid total commissions of CAD $508,725 and 339,150 share purchase warrants in respect of the private placement to qualified parties comprised of up to a 7% cash fee and up to a 7% share purchase warrant. Each such warrant will entitle the holder to acquire one common share at a price of CAD $1.80 for a period of three years from closing of the private placement.

Net proceeds from the placement will be applied towards advancement of the Company's Lake Giles project and general working capital.

All net proceeds from the private placement have been received by the Company.

Issue of options

The Company announced in 4 May, 2010, that pursuant to the Company's Stock Option Plan it today granted an aggregate of 1,340,000 incentive stock options to various directors, officers, employees and consultants.

The options are exercisable for a 3 year period at CAD $2.00 per share and will be subject to a four month hold period commencing on the date of the grant.

Options exercised

The following options were exercised after 31 March, 2010 and up to the date of this report.

	Number	Exercise Price (CAD)
6 May, 2010	10,000	$1.10
1 June, 2010	10,000	$1.10
9 June, 2010	15,000	$1.10

One fully paid ordinary share was issued for each option.

Likely future developments and expected results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Regulations

The Company currently conducts exploration and development activities in Australia. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with minimal environmental impact.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Directors' Report
31 March 2010

Shares under option

Unissued ordinary shares of Macarthur Minerals Limited under option at the date of this report are as follows:

Date Option Granted	Expiry Date	Issue Price of Shares (CAD)	Number under option
22.12.2006	22.12.2011	$1.60	220,000
19.10.2007	19.10.2012	$1.00	100,000
26.11.2007	26.11.2012	$1.20	100,000
31.07.2009	31.07.2014	$1.00	200,000
03.12.2009	02.12.2012	$1.10	990,000
04.05.2010	04.05.2013	$2.00	1,340,000
			2,950,000

No option holder has any right under the options to participate in any other share issue of the company or of any entity.

Shares under warrant

Unissued ordinary shares of Macarthur Minerals Limited under warrant at the date of this report are as follows:

	Date Warrant Granted	Expiry Date	Issue Price of Shares (CAD)	Number under warrant
(i)	03.01.2008	03.01.2013	$2.00	1,500,000
(ii)	15.01.2008	15.01.2013	$2.00	500,000
(iii)	28.04.2010	28.04.2013	$1.80	339,150
				2,339,150

(i) 1,500,000 warrants were issued for a period of 18 months and were due to expire on 3 July, 2009. They were initially extended until 3 January, 2010, and were further extended until January 3, 2013, both with the approval of the TSX.

(ii) 500,000 warrants were issued for a period of 18 months and were due to expire on 15 July, 2009. They were initially extended until 15 January, 2010, and were further extended until 15 January, 2013, both with the approval of the TSX.

(iii) 339,150 warrants were issued on 28 April, 2010, in connection with the private placement which entitles the holder to acquire one ordinary share for each warrant at a price of CAD $1.80 for a period of three years.

Macarthur Minerals Limited

Directors Report
31 March 2010

Information on Directors

Particulars of directors' interests in shares, options and warrants of the Company:

			Particulars of Directors interest in shares, options and warrants of the Company	
Director	**Experience**	**Special Responsibilities**	**Ordinary Shares**	**Options**
A S Phillips	Director since October 2005	Chairman	71,100	560,000
S Hickey	Director since February 2005	Non-Executive Director	403,700	560,000
J Toigo	Director since August 2009	Non-Executive Director	-	250,000
D Barwick	(Not re elected 31 August 2009)	-	410,000	310,000
J Canning-Ure	(Not re elected 31 August 2009)	-	215,000	310,000
N Revell	(Resigned on 20 April 2009)	-	-	260,000

The ordinary shares and options held by D Barwick and J Canning-Ure are stated at 31 August 2009, when they ceased to be directors. The number of shares held by J Canning-Ure on 31 August, 2009, does not include 200,000 shares issued to J Canning-Ure following the exercise of 200,000 options on 23 February, 2010. The options held by N Revell lapsed on 20 July, 2009 and the options held by David Barwick lapsed on 1 December, 2009.

Meeting of Directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 March 2010, and the number of meetings attended by each director were:

	Number of Board Meetings Attended	Number Eligible
A S Phillips	9	9
S Hickey	9	9
J Toigo	7	7
D Barwick (not re-elected 31.08.2009)	2	2
J Canning-Ure (not re-elected 31.08.2009)	2	2
N Revell (resigned 20.04.2009)	-	-

The numbers of meetings of the Company's audit committee and of each audit committee held during the year ended 31 March 2010, and the number of meetings attended by each director were:

	Number of Audit Committee Meetings Attended	Number Eligible
A S Phillips	2	2
S Hickey	2	2
J Toigo	-	-
D Barwick (not re-elected 31.08.2009)	2	2
J Canning-Ure (not re-elected 31.08.2009)	2	2
N Revell (resigned 20.04.2009)	-	-

Shares issued on the exercise of options

The following ordinary shares of Macarthur Minerals Limited were issued during the year ended 31 March 2010 on the exercise of options granted under the Macarthur Minerals Employee Option Plan.

Date options granted	Issue price of shares	Number of shares issued
19 October 2007	CAD $1.00	100,000
26 November 2007	CAD $1.20	100,000
		200,000

Since year end and up to the date of this report the following ordinary shares of Macarthur Minerals Limited were issued on the exercise of options granted under the Macarthur Minerals Employee Option Plan.

Date options granted	Issue price of options	Number of shares issued
3 December 2009	CAD $1.10	35,000

Insurance of Officers

During the financial year, Macarthur Minerals Limited paid premiums of $17,775 to insure the directors and secretary of the company and its Australian-based controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has not, during or since the end of the previous financial year, in respect of any person who is or has been an officer of the Company, or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Non-audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the Auditors WHK Horwath Melbourne and Davidson & Company LLP for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor.

- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration is required under section 307C of the *Corporations Act 2001* and is set out on page 10.

	Consolidated		**Parent Entity**	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
During the year the following fees were paid or payable for services provided by the auditor.				
WHK Horwath Melbourne:				
Audit and review of financial reports	32,746	23,321	32,746	23,321
Other services	8,535	37,046	8,535	37,046
Davidson & Company LLP:				
Audit of Financial Reports in Canada	63,721	44,790	63,721	44,790
Other services	3,098	4,618	3,098	4,618
Total remuneration for audit and other services	108,100	109,775	108,100	109,775

Auditor

WHK Horwath Melbourne continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.

Alan Phillips
Director

Brisbane
19 July 2010

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ABN 41 099 415 845
Member Crowe Horwath International

Auditor's Independence Declaration Under Section 307C Of The Corporations Act 2001

To The Directors Of Macarthur Minerals Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2010 there have been

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH MELBOURNE

Peter Sexton
Melbourne Vic 3001
19 July 2010

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This financial report covers both the separate financial statements of Macarthur Minerals Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Macarthur Minerals Limited and its subsidiary. The financial report is presented in the Australian currency.

Its registered office and principal place of business are detailed on page 1.

A description of the nature of the consolidated entity's operations and its principal activities is included in the director's report on pages 2 to 9, which are not part of this financial report.

The financial report was authorised for issue by the directors on 19 July 2010. The directors have the power to amend and reissue the financial report.

Macarthur Minerals Limited

Income Statements
For the year ended 31 March 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Revenue from continuing operations					
Administration fees		-	-	-	1,644,900
Finance Revenue	3(a)	95,981	497,821	88,357	184,131
Rent income		16,555	100,870	16,555	100,870
		112,536	598,691	104,912	1,929,901
Depreciation	3(b)	(26,381)	(21,426)	(9,188)	(8,658)
Finders fee		-	(632,020)	-	(632,020)
Foreign exchange gain/(loss)	3(b)	(113,172)	54,820	(113,172)	54,820
Investor relations and promotion		(43,449)	(25,214)	(43,449)	(25,214)
Office and general		(180,504)	(117,195)	(147,915)	(115,491)
Personnel costs		(659,679)	(635,599)	(549,751)	(521,637)
Professional fees		(286,643)	(457,704)	(285,643)	(208,184)
Rent and rates		(432,829)	(122,381)	(432,829)	(122,381)
Stock based compensation	3(c)	(1,052,153)	(19,438)	(1,052,153)	(19,438)
Travel and accommodation		(63,320)	(107,326)	(37,408)	(107,326)
Profit/(loss) before income tax		(2,745,594)	(1,484,792)	(2,566,596)	224,372
Income tax expense	4	(1,140,484)	(253,360)	(1,140,484)	(253,424)
Profit (loss) from continuing operations		(3,886,078)	(1,738,152)	(3,707,080)	(29,052)

Macarthur Minerals Limited

Statement of Comprehensive Income
For the year ended 31 March 2010

	Notes	Consolidated		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Profit (Loss) for the year		(3,886,078)	(1,738,152)	(3,707,080)	(29,052)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		(3,886,078)	(1,738,152)	(3,707,080)	(29,052)
Profit (Loss) is attributable to:					
Owners of Macarthur Minerals Limited		(3,886,078)	(1,225,466)	(3,707,080)	(29,052)
Non-controlling interest		-	(512,686)	-	-
Total comprehensive income for the year is attributable to:					
Owners of Macarthur Minerals Limited		(3,886,078)	(1,225,466)	(3,707,080)	(29,052)
Non-controlling interest		-	(512,686)	-	-

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
- basic earnings per share	5	(18.49)	(6.6)
- diluted earnings per share	5	(18.49)	(6.4)

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
- basic earnings per share	5	(18.49)	(6.6)
- diluted earnings per share	5	(18.49)	(6.4)

The above statements of comprehensive income should be read in conjunction with the accompanying notes

Macarthur Minerals Limited

Statement of Financial Position
As at 31 March 2010

	Notes	Consolidated		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	6	1,618,693	6,671,580	1,599,561	5,156,799
Other receivables		118,062	176,456	36,854	99,736
Receivable from subsidiaries		-	-	4,122,785	1,946,418
Other	7	405,619	52,454	259,298	49,409
Total Current Assets		2,142,374	6,900,490	6,018,498	7,252,362
Non-current Assets					
Property, plant and equipment	8	266,472	101,380	39,229	19,898
Deferred tax assets		-	1,140,612	-	1,140,484
Investment in subsidiaries	9(b)	-	-	5,978,573	2,093,379
Exploration and evaluation assets	10	15,458,864	11,552,751	395,148	-
Goodwill	9(a)	1,262,990	-	-	-
Total Non-current Assets		16,988,326	12,794,743	6,412,950	3,253,761
TOTAL ASSETS		19,130,700	19,695,233	12,431,448	10,506,123
LIABILITIES					
Current liabilities					
Trade and other payables	11	1,196,275	520,521	593,700	78,489
Owing to related parties		12,225	66,739	12,225	60,192
Financial Liabilities	12	33,168	-	-	-
Total Current Liabilities		1,241,668	587,260	605,925	138,681
Non-current Liabilities					
Financial Liabilities	12	124,180	-	-	-
Total Non-current Liabilities		124,180	-	-	-
TOTAL LIABILITIES		1,365,848	587,260	605,925	138,681
NET ASSETS		17,764,852	19,107,973	11,825,523	10,367,442
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	13	30,418,594	26,305,586	30,418,594	26,305,586
Accumulated losses		(21,506,447)	(17,393,678)	(20,130,887)	(16,197,116)
Reserves	13	8,852,705	7,573,861	1,537,816	258,972
Parent interests		17,764,852	16,485,769	11,825,523	10,367,442
Non-controlling interests		-	2,622,204	-	-
TOTAL EQUITY		17,764,852	19,107,973	11,825,523	10,367,442

Macarthur Minerals Limited

Statements of Changes in Equity
For the year ended 31March 2010

Consolidated	Notes	Contributed Equity $	Reserves $	Accumulated Losses $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 April 2008		24,825,696	1,696,069	(16,394,903)	10,126,862	-	10,126,862
Profit (Loss) for the year		-	-	(1,738,152)	(1,738,152)	-	(1,738,152)
Total other comprehensive income for the year		-	-	-	-	-	-
Transactions with owners in their capacity as owners							
Proceeds from options and warrants exercised		1,257,650	-	-	1,257,650	-	1,257,650
Transfer from reserves		222,240	(222,240)	-	-	-	-
Cost of share based payout		-	19,438	-	19,438	-	19,438
Write down options		-	(226,691)	226,691	-	-	-
Shares issued by Internickel		-	6,320,976	-	6,320,976	3,140,758	9,461,734
Share issue costs		-	(13,691)	-	(13,691)	(5,868)	(19,559)
Non-controlling interest		-	-	512,686	512,686	(512,686)	-
		1,479,890	5,877,792	739,377	8,097,059	2,622,204	10,719,263
Balance 31 March 2009		26,305,586	7,573,861	(17,393,678)	16,485,769	2,622,204	19,107,973
Adjustment on change of accounting policy		-	226,691	(226,691)	-	-	-
Restated total equity at the beginning of the financial year		26,305,586	7,800,552	(17,620,369)	16,485,769	2,622,204	19,107,973
Profit (Loss) for the year		-	-	(3,886,078)	(3,886,078)	-	(3,886,078)
Total comprehensive income for the year		-	-	(3,886,078)	(3,886,078)	-	(3,886,078)
Transactions with owners in their capacity as owners							
Stock based compensation		-	1,052,153	-	1,052,153	-	1,052,153
Contributions for options exercised		227,814	-	-	227,814	-	227,814
Contributions of equity		3,885,194	-	-	3,885,194	-	3,885,194
Buy-back minority interest in Internickel		-	-	-	-	(2,622,204)	(2,622,204)
		4,113,008	1,052,153	-	5,165,161	(2,622,204)	2,542,957
Balance at 31 March 2010		30,418,594	8,852,705	(21,506,447)	17,764,852	-	17,764,852

Macarthur Minerals Limited

Statements of Changes in Equity
For the year ended 31 March 2010

Parent	Notes	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
Balance at 1 April 2008		24,825,696	688,465	(16,394,755)	9,119,406
Profit (Loss) for the year		-	-	(29,052)	(29,052)
Total other comprehensive income for the year		-	-	-	-
Transactions with owners in their capacity as owners					
Contributions from options and warrants exercised		1,257,650	-	-	1,257,650
Transfer from reserves		222,240	(222,240)	-	-
Cost of share based payout		-	19,438	-	19,438
Write down options		-	(226,691)	226,691	-
		1,479,890	(429,493)	226,691	1,277,088
Balance 31 March 2009		26,305,586	258,972	(16,197,116)	10,367,442
Adjustment on change of accounting policy		-	226,691	(226,691)	
Restated total equity at the beginning of the financial year		26,305,586	485,663	(16,423,807)	10,367,442
Profit (Loss) for the year		-	-	(3,707,080)	(3,707,080)
Total comprehensive income for the year		-	-	(3,707,080)	(3,707,080)
Transactions with owners in their capacity as owners					
Stock based compensation		-	1,052,153	-	1,052,153
Contributions for options exercised		227,814	-	-	227,814
Contributions of equity		3,885,194	-	-	3,885,194
		4,113,008	1,052,153	-	5,165,161
Balance at 31 March 2010		30,418,594	1,537,816	(20,130,887)	11,825,523

Macarthur Minerals Limited

Cash Flow Statement
Year ended 31 March 2010

	Notes	Consolidated		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Cash flows from operating activities					
Payments to suppliers and employees		(1,119,949)	(2,234,545)	(1,114,226)	(1,888,198)
Rent received		16,555	100,870	16,555	100,605
Net cash flows used in operating activities	6(b)	(1,103,394)	(2,133,675)	(1,097,671)	(1,787,593)
Cash flows from investing activities					
Interest received		95,981	505,892	88,357	199,915
Plant and equipment purchases		(191,473)	(22,407)	(28,519)	-
Transfer plant and equipment to subsidiary		-	-	-	71,843
Deferred exploration expenditure		(3,906,113)	(5,985,511)	(395,148)	-
Net cash flows from investing activities		(4,001,605)	(5,502,026)	(335,310)	271,758
Cash flows from financing activities					
Proceeds from share issues		227,814	1,257,650	227,814	1,257,650
Proceeds from share issues by subsidiary Internickel		-	9,461,734	-	-
Share issue and placement costs		-	(83,874)	-	-
Repayment of loan funds		(37,890)	-	(37,892)	-
Payments from/(to) subsidiary		-	-	(2,176,367)	1,749,761
Proceeds from/(payments to) related parties		-	19,832	-	13,285
Net cash flows from financing activities		189,924	10,655,342	(1,986,445)	3,020,696
Net decrease/increase in cash and cash equivalents		(4,915,075)	3,019,641	(3,419,426)	1,504,861
Net foreign exchange differences		(137,812)	81,825	(137,812)	81,825
Cash and cash equivalents at beginning of period		6,671,580	3,570,114	5,156,799	3,570,113
Cash and cash equivalents at end of period	6(a)	1,618,693	6,671,580	1,599,561	5,156,799

Note 1: Summary of Significant Accounting Policies

The financial accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Macarthur Minerals Limited as an individual entity and the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. Refer to Note 15 for details of subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board; Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
Compliance with AIFRS ensures that the financial report of Macarthur Minerals Limited complies with International Financial Reporting Standards (IFRS). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions.

Historical cost convention
The financial report has been prepared on an accruals basis under the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

Material accounting policies in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are;

i. Exploration and Evaluation Expenditure
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $15,458,864.

ii. Share-based payment transactions
The Group measures the costs of equity-settled transactions with employees by reference to the fair values of the equity instrument at the date at which they are granted. The fair value is determined using the Black-Scholes method. During the reporting period the amount of $1,052,153 has been shown as a stock based compensation expenditure in the income statements.

Going concern
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.

Note 1: Summary of Significant Accounting Policies (cont'd)

As referred to in the Directors' Report, the Company closed its private placement for 6,000,000 common shares at a price of CAD $1.50 per share for total gross proceeds of CAD $9,000,000 on 22 April, 2010. All net proceeds of the private placement have been received by the Company.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macarthur Minerals Limited as at 31 March, 2010 and the results of all subsidiaries for the year then ended. Macarthur Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

The group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statements. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Macarthur Minerals Limited.

Note 1: Summary of Significant Accounting Policies (cont'd)

c) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest. Expenditure in respect of any area of interest or mineral resource is carried forward provided that:

- The company's rights of tenure to that area of interest are current;
- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively by its sale; or
- Exploration and/or evaluation activities in the areas of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Exploration expenditure which no longer satisfies the above policy is written off. Evaluation expenditure for each area of interest or mineral resource is carried forward, but only to the extent to which its recoupment out of revenue to be derived from the relevant area of interest or mineral resource, or from sale of that area of interest, is reasonably assured.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off firstly against any existing provision for that expenditure, with any remaining balance being charged to earnings.

d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Macarthur Minerals Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Note 1: Summary of Significant Accounting Policies (cont'd)

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- retained earnings are translated at the exchange rate prevailing at the date of the transaction.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken into shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The normal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of finance liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the current market interest rate that is available for similar financial instruments.

f) Goodwill

Goodwill is carried at cost and is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest,
over the acquisition date fair values of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% is measured at fair value under the full goodwill method.

Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

As the net asset value exceeds the goodwill paid it is considered that impairment of goodwill is not necessary.

Note 1: Summary of Significant Accounting Policies (cont'd)

g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payment, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on the diminishing value method over the shorter of their estimated useful lives or lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the Lessor, are charged as expenses in the periods in which they are incurred.

h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other then a business combination that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

As at 31 March, 2010 deferred tax assets were re-assessed and have not been recognised as it has not yet become probable that they will be recovered and utilised.

Note 1: Summary of Significant Accounting Policies (cont'd)

i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
Depreciation in assets is calculated as follows:

Plant & Equipment	10% to 25% Prime Cost Method
	15% to 18.75% Diminishing Value Method
Office Equipment	20% to 100% Prime Cost Method
	15% to 40% Diminishing Value Method
Motor Vehicles	22.5% to 25% Diminishing Value Method

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater then its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

j) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1: Summary of Significant Accounting Policies (cont'd)

l) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net loss after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year; adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, rebates and taxes.

The company recognises revenue when the amount of revenue can be readily measured, it is probable that future economic benefit will flow to the entity and specific criteria have been met for each of the company's activities as described below.

Revenue is recognised for the major business activities as follows:

(i) Administration Fees

Sales of administration services are recognised in the accounting period in which the services are rendered.

(ii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

Note 1: Summary of Significant Accounting Policies (cont'd)

o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

p) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

q) Borrowings

Borrowings are initially recognised at fair value, net of transactions costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

r) Financial Instruments

Recognition
The company recognises its investments in the following categories: loans and receivables. The recognition depends on the purpose for which the investments were acquired. Management determines the recognition of its investments at initial recognition.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturity greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Financial liabilities
Non derivative financial liabilities are recognised at amortised cost, comprising of original debt less principal payments and amortisation.

Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method.
Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arrive.

Note 1: Summary of Significant Accounting Policies (cont'd)

Impairment

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the statement of comprehensive income.

s) Provisions

Provisions for legal action costs and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the balance sheet date.

t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long term employee benefits

The liability for long service leave has not been recognised in the financial statements at 31 March 2010 since it is not material and our two employees had only been employed for a period of twelve months at balance date. No retirement benefit obligations, termination benefits or share based payments have been incurred during the year.

(iii) Share-based payments

Share-based compensation benefits are provided to employees, directors, officers and consultants via the Macarthur Minerals Limited Option Plan. Information relating to these schemes is set out in note 13.

The fair value of options granted under the Macarthur Minerals Limited Option Plan is recognised as a stock benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees, directors, officers and consultant become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The stock benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Note 1: Summary of Significant Accounting Policies (cont'd)

u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

v) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted on the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact of these standards and interpretations has had on the financial statements of Macarthur Minerals Limited.

AASB3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of an additional ownership interest in Internickel Australia Pty Ltd.

Recognition and measurement impact

Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of an additional ownership interest in Internickel Australia Pty Ltd, no contingent consideration has been recognised. There has been no current year impact on the statement of comprehensive income. However, as the probability of payment changes, some impact may be noted in future reporting periods.

Note 1: Summary of Significant Accounting Policies (cont'd)

Measurement of non-controlling interest — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

In accounting for the acquisition of an additional ownership interest in Internickel Australia Pty Ltd, the Group has elected to apply the full goodwill method. This has resulted in the recognition of an additional $1,262,990 of goodwill over and above what would have been recognised had the proportionate method been adopted.

Recognition of contingencies — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

There were no contingencies associated with the acquisition of an additional ownership interest in Internickel Australia Pty Ltd.
Business combinations achieved in stages — The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the statement of comprehensive income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

On acquisition of the additional ownership interest in Internickel Australia Pty Ltd, a fair value gain of $NIL on the pre-existing equity holding was recognised in the statement of comprehensive income.

Disclosure impact
The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

<u>AASB101: Presentation of Financial Statements</u>

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Note 1: Summary of Significant Accounting Policies (cont'd)

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

w) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

— simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

— simplifying the requirements for embedded derivatives;

— removing the tainting rules associated with held-to-maturity assets;

— removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

— allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

— reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

  a. the objective of the entity's business model for managing the financial assets; and
  b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

Note 1: Summary of Significant Accounting Policies (cont'd)

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

Note 1: Summary of Significant Accounting Policies (cont'd)

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

Note 2: Financial risk management objectives and policies

The Group's principal financial instruments are cash, the main purpose of which is to fund the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Foreign currency risk
The Group's financial statements can be affected by movements in the CAD$/A$ exchange rate, due to some administrative expenses and liabilities being incurred in Canadian dollars.

Commodity price risk
The Group's exposure to price risk is minimal.

Credit risk
The Group will trade only with recognised, creditworthy third parties. Credit verification procedures will be carried out when deemed necessary and receivable balances will be monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk
The Group's objective is to raise sufficient funds from equity to finance its exploration and development activities until its operations become profitable.

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:

	Consolidated Carrying Amount		Parent Entity Carrying Amount	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
CONSOLIDATED				
Financial assets				
Cash and cash equivalents	1,618,693	6,671,580	1,599,561	5,156,799
Other receivables	118,062	176,456	36,854	99,736
Deposits	173,060	52,454	26,739	49,409
	1,909,815	6,900,490	1,663,154	5,305,944

The Group's maximum exposure to credit risk at the reporting date was $1,618,693 (2009: $6,671,580) for cash and cash equivalents, $118,062 (2009: $176,456) for receivables and $173,060 (2009: $52,454) for deposits.

The Group's receivables include current outstanding taxation payments recoverable from the Australian government.

Note 2: Financial risk management (cont'd)

FINANCIAL INSTRUMENTS

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

	Consolidated Carrying Amount		Parent Entity Carrying Amount	
	2010	2009	2010	2009
	$	$	$	$
Australia	118,062	164,116	36,854	87,396
Canada	-	12,340	-	12,340
	118,062	176,456	36,854	99,736

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

Exposure to liquidity risk

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

Exposure to currency risk

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

	AUD	CAD	AUD	CAD
	31 March 2010		31 March 2009	
Cash and cash equivalents	1,173,635	448,994	5,197,375	1,474,205
Receivables	118,062	19,913	164,116	12,340
Deposits	153,713	17,772	30,707	21,747
	1,445,410	486,679	5,392,198	1,508,292
Trade and other payables	1,192,867	40,000	495,520	25,000
Owing to related parties	12,225	-	56,035	10,704
Lease liability	157,348	-	-	-
	1,362,440	40,000	551,555	35,704
Net exposure	82,970	446,679	4,840,643	1,472,588

Currency risk

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

Note 2: Financial risk management (cont'd)

FINANCIAL INSTRUMENTS

Currency risk (Continued)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the Canadian dollar at March 31 would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Consolidated		Company	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 March 2010				
CAD	47,390	(12,254)	47,390	(12,254)
31 March 2009				
CAD	(83,283)	21,772	(83,283)	21,772

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

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		Company Carrying Amount	
	2010	**2009**	**2010**	**2009**
Variable rate instruments				
Financial assets	1,618,693	6,671,580	1,599,561	5,156,799

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)

Note 2: Financial risk management (cont'd)

FINANCIAL INSTRUMENTS

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:

Consolidated	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	118,062	118,062	176,456	176,456
Cash and cash equivalents	1,618,693	1,618,693	6,671,580	6,671,580
Deposits	173,060	173,060	-	-
Lease liability	(157,348)	(157,348)	-	-
Trade and other payables	(1,208,500)	(1,208,500)	(587,260)	(587,260)
	543,967	543,967	6,260,776	6,260,776

Company	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	36,854	36,854	99,736	99,736
Cash and cash equivalents	1,599,561	1,599,561	5,156,799	5,156,799
Deposits	26,739	26,739	26,739	26,739
Trade and other payables	(605,925)	(605,925)	(138,680)	(138,680)
	1,057,229	1,057,229	5,144,594	5,144,594

Note 3: Revenue and expenses

		Consolidated		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
	Finance (costs)/income				
(a)	Bank interest income	95,981	497,821	88,357	184,131
	Depreciation, amortisation and foreign exchange differences included in income statement				
(b)	Depreciation and amortisation	26,381	21,426	9,188	8,658
	Net foreign exchange gains/(losses)	(113,172)	54,820	(113,172)	54,820
(c)	**Employee benefits expense**				
	Salaries and management fees	356,373	536,587	356,373	536,587
	Expense of share-based payments	1,052,153	19,438	1,052,153	19,438

Note 4: Income tax

		Consolidated 2010	Consolidated 2009	Parent Entity 2010	Parent Entity 2009
(a)	**Income tax equivalent expense**				
	Current tax expense	1,140,484	301,237	1,140,484	301,301
	Deferred tax expense	-	(47,877)	-	(47,877)
	Income tax expense (credit) attributable to profit (loss) from continuing operations	1140,484	253,360	1,140,484	253,424
(b)	**Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable**				
	Profit (loss) from continuing operations before income tax expense	(2,745,594)	(1,484,792)	(2,566,596)	224,372
	Tax at Australian tax rate of 30%	(823,678)	(445,438)	(769,978)	67,312
	Adjustment for items not deductible in calculating taxable income:				
	Stock based payments	315,646	5,831	315,646	5,831
	Other	33,952	228,965	33,952	228,965
	Other adjustments	(128)			
	IAPL tax losses excluded from reconciliation	-	512,686	-	-
	Recognition of prior years unrecognised tax losses	-	(47,877)	-	(47,877)
	Write back deferred tax amount	1,140,612	-	1,140,484	-
	Income not assessable in current year	-	(807)	-	(807)
		666,404	253,360	720,104	253,424
	Income tax losses and temporary differences not carried forward as deferred tax assets	474,080	-	420,380	-
	Income tax expense (credit) attributable to profit (loss) from continuing operations	1,140,484	253,360	1,140,484	253,424

Note 4: Income tax (cont'd)

(c) Tax consolidation

Macarthur Minerals Limited and its 100% owned subsidiaries have formed a tax consolidated group since January 2006. Internickel Australia Pty Ltd was a member of the group from January 2006 to April 2008, from which date it ceased to be a 100% owned subsidiary.

On 1 December 2009 a buy back was completed and Internickel Australia Pty Ltd again was a 100% owned subsidiary and part of the tax consolidated group.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
(d) Tax losses				
Tax losses for which no deferred tax asset has been recognised				
Tax losses	17,199,122	11,387,660	5,368,444	3,642,025
Potential benefit	5,159,736	3,416,298	1,610,533	1,092,607

Note 5: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and warrants).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations.

	Consolidated	
	2010	2009
	$'000	$'000
Net profit/(loss) attributable to members	(3,886,078)	(1,225,466)
Weighted average number of ordinary shares for basic earnings per share	21,017,850	18,688,787
Weighted average number of ordinary shares for diluted earnings per share	21,017,850	19,263,534

1,645,000 options and 2,000,000 warrants do not have a dilutive effect since the average market price of ordinary shares during the period did not exceed the exercise price of options and warrants.

Note 6: Cash and cash equivalents

	Consolidated		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Cash at bank and in hand				
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	1,618,693	6,671,580	1,599,561	5,156,799

The fair value of cash and cash equivalents is $1,618,693 (2009: $6,671,580)

6(a) Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 March:

Cash at bank and in hand	1,618,693	6,671,580	1,599,561	5,156,799

	Consolidated		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
6(b) Reconciliation from the net profit after tax to the net cash flows from operations				
Net Profit/(Loss)	(3,886,078)	565,874	(3,707,080)	(48,596)
Adjustments for:				
Interest received	(95,981)	(505,892)	(88,357)	(184,131)
Net foreign exchange differences	137,812	(81,825)	137,812	(81,825)
Depreciation of non-current assets	26,381	21,426	9,188	8,658
Inter-company administration fee	-	-	-	(1,644,900)
Changes in Assets and Liabilities				
(Increase)/Decrease in receivables	(23,918)	34,270	54,349	95,206
(Increase)/Decrease in deferred tax assets	1,140,612	(2,050,665)	1,140,484	272,969
(Increase)/Decrease in other operating assets	(93,867)	(22,867)	-	(19,822)
Increase/(Decrease) in payables	639,492	(177,749)	303,780	(204,590)
Share based payments	1,052,153	19,438	1,052,153	19,438
Finders fee reclassified	-	64,315	-	-
Net cash from operating activities	(1,103,394)	(2,133,675)	(1,097,671)	(1,787,593)

Note 7: Other Assets

	Consolidated		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Prepayments	232,559	52,454	251,906	49,409
Security deposits	173,060	-	7,392	
	405,619	52,454	259,298	49,409

Note 8: Property, plant and equipment

Consolidated	**Plant & Equipment $**	**Motor Vehicles $**	**Office Equipment $**	**Total $**
At 1 April 2008				
Cost or fair value	77,842	-	36,119	113,961
Accumulated depreciation	(5,999)	-	(7,563)	(13,562)
Net book amount	71,843	-	28,556	100,399
Year ended 31 March 2009				
Opening net book value	71,843	-	28,556	100,399
Additions	4,121	15,424	2,861	22,406
Disposals	-	-	-	-
Depreciation charge	(9,556)	(2,603)	(9,266)	(21,425)
Closing net book amount	66,408	12,821	22,151	101,380
At 31 March 2009				
Cost or fair value	81,963	15,424	38,980	136,367
Accumulated depreciation	(15,555)	(2,603)	(16,829)	(34,987)
Net book amount	66,408	12,821	22,151	101,380
Year ended 31 March 2010				
Opening net book value	66,408	12,821	22,151	101,380
Additions	6,146	146,390	38,936	191,472
Disposals	-	-	-	-
Depreciation charge	(10,371)	(2,884)	(13,125)	(26,380)
Closing net book amount	62,183	156,327	47,962	266,472
At 31 March 2010				
Cost or fair value	88,109	161,814	77,916	327,839
Accumulated depreciation	(25,926)	(5,487)	(29,954)	(61,367)
Net book amount	62,183	156,327	47,962	266,472

Note 8: Property, plant and equipment (cont'd)

Parent	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
At 1 April 2008				
Cost or fair value	77,842	-	36,119	113,961
Accumulated depreciation	(5,999)	-	(7,563)	(13,562)
Net book amount	71,843	-	28,556	100,399
Year ended 31 March 2009				
Opening net book value	71,843	-	28,556	100,399
Additions	-	-	-	-
Disposals	(71,843)	-	-	(71,843)
Depreciation charge	-	-	(8,658)	(8,658)
Closing net book amount	-	-	19,898	19,898
At 31 March 2009				
Cost or fair value	-	-	36,119	36,119
Accumulated depreciation	-	-	(16,221)	(16,221)
Net book amount	-	-	19,898	19,898
Year ended 31 March 2010				
Opening net book value	-	-	19,898	19,898
Additions	-	-	28,519	28,519
Disposals	-	-	-	-
Depreciation charge	-	-	(9,188)	(9,188)
Closing net book amount	-	-	39,229	39,229
At 31 March 2010				
Cost or fair value	-	-	64,638	64,638
Accumulated depreciation	-	-	(25,409)	(25,409)
Net book amount	-	-	39,229	39,229

Note 9 (a): Intangible Assets

	Consolidated		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Goodwill				
Cost	1,262,990	-	-	-
Accumulated impairment losses	-	-	-	-
Net carrying value	1,262,990	-	-	-
Reconciliation of goodwill				
Balance at beginning of year	-	-	-	-
Additions	1,262,990	-	-	-
Disposals	-	-	-	-
Amortisation charge	-	-	-	-
Impairment losses	-	-	-	-
Closing carrying value at 31 March 2010	1,262,990	-	-	-

As the net asset value exceeds the goodwill paid it is considered that impairment of goodwill is not necessary.

Note 9 (b): Investments in subsidiaries

	% owned	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Hatches Nominees Pty Ltd	100	-	-	5,000	-
Internickel Australia Pty Ltd	100	-	-	5,973,572	2,093,378
Tracker Resources Pty Ltd	100	-	-	1	1
		-	-	5,978,573	2,093,379

Note 10: Exploration and evaluation assets

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Costs carried forward in respect of areas of interest in:				
Exploration and/or evaluation	15,458,864	11,552,751	395,148	-
Cost				
Balance at beginning of year	11,552,751	5,152,049	-	-
Acquisition of exploration and evaluation assets	-	-	-	-
Disposals of exploration and evaluation assets	-	-	-	-
Exploration and evaluation assets capitalised	3,906,113	6,400,702	395,148	-
Balance at end of year	15,458,864	11,552,751	395,148	-

Note 11: Trade and other payables

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Trade creditors	652,705	520,521	263,143	78,489
Other creditors	543,570	-	330,557	-
	1,196,275	520,521	593,700	78,489

In February 2010, the Company lodged a Landholder Duty Statement and Duties Valuation Mining Tenements Form relating to the acquisitions of the 30% interest in IAPL from LPD and MMCL. The Company has not yet received a notice of assessment of duty from the West Australian Office of State Revenue relating to the acquisition. The Company has made provision for $241,630 for primary stamp duty and this amount is shown as a current liability in Trade and Other Payables and expensed to rents and rates.

Note 12: Financial Liabilities

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Financial lease on vehicles					
Current Liability net amount owing		33,168	-	-	-
Non-current Liability net amount owing		124,180	-	-	-
Present value of minimum lease payments	19(b)	157,348	-	-	-

Note 13: Contributed equity and reserves

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Ordinary shares				
Issued and fully paid	30,418,594	26,305,586	30,418,594	26,305,586
Number of shares on issue	*23,955,630*	*19,038,650*	*23,955,630*	*19,038,650*

Shares issued during the year

On 28 August 2009, 1,572,326 ordinary shares were issued to LPD Holdings (Australia) Pty Ltd at the fair value of CAD$0.80 cents per share to buy back a 10% interest in Internickel Australia Pty Ltd.

On 1 December 2009, 3,144,654 ordinary shares were issued to Minmetals Mining Corporation Limited at the fair value of CAD$0.80 cents per share to buy back a 20% interest in Internickel Australia Pty Ltd.

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

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

Reserves

Consolidated	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Dilution Gain Reserve $	Total $
As at 1 April 2008	258,972	429,493	-	688,465
Shares issued by Internickel	-	-	7,328,580	7,328,580
Share issue costs	-	-	(13,691)	(13,691)
Transfer from reserves	-	(222,240)	-	(222,240)
Cost of share based payments	-	19,438	-	19,438
Write down options	-	(226,691)	-	(226,691)
As at 31 March 2009	258,972	-	7,314,889	7,573,861
Adjustments re change in accounting policy	-	226,691	-	226,691
Cost of stock based payments	-	1,052,153	-	1,052,153
As at 31 March 2010	258,972	1,278,844	7,314,889	8,852,705

Note 13: Contributed equity and reserves (cont'd)

Reserves

Parent	**Foreign Currency Translation Reserve $**	**Share Based Payments Reserve $**	**Total $**
As at 1 April 2008	258,972	429,493	688,465
Transfer from reserves	-	(222,240)	(222,240)
Cost of share based payments	-	19,438	19,438
Write down options	-	(226,691)	(226,691)
As at 31 March 2009	258,972	-	258,972
Adjustments re change in accounting policy	-	226,691	226,691
Cost of stock based payments	-	1,052,153	1,052,153
As at 31 March 2010	258,972	1,278,844	1,537,816

Nature and purpose of reserves

Foreign Currency Translation Reserve
Until the year ended 31 March 2006, the assets and liabilities of the Group were translated from the functional currency (Canadian dollars) to the presentation currency (Australian dollars) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation were taken directly to this reserve.

The functional currency for subsequent years is Australian dollars.

Share-based payment reserve
The company has issued options to subscribe for the company's shares to certain employees and non-executive directors. The cost of these options is measured by reference to their fair value at the date at which they are granted. The fair value is determined using the Black-Scholes method.

Note 14: Share based payment plans

(a) Options

(i) 520,000 options were issued on 31 July 2009 and an exercise price of (CAD$1.00). They expire on 31 July 2014.

(ii) 1,025,000 options were issued on 3 December 2009 and an exercise price of (CAD$1.10). They expire on 3 December 2012.

The following table illustrates the number of share options on issue.

	2010	2009
Outstanding at the beginning of the year	1,575,000	1,575,000
Granted during the year	1,545,000	200,000
Exercised during the year	(200,000)	(200,000)
Expired during the year	(1,275,000)	-
Outstanding at the end of the year	1,645,000	1,575,000
Exercisable at the end of the year	1,645,000	1,575,000

The weighted average remaining contractual life for the share options as at 31 March 2010 is 2 years 10 months.

The range of exercise prices for options outstanding at the end of the year was CAD $1.00 to CAD $1.60.

(b) Warrants

No warrants were issued during the year.

The following table illustrates the number of share warrants on issue.

	2010	2009
Outstanding at the beginning of the year	2,000,000	2,500,000
Granted during the year	-	-
Exercised during the year	-	500,000
Expired during the year	-	-
Outstanding at the end of the year	2,000,000	2,000,000
Exercisable at the end of the year	2,000,000	2,000,000

1,500,000 warrants were due to expire on 3 July 2009. These warrants have been extended and are now due to expire on 3 January 2013.

500,000 warrants were due to expire on 15 July 2009. These warrants have been extended and are now due to expire on 15 January 2013.

Note 15: Related party disclosure

The consolidated financial statements include the financial statements of Macarthur Minerals Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest 2010	% Equity Interest 2009	Investment ($) 2010	Investment ($) 2009
Hatches Nominees Pty Ltd	Australia	100	-	5000	-
Internickel Australia Pty Ltd	Australia	100	70	5,973,572	2,093,378
Tracker Resources Pty Ltd	Australia	100	100	1	1
				5,978,573	2,093,379

Macarthur Minerals Limited is the ultimate parent entity for all entities.

		Sales to Related Parties $	Purchases from Related Parties $	Amounts Owed by Related Parties $	Amounts Owed to Related Parties $
Parent Entity					
Subsidiaries:					
Hatches Nominees Pty Ltd	2010				
	2009	-	-	-	-
Internickel Australia Pty Ltd	2010	-	-	4,122,361	-
	2009	-	-	1,946,206	-
Tracker Resources Pty Ltd	2010	-	-	424	-
	2009	-	-	212	-

Transactions between Macarthur Minerals Limited and related parties in the wholly owned group during the year comprised:

a) $23,758 (2009: $113,964) paid to Central Iron Ore Limited, an entity of which Alan Phillips (resigned 10 November, 2009) was a director and shareholder, for geological services,
b) $23,758 (2009: $26,018) paid to Central Iron Ore Limited, an entity of which Alan Phillips (resigned 10 November, 2009) was a director and shareholder, for office rent,
c) $63,000 (2009: $1,015) paid to Strategic Capital Services Pty Ltd, an entity of which Alan Phillips is a director and shareholder for office services and office rent,
d) The Company paid or accrued $286,374 (2009: $293,503) in directors and management fees during the year,
e) $NIL (2009: $43,875) paid to Ruby Rich Pty Ltd, an entity of which Nick Revell is a director, for geological services,
f) 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,
g) At March 31, 2010, there is $12,225 (2009: $200,000) owing to a major shareholder,
h) The Company received $NIL (2009: $45,014) in rent from Central Iron Ore Limited, an entity of which Alan Phillips (resigned 10 November, 2009) was a director and shareholder, for offices sub-let by the Company in Vancouver,
i) The Company received $18,031 (2009: $53,867) in rent from Cadan Resources Corporation, an entity of which Alan Phillips is a director, for offices sub-let by the Company in Vancouver.
j) $13,106 (2009: $NIL) paid to ClarkeKann Lawyers of which John Toigo is a partner, for legal fees.
k) $54,545 (2009: $NIL) paid to Unlimited Business Strategies Pty Ltd an entity of which Alan Phillips is a related party, for consulting services.

Note 15: Related party disclosure (cont'd)

l) The Company granted 1,545,000 (2009: 200,000) stock options to directors, officers and consultants, which are recorded as stock-based compensation with a fair value of $1,052,153 (2009: $92,460), including 150,000 options ($95,901) granted to Alan Joseph Phillips, a related party of Alan Spence Phillips.

Note 16: Key Management Personnel Disclosures

Directors

The following persons were directors of Macarthur Minerals Limited during the financial year.

Chairman
Alan S. Phillips

Non-executive Director
S Hickey
J Toigo (Appointed 31 August, 2009)
D Barwick (not re-elected 31 August, 2009)
J Canning-Ure (non re-elected 31 August, 2009)
N Revell (resigned on 20 April, 2009)

Other key management personnel
The following persons also had authority and responsibility for the planning, directing and controlling various activities of the company during the financial year.

Other company executives

David Taplin	Chief Financial Officer
	Company Secretary

Principals used to determine the nature and amount of remuneration
Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the company's operations.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Note 16: Key Management Personnel Disclosures (cont'd)

Details of Remuneration

Details of the remuneration of each key management personnel of Macarthur Minerals Limited are set out in the following tables.

2010	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
A Phillips	78,533	-	-	-	-	128,191	206,724
S Hickey	12,615	-	-	-	-	63,934	76,549
J Toigo	21,000	-	-	-	-	63,934	84,934
D Barwick	61,386	-	-		-	64,257	125,643
J Canning-Ure	112,085	-	-		-	64,257	176,342
N Revell	752	-	-	-	-	-	752
Other Company Executives							
D Taplin	60,000	-	-	-	-	95,901	155,901
Total	346,371	-	-	-	-	480,474	826,845

Total remuneration of each key management personnel of Macarthur Minerals Limited for the year ended 31 March 2009 is set out below.

2009	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
A Phillips	56,687	-	-	-	-	-	56,687
S Hickey	13,891	-	-	-	-	-	13,891
N Revell	171,538	-	-	-	-	-	171,538
D Barwick	126,050	-	-	-	-	-	126,050
J Canning-Ure	123,211	-	-	-	-	-	123,211
Other Company Executives							
W Lyne	20,948	-	-	-	-	-	20,948
Total	512,325	-	-	-	-	-	512,325

Note 16: Key Management Personnel Disclosures (cont'd)

Other transactions with key management personnel and related parties

A director, Alan Phillips, is a director of Phillips Exploration. Macarthur Minerals Limited entered into a contract with Phillips Exploration to provide consulting work. The services were based on normal commercial terms and conditions.

A director, Alan Phillips, is a director and shareholder of Strategic Capital Services which has provided secretarial services and office space to Macarthur Minerals Limited on normal commercial terms and conditions.

A director, Alan Phillips, is a related party to Alan Joseph Phillips, who is a director of Unlimited Business Strategies Pty Ltd, which provided consulting services based on normal commercial terms and conditions.

A director, John Toigo, who was appointed on 31 August 2009, is a partner in the law firm ClarkeKann which provided legal services on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel and related parties of Macarthur Minerals Limited:

	Consolidated		Parent Entity	
	2010	**2009**	**2010**	**2009**
Amounts recognised as expense	**$**	**$**	**$**	**$**
Consulting work	67,651	157,839	67,651	157,839
Office services	86,758	126,088	86,758	126,088
	154,409	283,927	154,409	283,927

	Consolidated		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Aggregate amounts payable to directors of Macarthur Minerals Limited at balance date relating to the above types of transactions	-	-	-	-
Current Liabilities	-	-	-	-

Equity instrument disclosures relating to key management personnel

Ordinary Shares

The number of shares in the Company held during the financial year by each director of Macarthur Minerals Limited, including their personally-related entities, are set out below.

Name	Number at 1/4/09	Number Acquired	Number Disposed	Number at 31/3/10
A Phillips	80,600	-	9,500	71,100
S Hickey	403,700	-	-	403,700
J Toigo	-	-	-	-
D Barwick	410,000	-	-	-
J Canning –Ure	215,000	-	-	-
N Revell	-	-	-	-
	1,109,300	-	-	474,800

Note 16: Key Management Personnel Disclosures (cont'd)

N Revell resigned as a director on 20 April, 2009.

D Barwick and J Canning-Ure were not re-elected as directors on 31 August, 2009.

The shares held by N Revell, D Barwick and J Canning-Ure are stated at the date they ceased being directors.

Options

The number of options in the Company held during the financial year by each director of Macarthur Minerals Limited, including their personally-related entities, are set out below.

Name	Number at 1/4/09	Number Acquired	Number Disposed	Number at 31/3/10
A Phillips	210,000	200,000	-	410,000
S Hickey	210,000	200,000	-	410,000
J Toigo	-	100,000	-	100,000
D Barwick	210,000	100,000	310,000	-
J Canning –Ure	210,000	100,000	310,000	-
N Revell	260,000	-	260,000	-
	1,100,000	700,000	880,000	920,000

N Revell resigned as a director on 20 April, 2009. The options held by N Revell lapsed on 31 August, 2009.

D Barwick was not re-elected as a director on 31 August, 2009. The options held by D Barwick lapsed on 1 December 2009.

J Canning-Ure was not re-elected a director on 31 August, 2009. 200,000 options held by J Canning – Ure were exercised in 23 February, 2010. 110,000 options lapsed on 1 March, 2010.

Warrant

The number of warrants in the Company held during the financial year by each director of Macarthur Minerals Limited, including their personally-related entities, are set out below.

Name	Number at 1/4/09	Number Acquired	Number Disposed	Number at 31/3/10
A Phillips	-	-	-	-
S Hickey	-	-	-	-
J Toigo	-	-	-	-
D Barwick	-	-	-	-
J Canning –Ure	-	-	-	-
N Revell	-	-	-	-
	-	-	-	-

Note 17: Retirement Benefits of Directors

No amounts have been paid in connection with the retirement of Directors and Executive Officers.

Note 18: Remuneration of Auditors

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
During the year the following fees were paid or payable for services provided by the auditor.				
WHK Horwath Melbourne:				
Audit and review of financial reports	32,746	23,321	32,746	23,321
Other services	8,535	37,046	8,535	37,046
Davidson & Company LLP:				
Audit of financial reports in Canada	63,721	44,790	63,721	44,790
Other services	3,098	4,618	3,098	4,618
Total remuneration for audit and other services	108,100	109,775	108,100	109,775

Non-audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditors, WHK Howarth Melbourne and Davison & Company LLP, for audit and non-audit services provided during the year are set out above.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration is required under section 307C of the *Corporations Act 2001* is set out on page 9.

Note 19: Commitments

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
(a) Operating Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	50,535	-	50,535	-
Later than one year but not later than five years	46,323	-	46,323	-
Non-cancellable operating lease	96,858	-	96,858	-

The lease is for office space for 2 years from 1 March 2010.

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
(b) Finance Lease commitments					
Commitments in relation to leases contracted for at the reported date and recognised as liabilities are:					
Not later than one year		41,291	-	-	-
Later than one year but not later than five years		140,427	-	-	-
		181,718	-	-	-
Minimum Lease payments		181,718	-	-	-
Less future finance payments		(24,370)	-	-	-
Present value of minimum lease payments	12	157,348	-	-	-

Minimum lease payments are $3,440 per month for 36 months commencing in March 2010. Total unexpired interest is $24,370. Three Nissan vehicles are used for exploration purposes.

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
(c) Exploration and evaluation expenditure				
In order to maintain current rights to tenure to exploration tenements, the company is required to perform minimum expenditure requirements specified by various governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made and at other times. These obligations are not provided for in the financial statements and are payable:				
Not later than one year	1,350,410	-	-	-
Later than one year but not later than five years	7,654,065	-	-	-
	9,004,475	-	-	-

Note 20: Contingent Liabilities

There are no contingent liabilities as of the date of this report.

Note 21: Post balance date events

Private Placement

As announced by the Company on 21 April, 2010, the private placement financing previously announced on 22 March 2010 was fully subscribed and closed on final acceptance of the TSX Venture Exchange, as announced in their bulletin published on 22 April, 2010.

The non-brokered private placement of up to 6,000,000 common shares at the price of CAD $1.50 per share raised total gross proceeds of CAD $9,000,000.

As announced in the TSX-V's bulletins published on 22 and 23 April, 2010, the Company paid total commissions of CAD $508,725 and 339,150 share purchase warrants in respect of the private placement to qualified parties comprised of up to a 7% cash fee and up to a 7% share purchase warrant. Each such warrant will entitle the holder to acquire one common share at a price of CAD $1.80 for a period of three years from closing of the private placement.

Net proceeds from the placement will be applied towards advancement of the Company's Lake Giles project and general working capital.

All net proceeds from the private placement have been received by the Company.

Issue of options

The Company announced in 4 May, 2010, that pursuant to the Company's Stock Option Plan it today granted an aggregate of 1,340,000 incentive stock options to various directors, officers, employees and consultants.

The options are exercisable for a 3 year period at CAD $2.00 per share and will be subject to a four month hold period commencing on the date of the grant.

Options exercised

The following options were exercised after 31 March, 2010 and up to the date of this report.

	Number	**Exercise Price (CAD)**
6 May, 2010	10,000	$1.10
1 June, 2010	10,000	$1.10
9 June, 2010	15,000	$1.10

One fully paid ordinary share was issued for each option.

Macarthur Minerals Limited

Directors' Declaration
31 March 2010

In accordance with a resolution of the Directors of Macarthur Minerals Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2010 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Alan Phillips
Chairman

Dated: 19 July 2010

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Independent Audit Report to the Members of Macarthur Minerals Limited and Controlled Entities as at 31 March 2010

1. REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Macarthur Minerals Limited and Controlled Entities ("the Company") which comprise the balance sheet as at 31 March 2010, the income statement, the statement of comprehensive income the statement of changes in equity and cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the accounts and the directors' declaration.

2. DIRECTORS RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

3. AUDITORS RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the Company would be in the same terms if provided to the directors as at the date of this auditor's report.

5. AUDITOR'S OPINION

In our opinion, the financial report of the Company is in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the company's financial position as at 31 March 2010 and of its performance for the financial year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(c) complying with the International Financial Reporting Standards as disclosed in Note 1.

WHK HORWATH MELBOURNE

Peter Sexton
Principal
Melbourne, Victoria 3001
19 July 2010