

# NOTICE OF ANNUAL GENERAL MEETING

MACARTHUR MINERALS LIMITED  
ACN 103 011 436

---

Notice is given that the Annual General Meeting of Macarthur Minerals Limited ACN 103 011 436 ('Company') will be held at the offices of Strategic Capital Limited, Level 19, 123 Eagle Street, Brisbane, Queensland on Friday 9 December 2005 at 11 am (Queensland time) (5 pm PST Thursday 8 December 2005).

## AGENDA

### ORDINARY BUSINESS

#### 1. FINANCIAL STATEMENTS AND REPORTS

The *Corporations Act 2001* requires that the report of the Directors, the Auditor's report and the financial report of the Company and its controlled entities for the year ended 31 March 2005 be laid before the Annual General Meeting. Neither the *Corporations Act 2001* nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements. However, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

Following consideration of reports the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management and audit of the Company.

#### 2. ELECTION OF DIRECTORS

To consider and, if thought fit, to pass the following as ordinary resolutions:

- 2.1 *'That Robert James Canning-Ure who retires by rotation in accordance with rule 6.1(i) of the Company's constitution, and being eligible, be re-elected as a director of the Company.'*
- 2.2 *'That Garry James Clark who was appointed to the Board following the last annual general meeting of the Company, and being eligible, be re-elected in accordance with rule 6.1(c) of the Company's constitution.'*
- 2.3 *'That Simon Hickey who was appointed to the Board following the last annual general meeting of the Company, and being eligible, be re-elected in accordance with rule 6.1(c) of the Company's constitution.'*
- 2.4 *'That Alan Phillips who was appointed to the Board following the last annual general meeting of the Company, and being eligible, be re-elected in accordance with rule 6.1(c) of the Company's constitution.'*
- 2.5 *'That David Barwick who was appointed to the Board following the last annual general meeting of the Company, and being eligible, be re-elected in accordance with rule 6.1(c) of the Company's constitution.'*

#### 3. APPOINTMENT OF AUDITORS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

- 3.1 *'That shareholders approve the appointment of Davidson and Company, LLP Chartered Accountants, as auditors of the Company.'*

## SPECIAL BUSINESS

### 4. RATIFICATION OF ISSUE OF SHARES FOR DEBT

To consider and, if thought fit, pass the following ordinary resolution:

*'That shareholders approve and ratify the issue of a total 803,200 shares to certain creditors of the Company as at August 2005 in circumstances where a total amount of debt of CDN\$160,640 was applied as the subscription money for fully paid ordinary shares in the Company at AUD\$0.20 cents per share and whereby such shares were allotted to each of the creditors in the numbers set out in the Explanatory Memorandum accompanying this notice of meeting in order to satisfy those debts.'*

### 5. RATIFICATION OF SHARE PLACEMENT

To consider and, if thought fit, pass the following ordinary resolution:

*'That shareholders approve and ratify the issue of 1,900,000 fully paid ordinary shares and 950,000 Company warrants to take up 950,000 fully paid ordinary Company shares made on 27 October 2005 this year having regard to the particulars set out in the Explanatory Memorandum accompanying this notice of meeting.'*

### 6. PRIVATE PLACEMENT APPROVAL

To consider and, if thought fit, pass the following ordinary resolution:

*'That shareholders approve participation by the Company's directors and all substantial Company shareholders in the Company holding 5% or more of the issued fully paid shares in the Company in a proposed private placement offering in the order of 4,000,000 fully paid ordinary shares in the Company at AUD\$0.30 cents per share with a view to raising CDN \$1,200,000'*

### 7. APPROVAL OF SHARE ISSUE TO TROY DALLA-COSTA

To consider and, if thought fit, pass the following ordinary resolution:

*'That shareholders approve the issue of 1,000,000 fully paid ordinary Company shares to Mr Troy Dalla-Costa and/or his nominee as a means of partial satisfaction of the amount payable to him for acquisition of all issued shares of Internickel Australia Pty Ltd (which holds the Lake Giles Project located in Western Australia) such shares to issue based on a price of AUD \$0.30 cents per share and having regard to the information in the Explanatory Memorandum accompanying this notice of meeting.'*

### 8. APPROVAL OF OPTION PLAN

To consider and, if thought fit, pass the following ordinary resolution:

*'That shareholders approve, subject to regulatory approval, the adoption of a stock option plan pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company's issued and outstanding shares being reserved to any one person on a yearly basis.'*

## 9. GRANT OF OPTIONS TO DIRECTORS AND CONSULTANTS

To consider and, if thought fit, pass the following ordinary resolution:

*'That shareholders approve the issue to directors and consultants as named in the schedule hereunder of such number of options to take up fully paid ordinary issued shares in the Company pursuant to the Stock Option Plan on a one for one basis, particulars of which are contained in the Explanatory Memorandum accompanying this notice of meeting.*

<i>Director/Consultant to be issued with options</i>	<i>No of options to be issued</i>
<i>Mr James Canning-Ure</i>	<i>90,000</i>
<i>Mr Garry Clark</i>	<i>90,000</i>
<i>Mr Simon Hickey</i>	<i>90,000</i>
<i>Mr Alan Phillips</i>	<i>90,000</i>
<i>Mr David Barwick</i>	<i>90,000</i>
<i>Mr Jim Gordon</i>	<i>25,000</i>
<i>3662951 Canada Ltd.</i>	<i>25,000</i>
<i>Ms. Gia Van Tran</i>	<i>25,000</i>

DATED: 9 November 2005

By Order of the Board

.....  
**R J Canning-Ure**  
 Company secretary

## NOTES

- (a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the enclosed proxy form.
- (d) A corporation may elect to appoint a representative in accordance with the *Corporations Act 2001* in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (e) If you have any queries on how to cast your votes then call Mr David Barwick on local (07) 3831 6104 or international telephone +61 7 3831 6104 during business hours.
- (f) There will, unless a valid objection is raised, not be any restrictions on the directors being able to vote on all resolutions (except resolution 6) having regard to Rule 6.5 of the Company's constitution. The directors and their associated companies do not intend to abstain from voting on resolution 6.

**EXPLANATORY MEMORANDUM**  
**MACARTHUR MINERALS LIMITED**  
ACN 103 011 436

---

This explanatory memorandum (the "**Explanatory Memorandum**") is furnished in connection with the solicitation of proxies by the management of **MACARTHUR MINERALS LIMITED** ("**Macarthur**" or the "**Company**") for use at the annual general meeting of the Company (the "**Meeting**") to be held on 9 December 2005 and at any adjournments thereof. The solicitation will be conducted by mail and may be supplemented by telephone or other personal contact to be made without special compensation by officers and employees of the Company. The cost of solicitation will be borne by the Company.

**APPOINTMENT OF PROXYHOLDER**

The Company prefers the appointment of one of its officers or directors as a proxy holder (the 'Management Proxy Holder'). A duly completed form of proxy will constitute the person(s) named in the enclosed form of proxy as the shareholder's proxyholder. The persons whose names are printed in the enclosed form of proxy for the Meeting are officers or directors of the Company (the "**Management Proxyholders**").

**A shareholder has the right to appoint a person other than a Management Proxyholder, to represent the shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a shareholder.**

**VOTING BY PROXY**

Common shares of the Company (the "**Shares**") represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the shareholder (the "**shareholder**") on any ballot that may be called for.

**If no choice is specified and one of the Management Proxyholders is appointed by a shareholder as proxyholder, such person will vote in favour of the matters proposed at the Meeting and for all other matters proposed by management at the Meeting.**

**NON-REGISTERED HOLDERS**

**Only shareholders whose names appear on the records of the Company as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting.** Most shareholders of the Company are "non-registered" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your shares through a broker, you are likely an unregistered holder.

In accordance with securities regulatory policy, the Company has distributed copies of the Meeting materials, being the Notice of Meeting, this Explanatory Memorandum and the Proxy, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Shares are voted at the Meeting.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

In addition, Canadian securities legislation now permits the Company to forward meeting materials directly to "non objecting beneficial owners". If the Company or its agent has sent these materials directly to you (instead of through a Nominee), your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Nominee holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Nominee holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

### **REVOCABILITY OF PROXY**

Any registered shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the registered shareholder or by his attorney authorized in writing or, if the registered shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting. **Only registered shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must, at least seven (7) days before the Meeting, arrange for their respective Intermediaries to revoke the proxy on their behalf.**

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Company is authorized to issue an unlimited number of common shares without par value of which 5,293,062 common shares were issued and outstanding on November 9, 2005. The holders of common shares are entitled to one vote for each common share held. Holders of common shares of record at the close of business on November 9, 2005 will be entitled to receive notice of and vote at the Meeting.

To the knowledge of the directors and executive officers of the Company, no person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all shares of the Company except the following:

<u>Name</u>	<u>No. of Common Shares Owned or Controlled</u>	<u>Percentage of Outstanding Common Shares</u>
MDA Capital Pty Ltd	1,552,226	29%

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

There are nine categories of business on the agenda for the 2005 annual general meeting of Macarthur.

#### **1. 2005 FINANCIAL STATEMENTS AND REPORTS**

As indicated in the notice of annual general meeting, resolution is not required with respect to the adoption of the current financial year's accounts or reports. However, shareholders are welcome to ask questions of management/directors about the company's financial statements and reports or comment on the same.

#### **2. ELECTION/RE-ELECTION OF DIRECTORS**

Under the Company's constitution, one third of the Company's directors are to retire at each annual general meeting and, being eligible, may seek re-election as a director. Resolution 2 deals with the situation of those directors who because of the Company's constitution need to retire at each AGM. Under the constitution, one third of the incumbent directors of the Company must retire at each AGM. Once retired, those directors may seek re-election. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed. The Company is required to have an audit committee. Members of this committee are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows:

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares beneficially owned or, directly or indirectly, Controlled<sup>(2)</sup></i>
<b>R.J. CANNING-URE</b> <sup>(1)</sup> Brisbane, Queensland, Australia President and Director	President of the Company since 25 January 2005. Finance Director of NewEcon Limited since May 2001. Previously Company Director for 15 years specialising in Capital Raising for companies	Since 25 January 2005	125,000
<b>GARRY CLARK</b> <sup>(1)</sup> Brisbane, Queensland, Australia Director	Managing Director of Oakgrade Pty Ltd, a geological consulting business. Mr Clark is currently on the boards of two publicly listed companies, Verus Investments Limited and TSXV company Sur American Gold Corporation Inc. From August 2001 until July 2005 he was also a director of Sherlock Bay Nickel Corporation Limited, and for seven years until March 2003 a director of Eastern Corporation Limited.	Since 11 February 2005	189,500
<b>SIMON HICKEY</b> <sup>(1)</sup> Albuquerque, New Mexico, USA Director	CEO of marketing company Performance Marketing Solutions Inc. since May 2003. From 2000, CEO of private investment company Clavell Holdings Pty Ltd .	Since 11 February 2005	90,500

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares beneficially owned or, directly or indirectly, Controlled<sup>(2)</sup></i>
<b>ALAN PHILLIPS</b> Brisbane, Queensland, Australia, Director	Mr. Alan Philips has been a director, excusive director and chairman of ASX listed public companies covering a period of 30 years, specialising in start-up and turn-around across a broad range of industries, but predominantly in the mining exploration and technology industries. Mr Phillips' current directorships include Jumbo Corporation Limited (Chairman), Verus Investments Limited, SUR gold Corporation Inc (TSX-V) and InterCOAL Limited	Since 21 October 2005	529,000
<b>DAVID BARWICK</b> Brisbane, Queensland, Australia Director	Public Company Director (32 Years) Governing Director of Barwick Investments Pty Ltd for the past 10 years. Currently Executive Chairman of Global Approach Limited and Chairman Metallica Minerals Limited.	Since 21 October 2005	125,000

## Notes:

- (1) Member of the audit committee.
  - (2) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at November 9, 2005, based upon information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly.
- 2.1 Mr R.J. Canning-Ure was appointed as a director on 25 January 2005 and under Rule 6.1(c) of the Company's Constitution and seeks re-appointment as a director.
  - 2.2 Mr Garry Clark was appointed by the Board as a director on 11<sup>th</sup> February 2005 Under Rule 6.1(c) of the Company's Constitution, Mr Clark needs to be re-elected at the next following Annual general Meeting following that date, ie this Annual General Meeting if he is to remain a director. **Mr Clark** seeks re-election as a director.
  - 2.3 Mr Simon Hickey was appointed by the Board as a director on 11<sup>th</sup> February 2005. Under Rule 6.1(c) of the Company's Constitution, Mr Hickey needs to be re-elected at the next following Annual general Meeting following that date, ie this Annual General Meeting if he is to remain a director. **Mr Hickey** seeks re-election as a director.
  - 2.4 Mr Alan Phillips was appointed by the Board as a director on 21 October 2005. Under Rule 6.1(c) of the Company's Constitution, Mr Phillips needs to be re-elected at the next following Annual general Meeting following that date, ie this Annual General Meeting if he is to remain a director. **Mr Phillips** seeks re-election as a director.
  - 2.5 Mr David Barwick was appointed by the Board as a director on 21 October 2005 Under Rule 6.1(c) of the Company's Constitution, Mr Barwick needs to be re-elected at the next following Annual General Meeting following that date, ie this Annual General Meeting if he is to remain a director. **Mr Barwick** seeks re-election as a director.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the Company acting solely in such capacity.

To the knowledge of the Company, no proposed director:

- (a) is, as at the date of the Explanatory Memorandum, or has been, within 10 years before the date of the Explanatory Memorandum, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity,
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of the Explanatory Memorandum, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### 3. APPOINTMENT OF AUDITORS

Davidson & Company LLP, of Vancouver, British Columbia, Canada are the auditors of the Company. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Davidson & Company LLP, Chartered Accountants as the auditors of the Company to hold office for the ensuing year at a remuneration to be fixed by the directors.

### 4. RATIFICATION OF ISSUE OF SHARES FOR DEBT

As at September 8, 2005, the Company owed a number of creditors a total sum of CDN\$160,640. The Company wished to preserve its limited cash and the creditors collectively agreed to accept Company shares as the consideration for the payment of their respective debts based on an issue price of AUD\$0.20 per share. As a consequence, the following creditors were allotted fully paid ordinary shares in the Company in numbers identified opposite their names and respective debts owing to them in the table below.

James Canning-Ure	25,000	125,000
Garry J Clark	37,900	189,500
David K Barwick	25,000	125,000
MDA Capital Pty Ltd	49,490	247,450
Agmar Investments Pty Ltd	9,300	46,500
Glen Battershill	9,300	46,500
Gregory J Burton	4,650	23,250

In all the circumstances, the directors considered that this was the most convenient and expeditious way of clearing the debt owed by the Company, utilising a share price which was considered fair and reasonable.

#### 5. RATIFICATION OF SHARE PLACEMENT

1,900,000 fully paid ordinary shares and 950,000 warrants to take up fully paid ordinary shares in the Company were distributed to placees and companies associated with Mr Alan Phillips and Mr David Barwick on 27 October 2005. The shares in question were applied for by the companies associated with Messrs Phillips and Barwick respectively before the dates in which they were appointed as directors for a consideration of CDN\$0.20 cents per unit. Each unit was comprised of one share and one half of one common share purchase warrant. The actual number of shares and warrants which issued were allocated to the following parties and in the following numbers:

<b>Name of Allottee</b>	<b>No. of shares / warrants allotted</b>
First Apollo Capital Limited	250,000/125,000
Phillips Exploration Pty Ltd ATF Family Trust	279,000/139,500
Barwick Investments Pty Ltd	40,250/20,125
EKE Holdings Pty Ltd	250,000/125,000
Berpaid Pty Ltd	250,000/125,000
Roscious Pty Ltd	232,500/ 116,250
Mrs Carolyn Gordon	23,250/11,625
Brett Taylor	325,000/162,500
Jaldale Pty Ltd	250,000/125,000

#### 6. PRIVATE PLACEMENT APPROVAL

The Company is proposing a further issue of shares in order to fund transaction costs of the acquisition of Internickel Australia Pty Ltd and to fund expenditure for exploration and general administration. It is anticipated that CDN\$1.2 million be raised for this purpose where funds will be applied:-

Troy Dalla-Costa (AUD \$1million)	CDN\$950,000
Exploration and administration	CDN\$250,000
<b>Total</b>	<b>CDN\$1,200,000</b>

The identity of offerees is yet to be finalised though the intention is to offer a portion of the shares to parties other than current shareholders of the Company. Nevertheless, it is expected that the Company's directors, their associated companies and substantial shareholders in the Company will be approached to fund part of the amount sought to be raised. All of the shares will be offered at the equivalent of CDN\$0.30 cents cash per share.

On the basis that an estimated 4,000,000 fully paid ordinary shares might issue as a result of this fund raising exercise, and having regard to the issue of 1 million Company shares to Troy Dalla-Costa (see resolution 6) the Company's ordinary shareholding will increase from 5,293,062 shares to 10,293,062 shares. The directors are satisfied that the price set is fair and reasonable and that the Company's prospects will be improved by this much needed funding as well as to give the Company the financial security on a going forward basis.

7. APPROVAL OF SHARE ISSUE TO MR TROY DALLA-COSTA

Mr Troy Dalla-Costa owns all of the shares in Internickel Australia Pty Ltd. The Company has entered into an option agreement with Mr Dalla-Costa to acquire all of the issued shares in Internickel Australia Pty Ltd. The consideration forming the purchase price will be the issue of 1,000,000 fully paid ordinary shares in the Company at a deemed issue price of CDN\$0.30 cents per share and the payment of AUD\$1,000,000 (CDN\$950,000 approx) cash. Internickel Australia Pty Ltd holds 100% in the interest in tenements for the Lake Giles Project, located in Western Australia, on which the Company has carried out exploration activities before the option agreement was exercised.

8. APPROVAL OF ADOPTION OF STOCK OPTION PLAN

The Board of Directors of the Company adopted a new stock option plan (the "Stock Option Plan") effective 25 October 2005, subject to acceptance by the TSX Venture Exchange and the shareholders of the Company.

The purpose of the Stock Option Plan is to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to 5 years as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the Exchange. Pursuant to the Stock Option Plan, the Board of Directors may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The maximum number of common shares which may be issued pursuant to options previously granted and those granted under the Stock Option Plan will be a maximum of 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The Stock Option Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

The Stock Option Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

The full text of the Stock Option Plan will be available for review at the Meeting.

9. GRANT OF OPTIONS TO DIRECTORS AND CONSULTANTS

As a means of incentivising directors and consultants to the Company and to compensate directors who have not received directors' fees (nor are the Company's directors expecting to be paid director's fees in the foreseeable future) it is proposed, with shareholder approval, that the directors and certain named consultants be granted (for no consideration) certain options to take up fully paid ordinary shares in the Company in accordance with the allocations set out in the table specified in this resolution. Each of the options will be to take up one fully paid ordinary share in the Company on exercise for an exercise price of \$0.30 per share. The option rights shall remain eligible for exercise until 5.00pm Brisbane time on 25 October 2010. The grant of these options to directors is considered to be, in all of the circumstances, reasonable and an issue of those options is not considered to be a related party transaction for the purposes of Part 2E.1 of the Corporations Act.

## EXECUTIVE COMPENSATION

The following table (presented in accordance with National Instrument Form 51-102F6 ("**Statement of Executive Compensation**" ("**Form 51-102F6**")) sets forth all annual and long term compensation for

services in all capacities to the Company for the three most recently completed financial years (to the extent required by Form 51-102F6) in respect of each of the individuals comprised of the Chief Executive Officer and the Chief Financial Officer as at March 31, 2005 and the other three most highly compensated executive officers of the Company as at March 31, 2005 whose individual total salary and bonus for the most recently completed financial year exceeded \$150,000 and any individual who would have satisfied these criteria but for the fact that individual was not serving as such an officer at the end of the most recently completed financial year (collectively the "Named Executive Officers" or "NEOs").

***Summary Compensation Table***

<b><u>Annual Compensation</u></b>					<b><u>Long Term Compensation</u></b>			
					<b><u>Awards</u></b>		<b><u>Payouts</u></b>	
<b><i>Name and Principal Position</i></b>	<b><i>Year</i></b>	<b><i>Annual Salary (\$)</i></b>	<b><i>Bonus (\$)</i></b>	<b><i>Other Annual Compensation (\$)</i></b>	<b><i>Securities Under Option Granted (#)</i></b>	<b><i>Restricted Shares or Restricted Shares Units (\$)</i></b>	<b><i>LTIP Payouts (\$)</i></b>	<b><i>All Other Compensation (\$)<sup>(2)</sup></i></b>
John Ferguson, Former President <sup>(1)</sup>	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	\$58,631
	2003	Nil	Nil	Nil	Nil	Nil	Nil	\$52,407
James Canning-Ure Current President <sup>(3)</sup>	2005	Nil	Nil	\$25,000	Nil	Nil	Nil	Nil
	2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2003	n/a	n/a	n/a	n/a	n/a	n/a	n/a

<sup>(1)</sup> Mr. Ferguson provided services to the Company for the period from April 1, 2004 to February 11, 2005.

<sup>(2)</sup> Monies paid to Spar Resources Pty Limited, a company controlled by Dr. Ferguson.

<sup>(3)</sup> Mr Canning- Ure provided services for a 14 month period prior to the 31 March 2005 as a consultant to the Company.

***Long Term Incentive Plan (LTIP) Awards***

The Company does not have a LTIP, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities), was paid or distributed to the Named Executive Officers during the most recently completed financial year.

***Option Grants During the Most Recently Completed Financial Year***

The Company did not grant stock options under a Stock Option Plan or otherwise during the most recently completed financial year to the Named Executive Officers.

***Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values***

The Named Executive Officers did not exercise any options in respect of the Company's Shares during the most recently completed financial year..

***Directors' Option Repricings During the Most Recently Completed Financial Year***

There was no re-pricing of stock options under the Company's stock option plan or otherwise during the most recently completed financial year.

***Termination of Employment, Changes in Responsibility and Employment Contracts***

There were no terminations of employment or changes in responsibility during the year.

***Compensation of Directors***

The Company has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Company or its subsidiaries for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts during the most recently completed financial year.

The Company has a formalized stock option plan for the granting of incentive stock options to officers, employees, and directors. The Company did not grant stock options to the Directors during the most recently completed financial year.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The Company has no compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year.

**INDEBTEDNESS TO COMPANY OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

There is no indebtedness of any Director, executive or senior officer, proposed nominee for election as a Director or associate of them, to or guaranteed or supported by the Company or any of its subsidiaries either pursuant to an employee stock purchase program of the Company or otherwise, during the most recently completed financial year.

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as set out herein, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as a director of the Company and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed above in this Explanatory Memorandum, no informed person or proposed director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company.

**MANAGEMENT CONTRACTS**

No management functions of the Company are performed to any substantial degree by a person other than the directors or executive officers of the Company.

**AUDIT COMMITTEE****The Audit Committee's Charter*****Mandate***

The primary function of the audit committee (the "**Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous

improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

#### *Composition*

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

#### *Meetings*

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

#### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

##### *(I)1. Documents/Reports Review*

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

##### *(I)2. External Auditors*

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.

- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

#### *Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(II) *Other*

Review any related-party transactions.

**Composition of the Audit Committee --**

The following are the members of the Committee:

R.J Canning-Ure	Independent ①	Financially literate ①
Garry Clark	Independent ①	Financially literate ①
Simon Hickey	Independent ①	Financially literate ①

① As defined by Multilateral Instrument 52-110 ("**MI 52-110**").

**Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

**Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

### **Pre-Approval Policies and Procedures**

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

### **External Auditor Service Fees (By Category)**

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

<i>Financial Year Ending</i>	<i>Audit Fees</i>	<i>Audit Related Fees</i>	<i>Tax Fees</i>	<i>All Other Fees</i>
March 31, 2004	\$19,678	\$N/A	\$N/A	\$N/A
March 31, 2005	\$31,403	\$N/A	\$N/A	\$N/A

### **Exemption in Section 6.1 of MI 52-110**

The Company is relying on the exemption in Section 6.1 of MI 52-110 from the requirement of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations): Venture issuers are exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of MI 52-110.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at 1300 – 885 West Georgia Street Vancouver, British Columbia, Canada V6C 3E8 or 13<sup>th</sup> floor 340 Adelaide Street Brisbane QLD, Australia to request copies of the Company's financial statements and MD&A.

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year which are filed on SEDAR.

### **OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

DATED this 9th day of November, 2005.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF MACARTHUR MINERALS LIMITED**

---

JAMES CANNING-URE  
President and Director