

MACARTHUR MINERALS LIMITED

Management Discussion and Analysis (Form 51-102F1)

**For the Second Quarter ended September 30, 2005
Information as of November 23, 2005 unless otherwise stated**

Note to Reader

The following management discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's annual audited financial statements for the year ended March 31, 2005 and for the three months ended June 30, 2005 and the six months ended September 30, 2005, together with the notes thereto, as well as, the Companies previous financial and MD&A reports. The material herein, as of November 23, updates the information as of August 25, 2005 contained in the MD&A of that report. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Forward-Looking Information

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Overall Performance

Macarthur is a mineral exploration company that has focused its exploration activities in Western Australia.

In October 2002, the Company changed its name to Macarthur Diamonds Limited from Citation Resources Inc. and consolidated its share capital on a 5:2 basis.

On January 25, 2005, the Company held its Annual and Special General Meeting. At the meeting, shareholders approved 1) the re-election of the Hon. Keith De Lacy as a Director of the Company; 2) the appointment of Mr. James Canning-Ure as an additional Director of the Company; 3) the consolidation of the Company's capital on a ten (old) for one (new) basis; 4) the name change to Macarthur Minerals Limited (or to such other name as decided upon by the directors); 5) the appointment of Davidson & Company Chartered Accountants as auditors; and 6) the continuance of the Company back to the province of British Columbia from Australia.

In July, the Company completed the name change to Macarthur Minerals Limited and consolidated its share capital on a 10:1 basis. The continuance into British Columbia has not yet been completed.

As of February 11, 2005, Dr. John Ferguson resigned as an officer and director of the Company. The Board of Directors appointed Garry Clark as his replacement. Mr. Clark is a Director of Vancouver based Sur American Gold Corporation. He graduated in 1963 from the University of New England, New South Wales, Australia graduating with a B.Sc (Hons) Degree and has been active in the Australian Mining industry for forty years. Since 1985 he has been a consultant to exploration companies with operations in Australia, Malaysia and the Philippines. Garry is a fellow of the Australian Institute of Mining and Metallurgy and a fellow of the Society of Geologists. As well, the

Board of Directors has appointed Simon Hickey as a director of the Company. Simon Hickey has been a corporate advisor to a number of Public Companies both in Australia and North America for the past 15 years.

Subsequent to the end of the period, on October 21, 2005, Keith De Lacy, Roger Marshall and Don Nissen resigned from the board of directors of the Company. They have been replaced by David Barwick and Alan Phillips. Mr. Barwick is an accountant with over 32 years experience in the management and administration of publicly listed companies both in Australia and North America. Mr. Barwick is presently chairman of Metallica Minerals Limited (Australia) and executive chairman of Global Approach Limited (Australia). Alan Phillips has been a director, exclusive director and chairman of Australian Stock Exchange-listed public companies covering a period of 30 years, specializing in start-up and turnaround across a broad range of industries, but predominantly in the mining exploration and technology industries. Mr. Phillips has also been involved in numerous mergers, acquisitions, takeovers, joint ventures, alliances and fundraisings in Australia, Asia, Europe and the United States of America. He spent five years working in the United States as chief executive officer of a large ethanol manufacturing company owned by Continental Asset Management of New York. The business experience Mr. Phillips gained in the United States has proved an invaluable basis for his Australian corporate interests. Mr. Phillip's current directorships include Jumbo Corporation Limited (Chairman), Verus Investments Limited, Sur American Gold Corporation Inc. (TSX Venture Exchange) and InterCOAL Limited.

The Company's loss from operations for the three months ended September 30, 2005 totaled \$33,680, a loss of \$0.01 per share, as compared to a loss of \$11,061 for the three months ended September 30, 2004, a loss of \$0.00 per share. Assets increased from \$113,425 as at September 30, 2004 to \$320,827 as at September 30, 2005 as a result of capitalizing resource expenditures and raising additional capital by way of shareholder loans and conversions to equity over the period. The proceeds of the capital raising were and will be used to fund the Company's exploration program and to cover operating expenses.

General and administrative expenses increased from \$11,066 in the three months ended September 30, 2004 to \$33,920 in the three months ended September 30, 2005. There were no deferred exploration or property write-offs in the second quarter ended September 30, 2005. Interest and Other income was \$240 (2004 - \$5) for the second quarter ended September 30, 2005.

The change in expenses over the previous period is attributed to changes in operating conditions and the timing of certain expenditures which change from period to period. Significant changes in General and Administrative costs were: Management fees increased by \$6,692 to \$10,500 as a result of reconstituting the management team; Office and general expenses declined by 1,882 to \$1,308 for the same reason; Professional fees increased by \$11,899 to \$16,041 and filing fees increased by \$2,999 to \$3,930 as a result of the restructuring and refinancing of the Company.

Exploration Update

During the year, Macarthur entered into agreements whereby the Corporation is receiving the benefit of an assignment of an option agreement from Internickel Limited ("Internickel") of all of Internickel's rights, benefits, interests and obligations to acquire Internickel Australia Pty. Ltd. ("Internickel Australia").

On January 19, 2004, Internickel entered into an option agreement (as subsequently amended) (the "Option Agreement") with Troy Dalla-Costa ("Dalla-Costa"); the owner of the Internickel Australia shares and Internickel Australia under which Dalla-Costa agreed to grant to Internickel an option to acquire all of the common shares of Internickel Australia.

On completion of its due diligence of Internickel Australia, Internickel paid to Internickel Australia a non-recourse loan of AU \$300,000. To finalize the transaction, Internickel was to issue to Dalla-Costa 10,000,000 Internickel shares on the successful completion of a fundraising prospectus. This condition was not met and the Option Agreement was subsequently extended to April 30, 2005.

On February 23, 2005, Internickel agreed to assign to the Company all of its rights, benefits and interest under the Option Agreement. As the result of such assignment, the Company has until

September 30, 2005 to exercise its option to acquire all of the common shares of Internickel Australia. As consideration for extending the option period, the Corporation paid AU \$50,000 (CAD \$46,745) to Dalla-Costa on February 22, 2005.

If the Company chooses to exercise the option under the Option Agreement, the Company is required to issue AU \$1,300,000 worth of the Company's common shares to Dalla-Costa. In the event the Company exercises the option to acquire Internickel Australia, the Corporation will for consideration of the assignment and in recognition of Internickel's expenditure incurred under the Option Agreement pay \$10 and issue 20% of the shares in Internickel Australia to Internickel.

On November 2, 2005 the Company issued a news release announcing a private placement to raise gross proceeds of CDN \$1,200,000. The Company intends to utilize AUD\$1,000,000 (Approx. CDN \$950,000) to meet its property payment obligations to Dalla-Costa. This payment and the issue of 1,000,000 shares to Dalla-Costa will finalize this acquisition.

GENERAL

The Company is a junior mineral exploration company listed on the TSX Venture Exchange and engaged in the acquisition, exploration and development of mineral properties. It has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing; however, in the event this does not occur, there is doubt about the ability of the Company to continue as a going concern. The Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the periods ended September 30, 2005 and 2004 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Company's recent exploration experience and prospects, as well as the general market conditions relating to the availability of funding for exploration-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Trends

The Company's financial success is dependent upon the discovery of properties which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Competitive Conditions

The resource industry is intensively competitive in all of its phases. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of gold and other resource acquisition opportunities and

as a result, the Company may be unable to acquire suitable producing properties or prospects for exploration in the future on terms it considers acceptable. The Company competes with many other companies that have substantially greater financial resources than the Company.

Environmental Factors and Protection Requirements

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 nil to minimal environmental impact.

Risks and Uncertainties

The risks and uncertainties affecting the Company remain unchanged from those disclosed in its Annual MD&A.

RELATED PARTY TRANSACTIONS

During the years ended September 30, 2005 and 2004, the Company incurred the following transaction with a director of the Company:

	<u>2005</u>	<u>2004</u>
Management fees	\$ -	\$1,831

This transaction was measured by the exchange amount, which is the amount agreed upon by the transacting parties.

COMMITMENTS

The Company has no material commitments at this time.

SUBSEQUENT EVENTS

There are no material subsequent events that have not been disclosed in this document.

ACCOUNTING POLICIES

Accounting policies are listed in Note 2 to the Financial Statements for September 30, 2005.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with September 30, 2005. Financial information is prepared according to GAAP and is reported in Canadian \$.

	<u>Dec-31</u> <u>2003</u>	<u>Mar-31</u> <u>2004</u>	<u>Jun-30</u> <u>2004</u>	<u>Sep-30</u> <u>2004</u>	<u>Dec-31</u> <u>2004</u>	<u>Mar-31</u> <u>2005</u>	<u>Jun-30</u> <u>2005</u>	<u>Sep-30</u> <u>2005</u>
Interest Income	\$22	\$29	\$66	\$5	\$14	\$47	\$ -	\$240
Net loss	\$(3,558,248)	\$(168,767)	\$(41,528)	\$(11,061)	\$(41,407)	\$(121,968)	\$(27,305)	\$(33,680)
Net loss per share	\$2.03	\$0.07	\$0.02	\$0.00	\$0.02	\$0.05	\$0.01	\$0.01

LIQUIDITY AND CAPITAL RESOURCES

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire and explore mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardised. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international, political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

The Company has a working capital deficit at September 30, 2005 of \$77,633 compared with a deficit of \$7,834 as at September 30, 2004. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital. The Company has made an application to convert related party, shareholder and other loans into share capital.

FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point of time, based on relevant information about financial markets and specific financial instruments. At these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, marketable securities, sundry receivable, and accounts payable and accrued liabilities and mortgage loans approximate their fair market value because of the short-term nature of these instruments.

OUTSTANDING SHARE DATA AS OF NOVEMBER 23, 2005:

Authorized and issued share capital:

Class	Par Value	Authorized	Issued
Common	No par value	250,000,000	3,393,062

OTHER INFORMATION

The Company's website address is www.macarthurminerals.com. Other information relating to the Company may be found on SEDAR at www.sedar.com.

BY ORDER OF THE BOARD

"Alan Phillips"
Alan Phillips, Director

"David Barwick"
David Barwick, Director