

# **MACARTHUR MINERALS LIMITED**

## **Management Discussion and Analysis (Form 51-102F1)**

**For the Second Quarter ended September 30, 2007  
Information as of November 28, 2007 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, 2007 and the unaudited financial statements for the three months ended June 30, 2007 and the unaudited financial statements for the six months ended September 30, 2007, together with the notes thereto, as well as, the Companies previous financial and MD&A reports. The material herein, as of November 28, 2007 updates the information as of August 22, 2007 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 with 42 reverse circulation drill holes completed by the Company from April 2006 to February 2007 and totaling 7,746 metres. A further fourth stage of drilling commenced in October 2007, with the intention of drilling up to a further 10,000 metres. In excess of 800 metres of this stage has been drilled as at the date of the report. No results are yet available.

All exploration activities are focused on the Company's 100% owned Lake Giles project owned by its wholly-owned subsidiary Internickel Australia Pty Ltd.

### **Exploration Update**

The Company commenced the fourth (4) drilling program in October 2007, and subject to receiving similar results obtained in the first three (3) stages of drilling, it is expected that a further 10,000 metres of drilling will be carried out. The proposed drilling program was designed to increase the inferred mineral resource by testing some possible hematite zones as well as work within the Clark Hill North area. There is considerable near term potential to add resources in the exploration target. These iron targets and the Stage 4 drilling program have the potential to increase the Lake Giles resource base to an even greater level. In addition, several Nickel (NI) targets have been identified and these will be considered for drilling during this program.

## **Exploration Update (Continued)**

During the quarter the Company has focused on rehabilitating areas disturbed during the previous drilling programs.

The Company has released an independent report (available on [www.sedar.com](http://www.sedar.com)) prepared by Hellman and Schofield Pty Ltd to ascertain a Mineral Resource Estimate based on the drilling completed to date. The report estimates an in-situ Inferred Mineral Resource for Lake Giles of 82.5 million tonnes @ 24.6% Fe representing magnetic concentrate of 18.46 million tonnes @ 63.1% Fe.

## **RISKS AND UNCERTAINTIES**

The Company is subject to a number of risk factors due to the nature of its business and the present stage of development. The following risk factors should be considered:

### **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. Based on the Hellman & Schofield Pty Ltd report, the Company has proceeded to its Stage 4 drilling program.

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, 2007 and 2006 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 resources on its 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 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 Western 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 periods ended September 30, 2007 and 2006, the Company incurred the following transactions with directors of the Company:

	<u>2007</u>	<u>2006</u>
Management and directors fees	\$ 24,177	\$ 49,524
Geological services	\$ 33,587	\$ 45,033
Investor relations services	\$ 52,641	\$ -

These transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties. At September 30, 2007, \$59,050 (2006 - \$127,179) is owed to directors and a private Company controlled by a director for accrued management fees and for expenses paid on behalf of the Company.

## **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, 2007.

## RESULTS OF OPERATIONS

### Operating activities

Results from Operations reflect the administrative and financing costs related to the Company's mineral property acquisitions and mineral exploration activities in Western Australia.

The mineral property acquisitions and mineral exploration activities are focussed on the Company's 100% owned Lake Giles Project held through its wholly-owned subsidiary, Internickel Australia Pty Ltd.

The Company incurred a net loss for the three months ended September 30, 2007 of \$198,648 (2006: \$217,421). This comprises administrative expenses of \$251,486 (2006: \$223,168), interest income of \$13,375 (2006: \$5,747), rental income of \$45,618 (2006: nil) and other expenses of \$6,155 (2006: nil). The higher administrative expenses are more than offset by the income from subletting part of the Vancouver office space. The Company continues to maintain an office in Brisbane to accommodate shared employees and directors.

Costs directly attributable to the Company's mineral property acquisition and exploration and development of mineral properties are capitalised until the commencement of commercial production. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realisable value.

The timing and value of any resultant income from the above activities is uncertain due to factors beyond the Company's control such as the market value of the products produced. In addition, the costs of these activities may increase due to supply constraints in a competitive market.

## SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with September 30, 2007. Financial information is prepared according to GAAP and is reported in Canadian \$.

	Dec-31 <u>2005</u>	Mar-31 <u>2006</u>	June 30 <u>2006</u>	Sep-30 <u>2006</u>	Dec-31 <u>2006</u>	Mar-31 <u>2007</u>	June 30 <u>2007</u>	Sep 30 <u>2007</u>
Interest Income	\$250	\$450	\$2,040	\$5,747	\$12,800	\$10,409	\$6,416	\$13,375
Net loss	\$(192,725)	\$(480,646)	\$(85,776)	\$(217,421)	\$(559,459)	\$(141,360)	\$(152,682)	\$(198,648)
Net loss per share	\$0.04	\$0.10	\$0.01	\$0.02	\$0.04	\$0.01	\$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 at September 30, 2007 of \$1,000,504 compared with \$90,603 as at September 30, 2006. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of 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. As 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, sundry receivable, accounts payable and accrued liabilities approximate their fair market value because of the short-term nature of these instruments.

## OUTSTANDING SHARE DATA AS OF NOVEMBER 28, 2007:

Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>Issued</b>
Common	No par value	Unlimited	16,338,650

## OTHER INFORMATION

Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## BY ORDER OF THE BOARD

*"David K. Barwick"*

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David K. Barwick  
President and Director

*"James Canning-Ure"*

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James Canning-Ure  
Director