

MACARTHUR MINERALS LIMITED
ACN 103 011 436

Management Discussion and Analysis
(Form 51-102F1)
For the Third Quarter ended December 31, 2007
Information as of February 26, 2008 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 February 26, 2008 updates the information as of November 26, 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 and all amounts are in Canadian dollars unless otherwise stated.

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, sample testing results from bulk sample provided to an end user in China and 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.

Overall Performance

Macarthur is a mineral exploration company that has focused its exploration activities in Western Australia with 79 reverse circulation drill holes completed by the Company from April 2006 to February 2008 and totaling 12,446 metres. This includes 4,700 metres from stage 4 drilling program which commenced in October 2007, stage 5 drilling commenced on the 2nd of February. Assay results from Stage 4 are expected to be available to the Company in late March 2008.

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

The Company has signed an Agreement with LPD Holdings (Aust) Pty Ltd with the Due Diligence period, including sample testing in China, to be concluded by the 31st March 2008. The agreement provides for \$10 million to be provided for acquisition of 30% of IAPL by the issue of new equity (refer to Press Release for full details of the transaction).

Exploration Update

The onsite Camp has recently been upgraded to cater for an additional eight personnel and the current drilling contractor has been assured of a Stage 5 drilling program which means that there will be no lost time in trying to secure another R.C Drill rig.

There are currently 37 holes of drilling been conclude in Stage 4 drilling for a total of 4,700 metres Work on Clark Hill North has been concluded and the rig is now focused on the Sandalwood area where it is expected that additional resource will be identified. There are currently 27 pads prepared ahead of the drill rig to minimize any down time.

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 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 an Australian 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 December 31, 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 management, 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 December 31, 2007 and 2006, the Company incurred the following transactions with directors of the Company:

	<u>2007</u>	<u>2006</u>
Management and directors fees	\$ 85,305	\$ 74,855
Geological services	\$ 34,318	\$ 45,033

These transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties. At December 31, 2007, \$11,653 (2006 - \$97,776) 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

- a) On January 3, 2008, the Company issued 1,500,000 units at \$1.40 per unit, 1,000,000 units to First Apollo Capital Limited (an entity associated with Alan Phillips) and 500,000 units to Pinetree Capital Limited. Each unit comprises one common share and one common purchase warrant exercisable into one common share at \$2.00 per share and has a term of eighteen months from the date of issue.
- b) On January 15, 2008, the Company issued 500,000 units at \$1.40 per unit to Longview Capital Partners. These units were issued under the same terms and conditions as the units issued on January 3, 2008.
- c) On January 24, 2008 a three-tonne bulk iron ore sample from the Lake Giles project arrived in China for testing, in accordance with the agreement between the Company and LPD Holdings (Aust) Pty Ltd (LPD), which provides for LPD to acquire an interest in the project, as announced on November 21, 2007.
- d) On January 31, 2008, shareholders unanimously approved a proposal to sell up to 80% of wholly-owned subsidiary Internickel, as it outlined in the Notice of Meeting released in December 2007.
- e) On February 25, 2008 the LPD Holdings (Aust) Pty Ltd agreement was varied to extend the required date for Notification of its intention to Subscribe for the Initial Share Interest to April 18,2008 with the balance of subscription Money to be paid by April 28,2008.
- f) As at the date of this report, 35 holes have been drilled in the Stage 4 drilling program for a total of 4,563 meters.

ACCOUNTING POLICIES

Accounting policies are listed in Note 2 to the Financial Statements for December 31, 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 December 31, 2007 of \$199,608 (2006: \$559,459). This comprises administrative expenses of \$226,373 (2006: \$569,529), interest income of \$7,933 (2006: \$27,724), rental income of \$21,673 (2006: nil), depreciation of \$2,875 and a foreign exchange gain of \$34 (2006 loss: \$2,730). The major variation in the administrative expenses is the lower share based compensation of \$64,553 (2006: \$409,106). In addition, in 2007 the administrative expenses are offset by the income from subletting part of the Vancouver office space. The Company continues to maintain offices in Brisbane and Perth to accommodate shared employees and directors.

Operating activities (Continued)

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 December 31, 2007. Financial information is prepared according to GAAP and is reported in Canadian \$.

	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>	Dec 31 <u>2007</u>
Interest Income	\$450	\$2,040	\$5,747	\$12,800	\$10,409	\$6,416	\$13,375	\$7,933
Net loss	\$(480,646)	\$(85,776)	\$(217,421)	\$(559,459)	\$(141,360)	\$(152,682)	\$(198,648)	\$(199,608)
Net loss per share	\$0.10	\$0.01	\$0.02	\$0.04	\$0.01	\$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 December 31, 2007 of \$2,020,189 compared with \$1,054,125 as at December 31, 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 FEBRUARY 26, 2008:

Authorized and issued share capital:

Class	Par Value	Authorized	Issued
Common	No par value	Unlimited	18,338,650

OTHER INFORMATION

Other information relating to the Company may be found on SEDAR at www.sedar.com.

BY ORDER OF THE BOARD

"David K. Barwick"

David K. Barwick
President and Director

"James Canning-Ure"

James Canning-Ure
Director