

**MACARTHUR MINERALS LIMITED**  
ACN 103 011 436

**Management Discussion and Analysis**  
**(Form 51-102F1)**  
**For the Quarter ended September 30, 2009**

**Information as of November 26, 2009 unless otherwise stated**

**Note to Reader**

The following management discussion and analysis of the financial condition and results of operations of Macarthur Minerals Limited (Macarthur or the Company) should be read in conjunction with the Company's annual audited financial statements for the year ended March 31, 2009, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the year. The material herein, as of November 27, 2009 updates the information as of June 30, 2009 contained in the MD&A of that report. The annual audited financial statements have been prepared 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, which 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 that 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. The material factors or assumptions used to develop forward-looking information include prevailing and projected market prices, exploitation and exploration estimates and results, 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. All exploration activities are focused on its Lake Giles project owned by its 80% owned subsidiary Internickel Australia Pty Ltd (IAPL). The Company has now completed seven separate drilling programs and has completed 47 holes for 9,028 metres of the Stage 7 program, which completes Stage 7.

In April, 2008 LPD Holdings (Australia) Pty Ltd (LPD) acquired a 30% interest in IAPL for \$10 million. In January, 2009 LPD sold 20% of IAPL's shares to Minmetals Mining Corporation Limited (MMCL). The resultant shareholdings in IAPL were at that time, Macarthur 80%, MMCL 20% and LPD 10%.

LPD and MMCL had the option until March 2, 2009 to acquire a further 50% of IAPL for \$100 million upon certain conditions being met. This option lapsed on March 2, 2009. The Company then had 3 months to seek a commercial solution with LPD and MMCL or seek an alternative partner, failing which, the Company was entitled to acquire back 30% of IAPL from LPD and MMCL for the issue of 4,716,981 shares in the Company at \$2.12 per share.

On June 3, 2009, the Company exercised its rights to reacquire MMCL's and LPD's 30% share holding in IAPL. Macarthur completed the acquisition of a 10% interest in IAPL from LPD on August 28, 2009 for the issue of 1,572,326 shares in the Company at a deemed price of \$2.12 per share. The remaining 20% of

## OVERALL PERFORMANCE (Cont'd...)

IAPL, held by MMCL, is in the process of being reacquired for the issue of 3,144,654 shares to MMCL at a deemed price of \$2.12 per share.

Upon completion of these transactions with LPD and MMCL, and subject to all necessary regulatory approvals being obtained, including that of the TSX Venture Exchange, MMS will hold a 100% interest in IAPL and the Lakes Giles Project.

The Company will continue to seek out strategic partners for the development of the Lake Giles project and/or parties interested in acquiring the project. The Company is in a sound cash position and is committed to finding a long term partner for the development of its Lake Giles project.

An updated independent estimate completed by CSA Global Pty Ltd (CSA) in early November, 2009 had increased the Inferred Mineral Resource estimate to 790 million tonnes (refer Table 1).

**Table 1: Lake Giles Inferred Mineral Resource Estimate**

<b>Deposit</b>	<b>Million Tonnes</b>	<b>Fe %</b>
Snark	26.3	27.5
Clark Hill North	130.0	25.8
Sandalwood	335.0	31.1
Clark Hill South	48.5	21.9
Moonshine	253.0	26.4
<b>Total</b>	<b>790.0</b>	<b>28.1</b>

(rounding errors may occur)

Macarthur considers that the Lake Giles project has the potential to deliver further tonnage increases and deliver the Company its short term target tonnage of one billion tonnes. A recently completed exploration targeting exercise has identified a further 49 exploration targets. Geological mapping of the Moonshine North prospect has similar outcropping geometry and strike lengths to that of the Moonshine deposit.

The previous Moonshine Inferred Mineral Resource estimate by Hellman and Schofield (H&S) (refer announcement on April 6, 2009) was 144.1 million tonnes at @ 25.9% Fe. For the new resource update, the Company supplied CSA with a new geological interpretation based on new surface mapping of contacts, re-logging of drill holes and re-interpretation of the dip of the banded iron formation (BIF) contacts together with the drill hole database comprising collar location, downhole survey, assays and geology logs for drilling up to the Stage 6 drilling program.

Analytical data for mineralised portions of these holes include Davis Tube concentrate results which measure the proportion of sample extractable by magnetic separation. Material concentrated by the Davis Tube test was assayed by X-ray fluorescence (XRF) for iron and other elements of interest.

A cut-off of 15% Davis Tube Recovery (DTR) was applied. The oxide boundary was revised based on Macarthur's new logging of weathering and magnetism of drill chips, the DTR % recovery and the calculated % Fe recovered.

Drilling has not yet defined the full extent of the Lake Giles magnetite mineralization. There is potential for substantial additional mineralization from further drilling. It is expected that the resource will increase when the Stage 7 drilling assays have been received and the mineral resource estimate will be updated.

The Company carried out further geological mapping and targeting work during the quarter. This work has culminated in the over 49 Targets delineated (25 Magnetite and 24 Haematite) and highlighted the significant potential to increase tonnage by drilling these identified targets. Geological modelling using specialised software has also been carried out to assist prioritising targets.

A flora survey has been completed.

## RESULTS FROM OPERATIONS

### Exploration Expenses

Expensed and capitalized exploration costs, for the Lake Giles Project are as follows:

Australian \$	Quarter to September 30, 2009	Quarter to September 30, 2008	6 months to September 30, 2009	6 months to September 30, 2008
<b>Expenses</b>	-	-	-	-
<b>Capitalized expenses</b>	1,575,960	1,243,060	3,398,911	3,112,523

For the last quarter ended September 30, 2009 the Company expended \$1,575,960 on exploration activities. This compares with \$1,243,060 for the corresponding quarter ended September 30, 2008.

For the six months ended September 30, 2009, the Company expended \$3,398,911 on exploration activities compared with \$3,112,523 for the six months ended September 30, 2008.

Exploration costs increased moderately for the six months and quarter ended September 30, 2009 owing to increased field work on the Lake Giles Project.

### Administrative Expenses

For the quarter ended September 30, 2009 the Company incurred administrative expenses of \$602,961, compared to \$290,468 for the quarter ended September 30, 2008.

The largest elements of administrative expenses for the quarter ended September 30, 2009 was professional fees of \$210,779 and stock based compensation of \$221,520. Compared to the corresponding quarter ended September 30, 2008, administrative expenses approximately doubled resulting from the issue of 520,000 employee stock options on August 14, 2009 and increased professional fees for consultants, but with a reduction in salary costs.

For the six months ended September 30, 2009 the Company incurred administrative expenses of \$863,685, compared to \$513,142 for the six months ended September 30, 2008. Compared to the corresponding six months ended September 30, 2008, administrative costs increased mainly as a result of increased professional fees and the issue of the 520,000 employee stock options.

### Income

Income is normally comprised of interest income and rent received. For the quarter ended September 30, 2009 the Company earned income from interest and rent of \$40,958, compared to income of \$171,538 for the corresponding quarter ended September 30, 2008. Compared to the corresponding quarter ended September 30, 2008, income in the last quarter mainly decreased due to reduced interest earned on a reduced cash balance.

For the six months ended September 30, 2009 the Company earned income of \$80,237, compared to \$356,620 for the six months ended September 30, 2008. Compared to the corresponding quarter ended September 30, 2008, income in the last six months decreased significantly due to reduced interest income.

Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

## **RESULTS FROM OPERATIONS (Cont'd...)**

### **Income Taxes**

For the quarter ended September 30, 2009 the Company had an income tax gain of \$102,084 compared to that in the previous quarter ended September 30, 2008 of \$1,150,921. For the six months ended September 30, 2009, the Company had an income tax gain of \$175,700 compared to that in the previous six months ended September 30, 2008 of \$1,189,161. The income tax gains relate to future tax benefits accruing on tax losses.

### **Net Losses**

The net loss for the quarter ended September 30, 2009 was \$905,895, compared with the net profit for the corresponding quarter ended September 30, 2008 of \$1,132,824. The net loss for the quarter ended September 30, 2009, resulted mainly from increased administrative costs and a dilution loss of \$445,976 resulting from the Company reacquiring the 10% shareholding of LPD in IAPL.

The net loss for the six months ended September 30, 2009 was \$1,053,724, compared with the net profit for the corresponding six months ended September 30, 2008 of \$7,482,881. The net loss for the six months ended September 30, 2009 was mainly due to the dilution loss of \$445,976 and increased administrative expenses. The large net profit for the corresponding six months ended September 30, 2008 was due to the dilution gain of \$6,974,084 resulting from the initial sale of the 30% shareholding in IAPL to LPD.

### **Change in Financial Position**

At September 30, 2009 the Company had net assets of \$15,933,742 compared to \$14,135,326 at March 31, 2009. The increase in net assets is mainly attributable to an increase in the value of mineral properties from \$9,867,204 to \$13,266,115 over the last 6 months resulting from increased capitalized exploration expenditure. Current liabilities increased from \$501,577 to \$833,700 over the last 6 months owing to an increase in trade creditors of \$388,869. The Company had a cash balance of \$3,711,040 at September 30, 2009 compared to a cash balance of \$5,698,196 at March 31, 2009.

At September 30, 2009 the Company had net working capital of \$3,046,883, compared with net working capital of \$5,392,131 at March 31, 2009. The decrease in the net working capital results mainly from increased exploration expenditure and increased accounts payable.

## **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 mineral exploration company listed on the TSX Venture Exchange and engaged in the exploration and development of mineral properties located at Lake Giles in Western Australia.

It has not yet determined whether all of 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 that it will be able to do so in the future.

## **RISKS AND UNCERTAINTIES (Cont'd...)**

In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

The Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the quarter ended September 30, 2009 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 commercial mineral resources on the Lake Giles prospect which could be economically viable to develop. Such development could take several years to complete and the resulting income, if any, is difficult to determine at this time, until the resource estimate on its magnetite prospect and scoping study is included. 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, and a number of other magnetite deposits have been developed in Western Australia. 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.

The Company competes with many other companies that have substantially greater financial resources than the Company and our ability to compete is dependent of being able to raise additional funds as and when required.

### **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 minimal environmental impact.

## **RISKS AND UNCERTAINTIES (Cont'd...)**

### **Mineral Exploration and Development**

The Company's Lake Giles Project is in the exploration stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of a body of commercial minerals on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

### **Operating Hazards and Risks**

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labor disruptions, flooding, explosions, cave -ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labor are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition

### **Economics of Developing Mineral Properties**

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract minerals and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence commercial production.

### **Commodity Prices**

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals have fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic, financial and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted.

### **Currency Risk**

The Company's revenues and expenses will be incurred in Australian dollars, though its financings are completed in Canadian dollars. Although the Company has taken certain steps to help mitigate foreign

## **RISKS AND UNCERTAINTIES (Cont'd...)**

currency fluctuations, there is no assurance that the activities or products are or will continue to be effective.

Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the Australian dollar. This could adversely affect the Company's financial position and operating results.

### **Title**

There is no guarantee that title to properties in which the Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. No native title claims were lodged by the due date, which has enabled the Company to apply for mining leases.

### **Governmental Regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labor; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted. If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labor standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

### **Management and Directors**

The Company is dependent on a relatively small number of directors and officers:

- Alan Phillips – Chairman, President/CEO and Managing Director
- David Taplin – CFO and Company Secretary
- Simon Hickey – Director
- John Toigo – Director
- Nick Revel – Director (Resigned April 20, 2009)
- Andrew Spinks – Consultant and Qualified Person as defined in National Instrument 43-101.

David Barwick and James Canning-Ure were not re-elected at the company's annual general meeting on August 31, 2009.

The Company does not maintain key person insurance on any of its management.

### **Conflicts of Interest**

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any material personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

## **RISKS AND UNCERTAINTIES (Cont'd...)**

### **Limited Operating History:**

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at September 30, 2009 the Company's deficit was \$10,421,630.

### **Price Fluctuations: Share Price Volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the quarter ended September 30, 2009, the per share price of the Company's shares fluctuated from a low of 0.65 to a high of 0.95. There can be no assurance that continual fluctuations in price will not occur.

As at September 30, 2009, there were 1,895,000 stock options and 2,000,000 warrants outstanding.

### **Market Conditions**

#### ***Global Economy***

After a deep global recession, economic growth has turned positive, as wide-ranging public intervention has supported demand and lowered uncertainty and systemic risk in financial markets. The recovery is expected to be slow, as financial systems remain impaired, support from public policies will gradually have to be withdrawn, and households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment. The key policy requirements remain to restore financial sector health while maintaining supportive macroeconomic policies until the recovery is on a firm footing. However, policymakers need to begin preparing for an orderly unwinding of extraordinary levels of public intervention.

(Source: IMF World Economic Outlook Update, October, 2009 [www.imf.org](http://www.imf.org))

## **RELATED PARTY TRANSACTIONS**

The following persons and entities are related parties during the year.

- David Barwick – Director (Not reelected at the AGM on August 31, 2009)
- James Canning-Ure – Director (Not reelected at the AGM on August 31, 2009)
- Simon Hickey – Director
- Alan Phillips – Chairman, President/CEO
- Nick Revell – Director (Resigned April 20, 2009)
- International Gold Mining Ltd, an entity of which Alan Phillips was a director during all or part of the reporting period.
- Strategic Capital Pty Ltd, an entity associated with Alan Phillips and of which he is a director.
- Phillips Exploration Pty Ltd, an entity associated with Alan Phillips and of which he is a director.
- Chivas Group Pty Ltd, an entity associated with David Barwick and of which he is a director.
- Cadan Resources Corporation, an entity of which Alan Phillips is a director.
- Ruby Rich Pty Ltd, an entity associated with Nick Revell and of which he is a director.
- Unlimited Business Strategies Pty Ltd is a related party of Alan Phillips.

The Company entered into the following transactions with related parties during the quarter:

- a) Paid or accrued nil (2008: \$67,538) for geological services provided by International Gold Mining Ltd, an entity associated with directors Alan Phillips and Nick Revell (resigned April 20, 2009).

#### RELATED PARTY TRANSACTIONS (Cont'd...)

- b) Paid or accrued \$112,708 (2008: \$47,236) in directors fees and management fees to directors and officers of the Company.
- c) The Company received NIL (2008: \$13,196) in rent from Cadan Resources Corporation, a company of which Alan Phillips is a director, for offices sub-let by the Company in Vancouver.
- d) The Company received \$7,351 (2008: \$19,915) in rent from International Gold Mining Ltd, a company of which Alan Phillips and Nick Revell are directors, for offices sub-let by the Company in Vancouver.

These transactions were in the normal course of operations and, in management's opinion, were undertaken with the same terms and conditions as transactions with unrelated parties.

#### SUBSEQUENT EVENTS

- a) On August 4, 2009 the Company issued 520,000 options to certain directors, officers and consultants of the Company, with an exercise price of \$1.00 and expiring on August 4, 2014. The options will vest on November 30, 2009.
- b) On August 14, 2009 the Company acquired 10% of IAPL which holds a 100% of the Lake Giles project from LPD by the issue of 1,572,326 Macarthur Minerals Limited shares at an issue price of C\$2.12 per share. This now gives the Company 80% of the issued capital of IAPL. The Company is in the final stages of acquiring the remaining 20% of IAPL from MMCL, which is subject to TSX-V and other regulatory approvals being obtained.

#### ACCOUNTING POLICIES

Accounting policies are listed in Note 2 to the Financial Statements for June 30, 2009.

#### SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with September 30, 2009. Financial information is prepared according to GAAP and is reported in Canadian \$.

	Sep 30 2007	Dec 31 2007	Mar 31 2008	Jun 30 2008	Sep 30 2008	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sept 30 2009
Interest and rent Income	\$58,993	\$29,606	\$62,590	\$185,082	\$171,538	\$120,308	\$49,903	\$39,279	\$40,958
Net profit/(loss)	\$(198,648)	\$(199,608)	\$460,471	\$6,350,057	\$1,132,824	\$81,681	\$(2,225,973)	\$(147,829)	\$(905,895)
Net profit/(loss) per share	\$(0.01)	\$(0.01)	\$0.03	\$0.343	\$0.06	\$0.01	\$(0.08)	\$(0.8)	\$(0.05)

The Company has not recognized any revenue or incurred any loss from discontinued operations or extraordinary items since becoming a reporting issuer.

During the last 8 quarters, the Company has consistently reported net losses apart from the quarters ended March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008, when it realized profits resulting from the sale of 30% interest in IAPL and income tax gains in those quarters. Larger net losses were realized in the quarters ended June 30, 2008 and March 31, 2009. The most significant factor affecting quarterly losses during the last 8 quarters is continuing administrative expenses.

## **SUMMARY OF QUARTERLY INFORMATION (Cont'd...)**

Income is predominantly derived from interest income and rent received. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

## **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, explore and develop 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 jeopardized. 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.

Apart from the initiatives discussed above, the Company is not aware of any trends, commitments or events that may affect its liquidity in the foreseeable future. The Company has not made any commitments for capital expenditures. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned exploration programs.

At September 30, 2009, the Company has net working capital of \$3,046,883.

Over the next 3 quarters (9-months), the Company anticipates that it will have on-going quarterly cash expenditure requirements consistent with the quarter ended September, 2009.

## **COMMITMENTS**

At balance sheet date the Company had commitments to pay \$101,356 for an equipment and vehicle lease.

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 15 to the Annual Financial Statements for March 31, 2009.

Apart from the above, the Company has no other material commitments at this time.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing, hedging or research and development services with the Company.

## **ACCOUNTING POLICIES**

Accounting policies are listed in Note 2 to the Financial Statements for September 30, 2009.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's size and the number of staff impact the Company's internal controls. Due to the limited number of staff, it is not possible to achieve complete segregation of duties. Similarly, the Company must engage accounting assistance with respect to complex, non-routine accounting issues, Canadian GAAP matters, tax compliance and reporting for its international operations.

Notwithstanding these weaknesses, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations.

Although the identified weaknesses may be considered to increase the risk that a material misstatement in the Company's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements.

The CEO and the CFO oversee all material transactions and related accounting records. The audit committee of the Company, with management, reviews the financial statements of the Company, on a quarterly basis.

While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financial reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

## **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, sundry receivables, and accounts payable and accrued liabilities and amounts due to related parties approximate their fair market value because of the short-term nature of these instruments.

## **OUTSTANDING SHARE DATA AS OF NOVEMBER 26, 2009:**

Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorized Common shares (No par value)</b>	<b>Issued</b>
Common	No par value	Unlimited	20,610,976

As at September 30, 2009 there were 1,895,000 stock options and 2,000,000 warrants outstanding.

## **OTHER INFORMATION**

The Company's website address is [www.macarthurminerals.com](http://www.macarthurminerals.com). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## COMPETENT PERSON'S STATEMENT

Technical aspects of this MD&A were prepared and verified by Mr Andrew Spinks, B.App.Sc, Grad.Dip (Mining), a member of the AusIMM. He is the qualified person as required by National Instrument 43-101, and is the technical person responsible for this MD&A. The qualified person has verified the data disclosed in this MD&A.

## BY ORDER OF THE BOARD

*"Alan Phillips"*

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Alan Phillips  
Chairman President and CEO

*"John Toigo"*

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John Toigo  
Director