

MACARTHUR MINERALS LIMITED
ACN 103 011 436

Management Discussion and Analysis
(Form 51-102F1)
For the Quarter ended June 30, 2008

Information as of August 29, 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, 2008, 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 August 29, 2008 updates the information as of June 20, 2008 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 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. All exploration activities are focused on its Lake Giles project owned by Internickel Australia Pty Ltd (Internickel Australia) which is 70% owned by the Company. The Company has now completed five separate drilling programs and recently commenced Stage 6. The Stage 6 drilling program is focusing on the Deep South area of the project and to-date 28 holes for 5,968 meters have been completed. Intercepts from Stage 6 drilling program will be announced as soon as the data is compiled.

All drilling programs have focused on the magnetite areas of the project with the view of developing a substantial mineral resource. Recently, a 55-day gravity survey has been completed by Haines Survey Pty Ltd and is currently being interpreted by Southern Geosciences to generate further drilling targets in the southern area of the tenement holding.

On April 28, 2008 the Company announced that LPD Holdings (Aust) Pty Ltd had acquired a 30 percent stake in Internickel Australia Pty Ltd (IAPL) for CDN \$10 million dollars. LPD now holds 30 percent of the shares in Internickel Australia and Mr. Edward Kwok, Director of LPD, will represent LPD on the four-person Internickel Australia board.

Under the terms of the Shareholder Agreement, LPD could ultimately acquire an 80 percent interest in the project under a deal, announced in November 2007. The Company has committed to distribute the bulk of the CDN \$100 million proceeds after tax from the sale of the further 50% of

Internickel Australia, when received, on to Shareholders as a special dividend and/or capital distribution.

The Company recently acquired the services of Mr.Keith Fox BSc (Hons) MAusIMM, MIMMM, CEng, MAIG who brings with him an intimate knowledge of the Lake Giles tenements. Mr Fox will assist the geological team to advance the project at a speed necessary to satisfy the terms of the LPD agreement.

On the 16th of June, Hellman & Schofield Pty Ltd ("H&S") provided the Company with an updated resource estimate to 112 million tonnes, and compiled a NI43-101 Technical Report. Macarthur had drilled a further five diamond holes in the Clark Hill North area. The diamond holes have not yet been assayed, and are not included in the resource update. In July 2008 Macarthur commissioned a second RC drill rig to advance the drilling to comply with the tonnages required for the LPD agreement. A further H&S report is being prepared to include current completed drilling.

For the resource update, the Company supplied H&S with a drill hole database comprising collar location, downhole survey, and geology logs. 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.

Updated resource estimates have been produced for Clark Hill North using a simple polygonal approach, consistent with the 2007 estimates. This estimation methodology was adopted due to the broad and irregular drill spacing. More stringent estimation methodologies such as block Kriging will be considered after future, more closely spaced drilling. Estimates for the other mineralised domains at Lake Giles have not been updated.

The H&S updated resource estimates show an increase in the estimated resource of approximately 40%. (This is an increase of approximate 40% over the original NI 43-101 compliant resource of 82.5 million tones of magnetite iron ore). The updated resource estimate is shown in Table 1. Estimates for the Clark Hill South domain include chromium concentrate grades of potential economic interest. Chromium grades are not reported for the other domains or for the total resource. Table 2 compares the current estimates with the previous resource estimate. The resources are reported from estimates within the interpreted magnetite zones, rather than at a nominal iron cut off grade. They are based on drill hole intersections of significant magnetite mineralization as identified by the Company's geologists.

In addition to the Inferred Mineral Resource estimate shown in Table 1, broadly spaced drill holes suggest the presence of mineralisation with exploration potential in the Lake Giles area of 25 to 50 million tonnes, representing approximately 7 to 14 million tonnes of magnetic concentrate. This potential mineralisation has had insufficient exploration to define a Mineral Resource, and the estimates of tonnage are conceptual in nature. It is uncertain that further drilling will convert any of the exploration potential to a Mineral Resource.

Drilling has not yet defined the extents of the Lake Giles magnetite mineralization. There is potential for substantial additional mineralization, particularly in the Clark Hill North area which has currently been drill tested by only scattered, very broadly spaced drill holes. Not even conceptual tonnage estimates are currently possible for this mineralization.

Table 1: Lake Giles Inferred Mineral Resource Estimates

Domain	Resource		Magnetic Concentrate							
	Tonnes Million	Fe %	Tonnes million	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %	MgO %	S %	LOI %
Snark	26.3	27.5	5.92	64.3	0.15	9.6	0.03	0.33	0.27	-2.5
Clark Hill North	37.1	26.0	10.4	61.9	0.14	11.9	0.03	0.81	0.25	-2.4
Subtotal: Cr poor	63.4	26.6	16.3	62.8	0.14	11.1	0.03	0.64	0.26	-2.4
Clark Hill South	48.5	21.9	10.1	61.8	0.18	10.7	0.04	1.89	0.22	-2.2
Total	112	24.6	26.4	62.4	0.16	10.93	0.03	1.12	0.24	-2.35

(rounding errors may occur)

Table 2: Comparison of current and 2007 Lake Giles Inferred Mineral Resource Estimates

Estimate	Resource		Magnetic Concentrate	
	Tonnes (Million)	Fe%	Tonnes (Million)	Fe%
2007	82.5	24.6	18.5	63.1
2008	112	24.6	26.4	62.4
Difference	36%	-0.3%	43%	-1.0%

(rounding errors may occur)

Notes:

- Magnetite mineralisation at Clark Hill North is interpreted to comprise steeply north, and east dipping zones associated with banded iron formation (BIF) and ultramafic rocks. The current resource estimates extend from the base of oxidation to generally 180 to 200 metres below surface dependent on local drill hole coverage.
- Drill hole coverage of the Clark Hill North area is widely and irregularly spaced, with spacing between drill holes varying from approximately 25 metres to more than 600 metres.
- Validity of the drill hole database, and quality of the sampling and assaying for pre-October 2007 drilling was assessed and reported in the NI43-101 Technical report. H&S considers this data is suitable for the basis of estimates of Inferred Mineral Resources.
- For the recent drilling, H&S confirmed the validity of database analytical result entries by comparing them to supplied laboratory source files, but have made no other checks of the database validity, or assessment of sampling and assay quality.
- H&S accepts responsibility for classifying the current resource estimates as Inferred. Macarthur accepts responsibility for the quality of the post October 2007 drilling and sampling data, for the geological interpretation used for estimation, and for the project's potential economic viability.

The Company's loss from operations for the quarter ended June 30, 2008 totalled \$624,027, a loss of \$0.03 per share, as compared to a loss of \$152,682 for the quarter ended June 30, 2007, a loss of \$0.1 per share. This reflects the additional drilling activity being carried out at Lake Giles.

Assets increased from \$9,758,481 as at March 31, 2008 to \$18,673,883 as at June 30, 2008 as a result of the net proceeds of more than \$8,400,000 for shares issued by IAPL.

General and administrative expenses increased from \$159,098 in the three months ended June 30, 2007 to \$222,674 in the three months ended June 30, 2008, primarily due to increases in salaries and management fees and travel and accommodation expenses.

Interest and other income was \$185,082 (2007 - \$6,416) for the quarter ended June 30, 2008, due to the increase in term deposits.

Exploration Update

The 100% owned Lake Giles prospect now consists of:

CLIENT	MANAGER	HOLDER1	PROJECT	TID	CURAREA	AUNIT
INNI	*INNI	INNI	LAKE GILES	E30/0230	21	SB
INNI	*INNI	INNI	LAKE GILES	E30/0240	41	SB
INNI	*INNI	INNI	LAKE GILES	E30/0242	16	SB
INNI	*INNI	INNI	LAKE GILES	E30/0260	1	SB
INNI	*INNI	INNI	LAKE GILES	E30/0241	11	SB
INNI	*INNI	INNI	LAKE GILES	E30/0269	6	SB
INNI	*INNI	INNI	LAKE GILES	M30/0206	893	HA
INNI	*INNI	INNI	LAKE GILES	M30/0207	892	HA
INNI	*INNI	INNI	LAKE GILES	M30/0208	892	HA
INNI	*INNI	INNI	LAKE GILES	M30/0219	893	HA
INNI	*INNI	INNI	LAKE GILES	M30/0228	595	HA
INNI	*INNI	INNI	LAKE GILES	M30/0229	892	HA
INNI	*INNI	INNI	LAKE GILES	P30/1061	200	HA
INNI	*INNI	INNI	LAKE GILES	P30/1062	22	HA
INNI	*INNI	INNI	LAKE GILES	E30/0318	65	SB
INNI	*INNI	INNI	LAKE GILES	E77/1299	70	SB
INNI	*INNI	INNI	LAKE GILES	M30/0213	894	HA
INNI	*INNI	INNI	LAKE GILES	M30/0214	894	HA
INNI	*INNI	INNI	LAKE GILES	M30/0215	894	HA
INNI	*INNI	INNI	LAKE GILES	M30/0216	893	HA
INNI	*INNI	INNI	LAKE GILES	M30/0217	893	HA
INNI	*INNI	INNI	LAKE GILES	M30/0218	893	HA
INNI	*INNI	INNI	LAKE GILES	M30/0227	595	HA
INNI	*INNI	INNI	LAKE GILES	M30/0243	1253	HA

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 exploration and development of mineral properties help by Internickel Australia and located at Lake Giles in Western Australia.

The Company received gross proceeds of \$10 million (\$1 million in January and the balance in April) from a share placement in IAPL with LPD Holdings (Aust.) Pty Ltd, of which \$1.5 million will be allocated to the ongoing management of the Company. The balance will be committed to future exploration activities.

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 concluded. 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 nil to minimal environmental impact.

Mineral Exploration and Development

The Company's properties are 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 has secured appropriate 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 or continue 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 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.

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. Some of these are now pending.

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:

David Barwick – Chairman, President/CEO Managing Director
James Canning-Ure – Director – CFO
Simon Hickey – Director
Alan Phillips - Director
Nick Revell – Director

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 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.

Limited Operating History: Losses

Due to nature of the Company's exploration activities the Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at June 30, 2008 the Company's deficit is \$15,792,478.

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 June 30, 2008, the per share price of the Company's shares fluctuated from a low of \$ 1.25 to a high of \$2.05. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Future Issuance: Dilution

As at June 30, 2008, there were 1,575,000 stock options and 2,500,000 warrants outstanding.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$42,700 (2007: \$43,595) for geological services provided by International Gold Mining Ltd, an entity associated with directors, David Barwick, Alan Phillips and Nick Revell.
- b) Paid or accrued \$41,379 (2007: \$27,795) in directors fees and management fees to directors and an officer of the Company.
- c) At June 30, 2008, \$12,000 (2007: \$184,499) is owed to directors and a private Company controlled by directors for accrued directors and management fees, geological services and expenses paid on behalf of the Company.
- d) At June 30, 2008, there is \$36,840 (2007: \$34,070) owing to a majority shareholder, Talbot Group Holdings Pty Ltd (formerly MDA Capital Pty Ltd).
- e) The Company received \$12,330 (2007: nil) in rent from Cadan Resources Corporation, a company of which Alan Phillips is a director, for offices sub-let by the Company in Vancouver.
- f) The Company received \$12,330 (2007: nil) 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.

COMMITMENTS

The Group had no expenditure commitment at balance date.

SUBSEQUENT EVENTS

100,000 Options were issued to Axiom Consulting Corp for assistance as a consultant with Investor Relations. The exercise price is C\$2.25 but do not vest with the holder until shares in MMS trade at C\$3.25. The options were issued on the 14th July 2008 and expire on 14th July 2013.

ACCOUNTING POLICIES

Accounting policies are listed in Note 2 to the Financial Statements for June 30, 2008.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2008. Financial information is prepared according to GAAP and is reported in Canadian \$.

	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>	Mar 31 <u>2008</u>	Jun 30 <u>2008</u>
Interest and rent Income	\$5,747	\$12,800	\$10,409	\$6,416	\$13,375	\$7,933	\$62,590	\$185,082
Net loss	\$(217,421)	\$(559,459)	\$(141,360)	\$(152,682)	\$(198,648)	\$(199,608)	\$460,471	\$624,027
Net loss per share	\$0.02	\$0.04	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03	\$0.03

LIQUIDITY AND CAPITAL RESOURCES

The Company has received \$9 million during the quarter for the issue of shares to LPD by IAPL. This is in addition to the \$1 million deposit received in January for these shares. 85% of the gross proceeds of \$10 million is committed to funding on the Lake Giles project.

LPD has the option to acquire an 80 percent interest in the project under a deal, announced in November last year. The Company has committed to distribute the bulk of the \$C100 million proceeds after tax from the sale of the further 50%, when received on, to Shareholders as a special dividend or capital distribution.

However, there can be no assurance that the sale of 50% of IAPL will proceed and that the Company will be successful in raising its required financing in the long term.

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, 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 AUGUST 29, 2008:

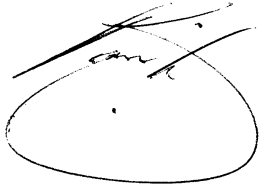
Authorized and issued share capital:

Class	Par Value	Authorized Common shares (No par value)	Issued
Common	No par value	Unlimited	18,538,650

OTHER INFORMATION

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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'D. Barwick', written over a large, loopy circular flourish.

David K. Barwick
Chairman President and CEO

A handwritten signature in black ink, appearing to read 'J. Canning-Ure', written in a cursive style.

James Canning-Ure
Director and CFO