

MACARTHUR MINERALS LIMITED
ACN 103 011 436

Management Discussion and Analysis
(Form 51-102F1)
For the Year ended March 31, 2009

Information as of June 25, 2009 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, 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 June 25, 2009 updates the information as of February 26, 2009 contained in the MD&A of that report. These 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. 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 70% owned subsidiary Internickel Australia Pty Ltd (IAPL). The Company has now completed six separate drilling programs and recently commenced Stage 7. The Stage 7 drilling program is focusing on the Deep South area of the project.

In April 2008 LPD Holdings (Australia) Pty Ltd ("LPD") acquired a 30% interest in IAPL for \$10 million. In January 2008 the Company received a deposit of \$940,000 net of costs, and the balance of the \$10 million in April 2008. Under the terms of the agreement, 85% of the \$10 million consideration will be directed towards exploration and drilling programs. As at the end of the reporting period a further \$1.1 million was required to be spent to satisfy this agreement.

In January 2009 Minmetals Mining Corporation Limited (MMCL) completed a share sale agreement with LPD to acquire 20% of IAPL's shares and the shareholding in IAPL is now MMS 70%, MMCL 20% and LPD 10%.

LPD and MMCL had the option until the 2nd March, 2009 to acquire a further 50% of IAPL for \$100 million upon certain conditions being met. This option lapsed on 2nd March 2009 LPD and MMCL then had a further three months to exercise this option or divest its interests. These options lapsed on 2nd June, 2009.

Overall Performance (Cont'd...)

The Company at this time intends to exercise its rights to exercise its rights under the its Shareholders Agreement with MMCL and LPD to reacquire the 30% holding in IAPL held by MMCL and LPD and the Board by the issue of 4,716,981 shares in the Company at an issue price of C\$2.12 per share, subject to all necessary regulatory approvals being obtained. The new shares would be apportioned 3,144,811 to MMCL and 1,572,170 to LPD, resulting in MMCL holding approximately 13.2% and LPD approximately 6.6% of the expanded capital of the Company. Upon completion of the reacquisition, the Company 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.

Since H&S estimated the resources, and compiled a NI43-101 Technical Report for the project on 15th May 2009 with a new resource estimate of 341 million tonnes.

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.

The previous resource estimate by H&S as reported on 4th November 2008 was an Inferred Mineral Resource of 197 million tonnes at @ 26.1% Fe.

The Moonshine resources were estimated by Ordinary Kriging of generally five metre sample values within mineralized domains. The other Lake Giles deposits are more broadly drilled than Moonshine, so resource estimates as previously reported for these deposits used a simple polygonal approach.

The updated resource estimate is shown in Table 1. The Lake Giles project is at an early stage of evaluation. Macarthur has not established the economic viability of the Mineral Resources, and no Mineral Reserve estimates have been produced for the deposit. The extent to which mining, metallurgical, marketing, infrastructure, permitting, marketing and other financial factors may affect Mineral Resource Estimates is not well defined.

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 for the combined Lake Giles resource areas of 80 to 200 million tonnes at an average iron grade of approximately 23 to 31%. 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.

Overall Performance (Cont'd...)

Table 1: Lake Giles Inferred Mineral Resource Estimate

Deposit	Million tonnes	Fe %
Snark	26.3	27.5
Clark Hill North	37.1	26.0
Sandlewood	84.7	28.3
Clark Hill South	48.5	21.9
Moonshine	144.1	25.9
Total	340.7	26.1

Notes:

- Magnetite mineralization at Moonshine is interpreted to comprise several sub-vertical northwest trending zones associated with banded iron formation (BIF) and ultramafic rocks. The zones included in the current resource estimate have a combined strike length of 5.1 kilometres and an average width of approximately 50 metres. The mineralized interpretation used for the estimates extends from the base of oxidation at an average of approximately 70 metres below surface to the depth of the deepest Moonshine mineralized drill intersection at approximately 250 metres below surface.

- The Moonshine deposit has been sampled by 68 RC holes drilled by Macarthur between June and December 2008. Drill hole coverage of the Moonshine area is irregularly spaced with spacing between drill holes varying from less than 50 metres to approximately 350 metres.

Stage 7 Drilling Program

The Company has identified additional drill ready targets and a further 6,500 metres of reverse circulation drilling began in April 2009. This program is designed to test areas of exploration potential as described above with the objective of outlining additional Inferred Mineral Resources.

Results of Operations

The Company's profit from operations for the year ended March 31, 2009 totalled \$5,558,004, a profit of \$0.30 per share, as compared to a loss of \$1,338,908 for the year ended March 31, 2008, a loss of \$0.08 per share. The Company's net profit after tax was \$5,338,589, a profit of \$0.29 per share. The net loss after tax in 2008 was \$90,467, a loss of \$0.01 per share. There was a tax expense of \$219,415 for the year (2008: \$1,248,441), decreasing the value of deferred tax assets to \$1,029,026 (2008: \$1,248,441). These deferred tax assets are the tax benefit of tax losses from the current and prior years that would be recouped in the event that the Company reduces its 70% holding in IAPL to 20% or less.

There were significant changes in General and Administrative costs over the last year due to increased management focus on the partial sale of IAPL and increased operational activity on the Lake Giles project. The main increases were: salaries and management fees increased from \$262,504 to \$559,308 and professional fees \$125,224 to \$402,766. These increases were offset by the decrease in stock-based compensation relating to the issue of options from \$568,468 to \$80,198, due to 200,000 options being issued during the year (2008: 575,000 options). There was also a decrease in investor relations and promotion from \$115,848 to \$22,188, due to the shift in focus to the LPD transaction and operational activities.

Assets increased from \$9,758,481 as at March 31, 2008 to \$16,876,527 as at March 31, 2009. The main factors were:

- a) the receipt of more than \$8,800,000 for the balance of the proceeds for 30% of the issued capital of IAPL,
- b) \$1,070,000 for shares issued by the Company, and
- c) an increase Mineral Properties expenditure carried forward of \$5,029,430.

Fourth Quarter

On a quarterly basis, the Company's loss from operations for the three months ended March 31, 2009 totalled \$383,220, a loss of \$0.02 per share, as compared to a loss of \$787,970 for the three months ended March 31, 2008, a loss of \$0.05 per share.

Assets decreased by \$1,607,768 in the fourth quarter, primarily due to a decrease in deferred tax assets of \$1,676,319. Most of this decrease is due to the de-recognition of IAPL's tax losses incurred while it is not a 100% owned subsidiary of MMS and therefore excluded from the tax consolidated group.

General and administrative expenses decreased from \$725,939 in the three months ended March 31, 2008 to \$383,236 in the three months ended March 31, 2009, primarily due to a decrease in share-based compensation expense of from \$503,915 to \$61,258, offset by higher salaries and management fees of \$160,922 (2008: \$58,711). The increase in salaries and management fees reflect the marked increase in management time expended by a number of directors with respect to the transaction with LPD and greater exploration and evaluation activity. For the year ended March 31, 2009, general and administrative expenses were \$1,388,577, an increase of \$19,949 over the previous year.

Interest income was \$45,520 (2008: \$39,779) for the fourth quarter ended March 31, 2009.

Interest income was \$438,068 (2008 - \$67,503) for the year ended March 31, 2009. The Company also received \$88,763 (2008: \$90,102) in rent income from the sub-letting of office space in Vancouver. There were no deferred explorations or property write-offs in the fourth quarter or the year ended March 31, 2009 and March 31, 2008.

Exploration Update

The mapping and collation of data has been concentrated on the Moonshine Project during the quarter.

The mineralization interpretation for Moonshine comprises two main north-northwest trending, sub-vertical banded iron formation (BIF) units. The BIF units are intruded by gently dipping porphyritic dykes, and appear to be surrounded by mostly peridotites and other ultramafic units.

Active exploration closed in mid-December 2008 and exploration activity recommenced in April 2009.

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 located at Lake Giles in Western Australia.

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.

RISKS AND UNCERTAINTIES (Cont'd...)

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 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.

RISKS AND UNCERTAINTIES (Cont'd...)

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 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.

RISKS AND UNCERTAINTIES (Cont'd...)

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 and Managing Director
- James Canning-Ure – Director and CFO
- Simon Hickey – Director
- Alan Phillips – Director
- Nick Revell - Director (Resigned April 20, 2009). Mr Revell remains available to the Company as a consultant until June 30, 2009
- Andrew Spinks - Consultant and Qualified Person as defined in National Instrument 43-101.

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:

There can be no assurance that the Company will operate profitably in the future, if at all. As at March 31, 2009 the Company's deficit was \$9,378,714.

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 financial year ended March 31, 2009, the per share price of the Company's shares fluctuated from a low of \$0.67 to a high of \$2.20. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Future Issuance: Dilution

As at March 31, 2009, there were 1,575,000 stock options and 2,000,000 warrants outstanding.

RELATED PARTY TRANSACTIONS

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

- David Barwick – Chairman, President/CEO Managing Director
- James Canning-Ure – Director/CFO
- Simon Hickey – Director
- Alan Phillips – Director
- Nick Revell – Director
- International Gold Mining Ltd, an entity of which Nick Revell and Alan Phillips are directors or were 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
- Talbot Group Holdings Pty Ltd, a substantial shareholder

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$123,180 (2008: \$144,529) for rent and geological services provided by International Gold Mining Ltd.
- b) Nil (2008: \$51,123) for Investor Relations Services paid to Longview Strategies Inc.
- c) Nil (2008: \$5,374) paid for office rent to NewEcon Pty Ltd.
- d) Paid or accrued \$293,503 (2008: \$120,463) in directors and management fees during the year.
- e) \$38,609 (2008: nil) paid to Ruby Rich Pty Ltd for geological services.
- f) At March 31, 2009, \$24,637 (2008: \$9,014) is owed to directors and a private Company controlled by a director for accrued management fees, geological services and expenses paid on behalf of the Company.
- g) At March 31, 2009, there is \$32,364 (2008: \$35,582) owing to a major shareholder.
- h) The Company granted 200,000 (2008: 575,000) stock options to directors, officers, and consultants, which are recorded as stock-based compensation with fair a value of \$80,198 (2008 - \$568,468).
- i) The Company received \$47,401 (2008: \$45,051) in rent from Cadan Resources Corporation for offices sub-let by the Company in Vancouver.
- j) The Company received \$39,611 (2008: \$45,051) in rent from International Gold Mining Ltd, 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) In April 2009 the Company received a claim from Malmac Training Services Pty Ltd (Malmac) in which it alleged that the Company had entered into a long term lease arrangement for Transportable Buildings & Vehicles used at the Lake Giles project. Malmac alleged that Mr Revell as a director had entered into the agreements on behalf of the Company. The company has taken its own legal advice and is strongly defending the claim. Up until March 31, 2009, the Company had been paying Malmac \$16,862 per month for these equipment and vehicle leases.

b) On April 20, 2009, Nick Revell resigned as a director of the Company. Mr Revell has been retained as a consultant until June 30, 2009. Under the Company's Share Option Plan, options issued under the plan expire ninety days from the date of cessation of the directorship or consultancy. This brings forward the expiry date of options issued to Mr Revell as follows:

No.	Issue date	Exercise price	Original expiry date	New expiry date
50,000	September 22, 2006	\$1.50	September 22, 2011	September 30, 2009
110,000	December 22, 2006	\$1.60	December 22, 2011	September 30, 2009
100,000	October 19, 2007	\$1.00	October 19, 2012	September 30, 2009

c) LPD and MMCL had the option until the 2nd March, 2009 to acquire a further 50% of IAPL for \$100 million upon certain conditions being met. This option lapsed on 2nd March 2009 LPD and MMCL then had a further three months to exercise this option or divest its interests. These options lapsed on 2nd June, 2009.

The Company at this time intends to exercise its rights under the its Shareholders Agreement with MMCL and LPD to reacquire the 30% holding in IAPL held by MMCL and LPD and the Board by the issue of 4,716,981 shares in the Company at an issue price of C\$2.12 per share, subject to all necessary regulatory approvals being obtained. The new shares would be apportioned 3,144,811 to MMCL and 1,572,170 to LPD, resulting in MMCL holding approximately 13.2% and LPD approximately 6.6% of the expanded capital of the Company. Upon completion of the reacquisition, the Company will hold a 100% interest in IAPL and the Lakes Giles project.

d) On 2nd June, 2009 IAPL entered into an option agreement to acquire 100% of Hatches Holdings Pty Ltd, an entity which holds a 100% interest in adjoining tenements to the Lake Giles project. Hatches Holdings Pty Ltd has no other assets or liabilities. This option was exercised on June 11, 2009 at a cost of \$4,456.

ACCOUNTING POLICIES

(a) Changes in accounting policies

There have been no changes in accounting policies during the year.

ACCOUNTING POLICIES (Cont'd...)

(b) Future accounting changes

The Company will adopt the new standard *“Goodwill and Intangible Assets” (Section 3064)* for its fiscal period beginning April 1, 2009. This Section replaces *Section 3062 “Goodwill and Other Intangible Assets”* and *Section 3450 “Research and Development Costs”*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *Section 3062*. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements, and is not expecting a significant impact.

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 *“Business Combinations”* to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements

Consolidated Financial Statements (Section 1601) and Non-Controlling Interests (Section 1602)

The CICA concurrently issued Section 1601 *“Consolidated Financial Statements”* and Section 1602 *“Non-Controlling Interests”* which replace Section 1600 *“Consolidated Financial Statements.”* Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 *“Business Combinations.”* The Company does not expect the adoption of this section to have a significant effect on its financial statements.

Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)

In January 2009, the Emerging Issues Committee (EIC) issued EIC -173 *“Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.”* This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standards is effective for the Company's interim and annual consolidated financial statements commencing April 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

Mining Exploration Costs (EIC-174)

On March 27, 2009, the CICA approved EIC-174 *“Mining Exploration Costs.”* This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

This standard will be effective for the Company beginning April 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

ACCOUNTING POLICIES (Cont'd...)

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be effective September 30, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year end September 30, 2010. The Company has begun assessing the adoption of IFRS for 2011, and is currently in the planning phase of implementation, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of the Company for and as at the end of each of the last three financial years of the Company up to and including March 31, 2009. This financial information is derived from the financial statements of the Company which were audited by Davidson & Company, Chartered Accountants. The Company prepares financial information according to Generally Accepted Accounting Principles ("GAAP") and all information is reported in Canadian \$.

March 31 (Audited)

	2009	2008	2007
Income from continuing operations	526,831	157,605	30,996
Net profit/(loss) after tax for the year	5,338,589	(90,467)	(1,004,016)
Net profit/(loss) after tax per share	0.29	(0.01)	(0.08)
Total Assets	16,876,527	9,758,481	3,907,833
Total Long-term financial liabilities	-	-	-

No cash dividends have been declared or paid since the date of incorporation

The Company incurred a dilution gain of \$6,974,084 (Nil in 2007 and 2008) arising from the issue of shares in IAPL, amounting to 30% of its issued capital, for \$10 million less costs. Income tax expense was \$219,415. There was a tax gain of \$1,248,441 in 2008 and nil in 2007.

Other factors affecting the net profit/(loss) amount are the administration costs, particularly share-based compensation expenses and foreign exchange rate fluctuations. Revenues from 2007 are wholly interest income, while 2008 and 2009 comprise interest (\$67,503 and \$438,068 respectively) and rent income (\$90,102 and \$88,763 respectively). The rent income is due to the Company renting larger premises and sub-letting some of the new office space. There was a commensurate increase in rent expense from \$18,028 in 2007 to \$80,814 in 2008. Rent expense increased in 2009 to \$107,692, due to the impact of higher Brisbane office rental for a full year.

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.

SELECTED FINANCIAL INFORMATION (Cont'd...)

Expenses include filing fees, investor relations, professional fees, management fees, travel and accommodation and stock-based compensation. The main increases in expenses in 2009, other than rent, are salaries and management fees (2008: \$262,504 to 2009: \$559,308) and professional fees (2008: \$125,224 to 2009: 402,766). The higher salaries and management fees are due to more management input with respect the LPD transactions and higher exploration and evaluation activity on the Lake Giles project and the increase in professional fees relate to professional advice with respect to structuring the LPD transaction. These increases were offset by lower stock-based compensation of \$80,198 (2008: \$568,468) and investor relations of \$22,188 (\$2008; 115,848).

All of the above factors must be taken into consideration when comparing Total Revenues and Net Loss for each year. There were no discontinued operations, changes in accounting policies or significant acquisitions or dispositions during the reporting period.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with March 31, 2009. Financial information is prepared according to GAAP and is reported in Canadian \$.

	June 30 <u>2007</u>	Sep-30 <u>2007</u>	Dec-31 <u>2007</u>	Mar-31 <u>2008</u>	June 30 <u>2008</u>	Sep-30 <u>2008</u>	Dec-31 <u>2008</u>	Mar-31 <u>2009</u>
Interest and rent Income	\$6,416	\$58,993	\$29,606	\$62,590	\$185,082	\$171,538	\$120,306	\$49,905
Net profit/(loss)	\$(152,682)	\$(198,648)	\$(199,608)	\$460,471	\$6,350,057	\$1,132,824	\$81,681	\$(2,225,973)
Net loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$0.03	\$0.34	\$0.06	\$0.00	\$(0.08)

The main factors affecting the March 2009 quarterly results are the income tax expense of \$1,842,753 (2008: \$1,248,441) (See page 4 – Fourth quarter Results from operations) and the stock-based compensation expense of \$61,258 (2008: \$503,915).

LIQUIDITY

The Company has received net proceeds of nearly \$10 million from share issues during the year, and \$5.7 million in cash as at balance date. \$1.1 million of this is committed to exploration and evaluation activities (see Capital Resources below). Directors envisage that the remaining \$4.6 million will enable the Company to fund its ongoing operations for the current financial year.

However, the company's ability to access long-term funding is uncertain and subject to factors such as market prices, exploitation and exploration successes, prevailing conditions in financial markets, and general economic and business conditions.

There can be no assurance that the Company will be successful in raising their required financing in the long term and 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.

CAPITAL RESOURCES

On receipt of the balance of the \$10 million in April 2008 for 30% of IAPL from LPD Holdings, the Company was committed to expend 85% of these funds on exploration and evaluation activities in the Lake Giles project. As at balance date the Company was still committed to expend \$1.1 million on exploration and evaluation activities.

In April 2009 the Company received a claim from Malmac Training Services Pty Ltd (Malmac) in which it alleged that the Company had entered into a long term lease arrangement for Transportable Buildings & Vehicles used at the Lake Giles project. Malmac alleged that Mr Revell as a director had entered into the agreements on behalf of the Company. The Company has taken its own legal advice and is strongly defending the claim. Up until March 31, 2009, the Company had been paying Malmac \$16,862 per month for these equipment and vehicle leases.

The Company had no other commitments for capital expenditure at balance date.

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 JUNE 26, 2009:

Authorized and issued share capital:

Class	Par Value	Authorized Common shares (No par value)	Issued
Common	No par value	Unlimited	19,038,650

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
Chairman President and CEO



James Canning-Ure
Director