

## NOTICE OF ANNUAL GENERAL MEETING - 2010

MACARTHUR MINERALS LIMITED

ACN103 011 436

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Notice is hereby given that the Annual General Meeting of Macarthur Minerals Limited ACN 103 011 436 (the “**Company**”) will be held at Hopgood Ganim Lawyers, Level 8, Waterfront Place, 1 Eagle Street, Brisbane, Queensland, Australia on Tuesday, August 24, 2010 commencing at 10:00 am (Australian Eastern Standard Time.)

### AGENDA

#### ORDINARY BUSINESS

##### FINANCIAL STATEMENTS & REPORTS

To receive and consider the Australian statutory report of the Directors and the financial reports of the Company and its controlled entities for the year ended 31 March 2010 together with the Auditor’s report thereon.

#### 1. ELECTION OF DIRECTORS

To consider and, if thought fit, to pass the following **ordinary resolutions**:

- 1.1 *‘That Simon Hickey who retires by rotation in accordance with the Company’s Constitution, and being eligible, be re-elected as a Director of the Company in accordance with clause 6.1 of the Company’s Constitution and the requirements of the TSX-V.’*
- 1.2 *‘That Alan Spence Phillips, being eligible, be re-elected as a Director of the Company in accordance with the requirements of the TSX-V.’*
- 1.3 *‘That John Toigo, having been appointed as a Director on 31 August 2009, who retires in accordance with the clause 6.1 of the Company’s Constitution, and being eligible, be re-elected as a Director of the Company in accordance with the requirements of the TSX-V.’*

#### 2. APPOINTMENT OF AUDITORS

To consider and, if thought fit, pass the following **ordinary resolution**:

*‘That Davidson & Company, LLP Chartered Accountants, be re-appointed as Canadian auditors of the Company for the 2010-11 financial year at a remuneration to be fixed by the director.’*

#### 3. RATIFICATION OF STOCK OPTION PLAN

To consider and, if thought fit, pass the following **ordinary resolutions**:

‘(a) that the Company’s existing 10% “rolling” Stock Option Plan be ratified, confirmed and approved as required by the TSX-V”; (b) that the Board be granted the discretion pursuant to the Stock Option Plan to grant stock options to directors, senior officers, employees, consultants, management company employees, employees and others providing services to the Company and its subsidiaries, as the Board sees fit provided, however, that the aggregate number of shares of the Company subject to options under the Stock Option Plan shall not exceed 10% of the issued and outstanding shares of the Company at the time of grant or such greater number as may be approved from time to time by the shareholders of the Company. Such grants shall be made under the terms of the Stock Option Plan and within the rules and policies of the TSX-V in effect at the time of granting and the exercise of any options granted pursuant to such authorization is hereby approved; and (c) any one director or officer of the Company, be and he/she is hereby authorized and directed to do all such acts and things and execute and deliver under the corporate seal of the Company or otherwise all such deeds, documents, instruments and assurances as in his/her discretion may be necessary or desirable to give effect to the foregoing resolutions and to complete all transactions in connection with the implementation of the Stock Option Plan.’

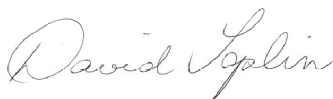
4. INCREASE OF REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS

To consider and, if thought fit, pass the following **ordinary resolution**:

*‘Pursuant to clause 6.3 of the Constitution of the Company, that the maximum aggregate remuneration payable to non-executive directors be increased from AUD \$135,000 to AUD \$200,000 per annum.’*

DATED: July 26, 2010

By Order of the Board



David Taplin  
Company Secretary

NOTES

- (a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the enclosed proxy form.
- (d) A corporation may elect to appoint a representative in accordance with the *Corporations Act 2001* in which case the Company will require written proof of the representative’s appointment which must be lodged with or presented to the Company before the meeting.
- (e) If you have any queries on how to cast your votes then call Mr David Taplin on local (07) 3229 3554 or international telephone +61 7 3229 3554 during Australian business hours.

**If you would like to subscribe to Macarthur Minerals Limited news releases, please visit [www.macarthurminerals.com](http://www.macarthurminerals.com)**

**MANAGEMENT INFORMATION CIRCULAR  
JULY 26, 2010**

MACARTHUR MINERALS LIMITED

ACN103 011 436

FOR THE 2010 ANNUAL GENERAL MEETING OF MEMBERS

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**SOLICITATION OF PROXIES**

This information circular (“**Information Circular**”) is furnished in connection with the solicitation of proxies by the management (“**Management**”) of Macarthur Minerals Limited (“**Macarthur**” or “**Company**”) for use at the Annual General Meeting of the Company (“**Meeting**”) to be held on August 24, 2010 in Brisbane, Australia, 10:00 a.m. (Australian Eastern Standard Time) and at any adjournments thereof. Any solicitation will be conducted by mail and may be supplemented by telephone or other personal contact to be made without special compensation by officers and employees of the Company. The cost of solicitation will be borne by the Company.

The contents and the sending of this Information Circular have been approved by the directors of the Company.

All dollar amounts are stated in Australian dollars unless specified otherwise. Information contained in this Information Circular is as at July 20, 2010 unless indicated otherwise.

**APPOINTMENT OF PROXYHOLDER**

The individuals named in the accompanying form of proxy are officers or directors of the Company (“**Management Proxyholders**”). A duly completed form of proxy will constitute the person(s) named in the enclosed form of proxy as the shareholder’s proxyholder. The persons whose names are printed in the enclosed form of proxy for the Meeting are Management Proxyholders.

**A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON OR COMPANY OTHER THAN A MANAGEMENT PROXYHOLDER, TO REPRESENT THE SHAREHOLDER AT THE MEETING BY STRIKING OUT THE NAMES OF THE MANAGEMENT PROXYHOLDERS AND BY INSERTING THE DESIRED PERSON’S NAME IN THE BLANK SPACE PROVIDED OR BY EXECUTING A PROXY IN A FORM SIMILAR TO THE ENCLOSED FORM. A PROXYHOLDER NEED NOT BE A SHAREHOLDER.**

**A proxy will not be valid unless the completed form of proxy is delivered to the Company at Level 20, AMP Place, 10 Eagle Street, Brisbane, Queensland, Australia or posted to the Company at PO Box 7031, Riverside Centre, Brisbane, Queensland, 4001, Australia or by facsimile to the Company on 07 3221 6152 or +617 3221 6152 (if sent from overseas) by 10:00 a.m., August 22, 2010 or not less than 48 hours before the time for holding the Meeting or any adjournment thereof. Proxies delivered after that time will not be accepted.**

## VOTING BY PROXY

### Direction on how to vote

If you wish to direct the Proxy how to vote, *please place a mark in the appropriate boxes that appear on the proxy form.*

The shares represented by a properly executed proxy in favour of persons proposed by Management as proxyholders in the accompanying form of proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be taken; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specification made in such proxy.

ON A POLL SUCH SHARES WILL BE VOTED **IN FAVOUR** OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED OR WHERE BOTH CHOICES HAVE BEEN SPECIFIED BY THE SHAREHOLDER

### No Direction on how to vote - General

If you do **not** direct your proxy on how to vote as your proxy in respect of the resolution/s, the Proxy may cast your vote as the Proxy thinks fit or may abstain from voting. By signing this appointment you acknowledge that, subject to the *Corporations Act 2001* (Cth), the Proxy may exercise your proxy even if he/she has an interest in the outcome of the resolution/s and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest.

The enclosed form of proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Annual General Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual General Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, the management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

## NON-REGISTERED HOLDERS

Only shareholders whose names appear on the records of the Company as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are 'non-registered' shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited ("**Nominee**"). If you purchased your shares through a broker, you are likely to be a non-registered holder.

In accordance with Canadian securities regulatory policy, the Company has distributed copies of the Meeting materials, being the Notice of Meeting, this Information Circular, Proxy, and the audited

Financial Statements and Management's Discussion and Analysis for the year ended March 31, 2010 to the Nominees for distribution to non-registered holders.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your shares are voted at the Meeting.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

In addition, Canadian securities legislation now permits the Company to forward meeting materials directly to 'non objecting beneficial owners'. If the Company or its agent has sent these materials directly to you (instead of through a Nominee), your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Nominee holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Nominee holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

#### **REVOCABILITY OF PROXY**

A shareholder who has given a proxy may revoke it by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to the head office of the Company, at Level 20, AMP Place, 10 Eagle Street, Brisbane, Queensland, Australia, or posted to PO Box 7031, Riverside Centre, Brisbane, Queensland, 4001, Australia, or facsimiled to 07 3221 6152 or +617 3221 6152 (if sent from overseas) at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, any reconvening thereof, or to the Chairman of the Meeting on the day of the meeting or, if adjourned, any reconvening thereof or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Company is authorized to issue an unlimited number of ordinary (common) shares without par value of which 29,990,630 shares were issued and outstanding on July 20, 2010. Only the holders of ordinary (common) shares are entitled to one vote for each common share held. Holders of common shares on the record at 7 pm (Australian Eastern Standard Time) on Monday, August 23, 2010, will be entitled to vote at the Meeting.

To the knowledge of the Directors and executive officers of the Company, no person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all shares of the Company except the following:

<i><u>Name</u></i>	<i><u>No. of Common Shares Owned or Controlled</u></i>	<i><u>Percentage of Outstanding Common Shares</u></i>
Pinetree Capital Ltd	5,751,300	19.2%

## PARTICULARS OF MATTERS TO BE ACTED UPON

There are five (5) items of business on the agenda for the Meeting.

Note that any reference to ‘TSX-V’ in the Notice of Meeting or this Information Circular means TSX Venture Exchange, Canada.

### FINANCIAL STATEMENTS & REPORTS

The Australian *Corporations Act 2001* requires that the report of the Directors, the Auditor’s report and the financial report of the Company and its controlled entities for the year ended 31 March 31, 2010 be laid before the Annual General Meeting. Neither the *Corporations Act 2001* nor the Company’s Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements. However, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the Meeting.

Following consideration of reports the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management and audit of the Company.

### 1 ELECTION/RE-ELECTION OF DIRECTORS

Under the Company’s Constitution any Director appointed since last Annual General Meeting and one third (rounded down if necessary) of the Company’s other Directors (other than a Managing Director) are to retire at each Annual General Meeting and, being eligible, may seek re-election as a Director.

Under the Company’s Constitution the minimum number of Directors is three. Also, under TSX-V requirements all Directors must stand for re-election at every Annual General Meeting.

Resolution 1 deals with the re-election of Directors under both scenarios. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.

The Board of Directors (the “**Board**”) presently consists of three Directors. The Company is required to have an audit committee. Members of this committee are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a Director. Information concerning such persons, as furnished by the individual nominees, is as follows:

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Shares beneficially owned or, directly or indirectly, Controlled <sup>(3)</sup></i>
<b>SIMON HICKEY</b> <sup>(1)(2)(4)</sup> Albuquerque, New Mexico, USA <i>Director</i>	Experience as a director of ASX and TSX listed companies in resource sector over 18 years. Also, acted as a corporate adviser in Australia and North America. Holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment.	Since February 15, 2005	403,700 shares 560,000 options (indirectly)

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Shares beneficially owned or, directly or indirectly, Controlled <sup>(3)</sup></i>
	CEO of marketing company Performance Marketing Solutions Inc. since May 2003. From 2000, CEO of private investment company Clavell Holdings Pty Ltd.		
<b>ALAN PHILLIPS</b> <sup>(1)(5)</sup> Brisbane, Queensland, Australia <i>Chairman, President &amp; Chief Executive Officer</i>	Director and/or chairman of ASX-listed public companies covering a period of 30 years, specialising in start-up and turn-around across a broad range of industries, but predominantly in the mining exploration and technology industries. Mr Phillips' current directorships include TSX-V listed Cadan Resources Corporation.	Since October 19, 2005	71,100 shares 560,000 options (indirectly)
<b>John Toigo</b> <sup>(1)(6)</sup> Brisbane, Queensland, Australia <i>Director</i>	Partner of ClarkeKann Lawyers, in Brisbane. Over 20 years experience as a corporate lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation. Holds a Bachelor of Laws (Honours) and a graduate diploma in applied finance and investment.	Since August 31, 2009	250,000 options

**Notes:**

- (1) Members of the Audit Committee.
- (2) Chair of Audit Committee.
- (3) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at July 20, 2010, based upon information furnished to the Company by individual Directors. Unless otherwise indicated, such shares are held directly.
- (4) Mr Hickey was appointed as a Director on February 15, 2005 and his appointment expires at this Annual General Meeting. Accordingly, under clause 6.1 of the Company's Constitution, Mr Hickey seeks re-election as a Director as well as to fulfil the requirements of TSX-V.
- (5) Mr Phillips seeks re-election as a Director to fulfil the requirements of TSX-V.
- (6) Mr Toigo was appointed as a Director on August 31, 2009 to fill a casual vacancy and in accordance with the clause 6.1 of the Company's Constitution and may not hold office (without re-election) past the Annual General Meeting. Accordingly, Mr Toigo retires and seeks re-election at the Annual General Meeting.

No proposed Director is to be elected under any arrangement or understanding between the proposed Director and any other person or company, except the Directors and executive officers of the Company acting solely in such capacity.

To the knowledge of the Company, no proposed Director:

- (a) is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any company (including the Company) that,
  - i. was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days while the proposed director was acting in the capacity as director, CEO or CFO of such company; or
  - ii. was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company; or
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of the Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## 2 APPOINTMENT OF AUDITORS

Davidson & Company LLP, of Vancouver, British Columbia, Canada have been the auditors of the Company in Canada since August 15, 1997. As required under TSX-V, the auditors must be re-appointed every year at the Annual General Meeting. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Davidson & Company LLP, Chartered Accountants as the auditors of the Company to hold office for the ensuing year at a remuneration to be fixed by the Directors.

Under Australian law the Company’s corporate auditors, WHK Horwath of Melbourne, Victoria, Australia, do not require re-appointment every year.

### 3. RATIFICATION OF STOCK OPTION PLAN

The Board adopted a stock option plan (the “**Stock Option Plan**”) effective October 25, 2005, subject to acceptance by TSX-V and the shareholders of the Company. This occurred in December 2005 and has been ratified at each subsequent annual general meeting.

TSX-V regulations require that the Stock Option Plan, which is a ‘rolling’ plan, be ratified annually by shareholders if the Company wishes to continue granting options under the plan. As such, at the Meeting the shareholders will be asked to pass an ordinary resolution in substantially the form set out in item 3 of the Agenda.

The purpose of the Stock Option Plan is to allow the Company to grant options to Directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to 5 years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company’s shares prevailing on the day that the option is granted less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX-V. Pursuant to the Stock Option Plan, the Board may from time to time authorize the issue of options to Directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The maximum number of ordinary (common) shares which may be issued pursuant to options previously granted and those granted under the Stock Option Plan will be a maximum of 10% of the issued and outstanding ordinary shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. The Stock Option Plan contains no vesting requirements except as required by the TSX-V with respect to persons providing Investor Relations Activities, but permits the Board to specify a vesting schedule in its discretion.

Should the Board decide at any future date to grant further options to Directors in terms of the Stock Option Plan those Directors may receive, or have the opportunity to receive, a ‘related party benefit’ as defined in the Australian *Corporations Act 2001* (and in that case any such options must be granted within 15 months of the date of the shareholder approval). However, shareholders should be aware that pursuant to the provisions of s 211 in the Australian *Corporations Act 2001* a grant of options to a director of the Company in terms of the Stock Option Plan will not require approval of shareholders if the grant of any options to Directors forms part of remuneration provided to directors and could be considered, having regard to both the circumstances of the Company and any director who may be granted options (including any responsibilities involved in that directors employment).

If Shareholders approve this resolution, they should be aware that approval of the Stock Option Plan may result in some or all of the current Directors at some time in the future participating in the Stock Option Plan and be given the opportunity to acquire shares at a discount to the then current market price.

Shareholders are advised that at the date of this Notice of Meeting there are no present intentions to grant any options to any of the current Directors under the Stock Option Plan.

The Stock Option Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

The full text of the Stock Option Plan will be available for review at the Meeting.

#### 4. INCREASE OF RENUMERATION PAYABLE TO DIRECTORS

Rule 6.3 of the Company's Constitution requires shareholder approval by ordinary resolution for an increase in the fixed directors fees paid to non-executive directors.

The Company is seeking approval to increase the maximum total amount of fees payable to Directors of the Company from \$135,000 to \$200,000 per annum.

The directors have proposed this fee increase to ensure the Company is able to attract and retain the services of suitably qualified and experienced directors.

Further the Board may in the next year increase the number of directors and will require additional funding in order to do this. The Company is in a transitional phase, going from an explorative company to a Company entering a stage of pre-development. To guide and mentor the Company through this phase, the Company needs to be able to attract and retain highly accredited persons. This will ensure the Board comprises of persons with the right expertise and knowledge in the mining industry.

The Directors do not believe this increase is excessive and believe it is in line with current market rates with regards to attracting and retaining accredited directors.

### EXECUTIVE COMPENSATION

For the purposes of this Information Circular, a "Named Executive Officer" means each of the following individuals:

- (a) a CEO of the Company;
- (b) a CFO of the Company;
- (c) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than CAD\$150,000 as determined in accordance with subsection 1.3(6) of National Instrument Form 51-102F6 ("**Form 51-102F6**"), for the March 31, 2010 financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer, nor acting in a similar capacity at March 31, 2010.

### Compensation Discussion and Analysis

The Company does not have a compensation committee and the Board is responsible for determining all forms of compensation, including incentive stock options, granted to the officers and directors of the

Company, and for reviewing recommendations respecting compensation, to ensure such arrangements reflect the responsibilities and risks associated with each position. The Board is responsible for all matters relating to the compensation of the directors and executive officers of the Company with respect to: (i) general compensation goals and guidelines and the criteria by which bonuses and stock compensation awards are determined; (ii) amendments to any equity compensation plans adopted by the Board and changes in the number of shares reserved for issuance thereunder; and (iii) other plans that are proposed for adoption or adopted by the Company for the provision of compensation. The general objectives of the Company's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other junior mineral exploration companies to enable the Company to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a junior mineral exploration company without a history of earnings.

When determining the compensation of its officers, the Board considers: (i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Company's shareholders; and (iv) rewarding performance, both on an individual basis and with respect to operations in general.

The Board ensures that total compensation paid to all Named Executive Officers is fair and reasonable. The Board relies on the experience of its members as officers and directors with other junior mining companies in the Australian iron ore industry when assessing compensation levels.

With respect to forms of compensation, historically these have been comprised of cash consulting fees and incentive stock options. The Company has not granted share-based awards, does not have any form of non-equity incentive plan, and does not have any form of pension plan. The Board has the discretion to pay cash bonuses to the executive officers, however, there is no formal bonus plan or other formal arrangements pursuant to which bonuses may be earned and the Company did not pay any bonuses to its executive officers in the financial year ended March 31, 2010.

The Company's process for determining executive compensation is done on a case by case basis and involves discussion by the Board of the factors the Board deems relevant to each case. There are no formally defined objectives, benchmarks criteria and analysis that are used in all cases. Executive compensation is benchmarked against data obtained from recruitment consultants for the relevant executive position for companies of similar size in the Australian mining and exploration industry.

#### *Compensation of Directors, the CEO and CFO*

Mr Simon Hickey and John Toigo are Independent Directors and are responsible for determining compensation for the directors and senior management. The Board notes that TSX-V, per s.19.4 of Policy 3.1, requires approval by independent directors of all compensation of directors and senior officers.

To determine compensation payable, the independent director shall review compensation paid for directors, CEOs and CFOs of companies of similar size and stage of development in the mineral exploration/mining industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. This includes consultants with recruitment companies to determine current market conditions and rates. In setting the compensation the independent director shall annually review the performances of the CEO and CFO in light of the

Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

*Analysis of Elements*

The principal elements of the executive officers' compensation consists of base salary and long-term incentive awards (stock options).

Base salary is used to provide the Named Executive Officers a set amount of money during the year with the expectation that each Named Executive Officer will perform his responsibilities to the best of his ability and in the best interests of the Company.

The Company considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to executive officers at the commencement of employment and periodically thereafter. The terms and conditions of the Company's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Company's Stock Option Plan.

*Option-based awards*

The Company's Stock Option Plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX-V, and closely align the interests of the executive officers with the interests of shareholders.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- parties who are entitled to participate in the Stock Option Plan;
- the exercise price for each stock option granted, subject to the provision that the exercise price cannot be lower than the prescribed discount permitted by the TSX-V from the market price on the date of grant;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board has the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards.

## Summary Compensation Table

### Tabular Disclosure

The following table (presented in accordance with Form 51-102F6) sets forth all direct and indirect compensation provided to the Company's Named Executive Officers, for the financial years ended March 31, 2010 and 2009. The Named Executive Officers of the Company for the financial year ended March 31, 2010 are Alan Phillips and David Taplin, and formerly David Barwick, James Canning-Ure and Nicholas Revell.

NEO Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)(*)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Alan Phillips Chairman, President & CEO	2009	56,687	-	-	-	-	-	-	56,687
	2010	78,533	-	128,191	-	-	-	-	206,724
David Taplin CFO & Company Secretary	2009	-	-	-	-	-	-	-	-
	2010	60,000	-	95,901	-	-	-	-	155,901
David Barwick (former Chairman, President & CEO)	2009	126,050	-	-	-	-	-	-	126,050
	2010	61,386	-	64,257	-	-	-	-	125,643
James Canning-Ure (former CFO)	2009	123,211	-	-	-	-	-	-	123,211
	2010	112,085	-	64,257	-	-	-	-	176,342
Nicholas Revell (former Geologist)	2009	171,538	-	-	-	-	-	-	171,538
	2010	752	-	-	-	-	-	-	752

(\*)The amounts shown in this category are the "fair values" as determined at the date of grant using the Black-Scholes option pricing model ("BSOPM"), and are the same values as used by the Company in determining stock-based compensation for accounting purposes. The use of values determined using the BSOPM is accepted by the Canadian Securities Administrators and the Canadian Institute of Chartered Accountants, and under the circumstances the Board has accepted this basis of valuation.

### Incentive Plan Awards

#### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning all awards outstanding under incentive plans of the Company at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the Named Executive Officers:

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	Number of Shares Or Units Of Shares That Have Not Vested (#)	Market or Payout Value Of Share-Based Awards That Have Not Vested (\$)
Alan Phillips Chairman, President & CEO	110,000	1.60	12/22/2011			
	100,000	1.00	10/19/2012	82,500	-	-
	100,000	1.00	07/31/2014	135,000	-	-
	100,000	1.10	12/02/2012	135,000	-	-
David Taplin CFO & Company Secretary	150,000	1.10	12/02/2012	187,500	-	-
David Barwick (former Chairman, President & CEO)	-	-	-	-	-	-
James Canning- Ure (former CFO)	-	-	-	-	-	-
Nicholas Revell (former Geologist)	-	-	-	-	-	-

**Notes:**

- (1) This amount is calculated based on the difference between the market value of the securities underlying the options at the end of the most recently completed financial year, and the exercise or base price of the option.
- (2) David Barwick's options expired on December 1, 2009 following his non re-election as Director on August 31, 2009.
- (3) James Canning-Ure converted 200,000 options to shares on February 24, 2010 and the remaining 110,000 options expired on March 1, 2010, following his non re-election as Director on August 31, 2009.
- (4) Nicholas Revell's options expired on July 20, 2009 following his resignation on April 20, 2010.

*Incentive Plan Awards – Value Vested Or Earned During The Year*

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to the Named Executive Officer(s).

The following table sets forth for the Named Executive Officers, the value vested during the financial year ended on March 31, 2010 for options awarded under the Plan, as well as the value earned under non-equity incentive plans for the same period.

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Alan Phillips	Nil	N/A	N/A
David Taplin	Nil	N/A	N/A
David Barwick	Nil	N/A	N/A
James Canning-Ure	Nil	N/A	N/A
Nicholas Revell	Nil	N/A	N/A

All incentive stock options held by the Named Executive Officers vested upon granting.

*Narrative Discussion*

The only incentive plan that the Company has is its incentive Stock Option Plan. The maximum aggregate number of shares that may be reserved for issuance under the Stock Option Plan is 10% of the issued shares of the Company at the time that an option is granted.

The following restrictions on issuances of options are applicable under the Stock Option Plan:

- (a) no service provider will be granted an option if that option would result in the total number of options, together with all other share compensation arrangements granted to such service provider in the previous 12 months, exceeding 5% of the outstanding shares;
- (b) the aggregate number of options granted to service providers conducting investor relations activities in any 12 month period must not exceed 2% of the outstanding shares, calculated at the time of grant, without the prior consent of the TSX-V (options for persons performing investors relations services remains subject to securities legislation permitting such grants); and
- (c) the aggregate number of options granted to any one consultant in any 12 month period must not exceed 2% of the outstanding shares, calculated at the time of grant, without the prior consent of the TSX-V.

In the event that an option granted under the plan expires unexercised or is terminated by reason of dismissal of the optionee for cause or is otherwise lawfully cancelled prior to the exercise of the option, the optioned shares that were issuable thereunder will be returned to the Stock Option Plan and will be eligible for re-issue.

The Board is responsible for the general administration of the Stock Option Plan and the proper execution of its provisions, the interpretation of the Stock Option Plan and the determination of all questions arising thereunder. Without limiting the generality of the foregoing, the Board shall have the power to:

- (a) allot shares for issuance in connection with the exercise of options;
- (b) grant options thereunder;
- (c) subject to regulatory approval, amend, suspend, terminate or discontinue the Stock Option Plan, or revoke or alter any action taken in connection therewith, except that no general amendment or suspension of the Stock Option Plan will, without written consent of all optionees, alter or impair any option previously granted under the Stock Option Plan unless as a result of a change in TSX-V Policies or the Company's tier classification thereunder; and
- (d) may in its sole discretion amend the Stock Option Plan (except for previously granted and outstanding options) to reduce the benefits that may be granted to service providers (before a particular option is granted) subject to the other terms thereof.

The exercise price of an option will be set by the Board at the time such option is allocated under the Stock Option Plan, subject to TSX-V policies.

An option can be exercisable for a maximum of five years, depending on the particular options granted.

Generally, the exercise price of an option may be amended only if at least six (6) months have elapsed since the later of the date of commencement of the term of the option or the date of the last amendment of the exercise price. Any proposed amendment to the terms of an option must be approved by TSX-V prior to the exercise of such option.

No option may be exercised after the service provider has left the employ/office or has been advised his services are no longer required or his service contract has expired, except in the limited circumstances set forth in the Stock Option Plan. Generally, options will be exercisable only by the optionee to whom they are granted and will not be assignable or transferable.

The Board will reserve the right, in its absolute discretion, to at any time amend, modify or terminate the Stock Option Plan with respect to all shares in respect of options which have not been granted at such time. Any amendment to any provision of the Stock Option Plan will be subject to any required regulatory approval unless the effect of such amendment is intended to reduce (but not to increase) the benefits of the Stock Option Plan to service providers.

#### *Pension Plan Benefits*

The Company does not have any form of pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement. The Company does not have any form of deferred compensation plan.

#### *Termination and Change of Control Benefits*

The Company and its subsidiaries currently have no employment contracts with any Named Executive Officer. The Company and its subsidiaries have no employment contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, change in control of the company or change in a Named Executive Officer's responsibilities.

### **Director Compensation**

#### *Director Compensation Table*

The following table sets forth all amounts of compensation provided to the Directors, who are each not also a Named Executive Officer, for the Company's most recently completed financial year:

<i>Director Name<sup>(1)</sup></i>	<i>Fees Earned (\$)</i>	<i>Share-Based Awards (\$)</i>	<i>Option-Based Awards<sup>(2)</sup> (\$)</i>	<i>Non-Equity Incentive Plan Compensation (\$)</i>	<i>Pension Value (\$)</i>	<i>All Other Compensation (\$)</i>	<i>Total (\$)</i>
John Toigo (non-executive director)	21,000	-	63,934	-	-	-	84,934
Simon Hickey (non-executive director)	12,615	-	63,934	-	-	-	76,549

**Notes:**

- (1) Relevant disclosure has been provided in the *Summary Compensation Table* above, for Directors who receive compensation for their services as a Director who are also Named Executive Officers.
- (2) The amounts shown in this category are the “fair values” as determined at the date of grant using the Black-Scholes option pricing model (“BSOPM”), and are the same values as used by the Company in determining stock-based compensation for accounting purposes. The use of values determined using the BSOPM is accepted by the Canadian Securities Administrators and the Canadian Institute of Chartered Accountants, and under the circumstances the Board has accepted this basis of valuation.

*Narrative Discussion*

The Company has no arrangements, standard or otherwise, pursuant to which Directors were compensated by the Company for their services as Directors, for committee participation, for involvement in special assignments or for services as consultant or expert during the most recently completed financial year.

As disclosed elsewhere in this Information Circular, the Company has a stock option plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

*Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth information concerning all awards outstanding under incentive plans of the Company at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the Directors who are not Named Executive Officers:

<i>Director Name</i>	<i>Option-Based Awards</i>				<i>Share-Based Awards</i>	
	<i>Number of Securities Underlying Unexercised Options (#)</i>	<i>Option Exercise Price (\$)</i>	<i>Option Expiration Date</i>	<i>Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)</i>	<i>Number of Shares Or Units Of Shares That Have Not Vested (#)</i>	<i>Market or Payout Value Of Share-Based Awards That Have Not Vested (\$)</i>
John Toigo (non-executive director)	100,000	1.10	12/02/2012	125,000	N/A	N/A
Simon Hickey (non-executive director)	110,000	1.60	12/22/2011	82,500	N/A	N/A
	100,000	1.20	11/26/2012	115,000		
	100,000	1.00	07/31/2014	135,000		
	100,000	1.10	12/02/2012	125,000		

**Notes:**

- (1) This amount is calculated based on the difference between the market value of the securities underlying the options at the end of the most recently completed financial year, which was CAD \$2.35, and the exercise or base price of the option.

*Incentive Plan Awards – Value Vested Or Earned During The Year*

All incentive stock options held by the Directors vested upon granting. 200,000 options were granted to Simon Hickey, a director, during the financial year ended March 31, 2010. The options were granted on July 31, 2009 (100,000) and December 2, 2009 (100,000) and vested immediately.

100,000 options were granted to John Toigo, a director during the financial year ended March 31, 2010. The options were granted on December 2, 2009 and vested immediately.

	<i>Option-Based Awards - Value Vested During The Year<sup>(1)</sup> (\$)</i>	<i>Share-Based Awards - Value Vested During The Year<sup>(2)</sup> (\$)</i>	<i>Non-Equity Incentive Plan Compensation - Value Earned During The Year (\$)</i>
John Toigo (non-executive director)	Nil	N/A	N/A
Simon Hickey (non-executive director)	Nil	N/A	N/A

**Notes:**

- (1) This amount is the dollar value that would have been realized computed by obtaining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date.
- (2) This amount is the dollar value realized computed by multiplying the number of shares or units by the market value of the underlying shares on the vesting date.

**INDEBTEDNESS TO COMPANY OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

As at March 31, 2010, there was no indebtedness outstanding of any current or former Director, executive officer or employee of the Company or its subsidiaries which is owing to the Company or its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a Director or executive officer of the Company, no proposed nominee for election as a Director of the Company and no associate of such persons:

- (a) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or its subsidiaries; or
- (b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries,

in relation to a securities purchase program or other program.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

**Equity Compensation Plan Information**

The following table provides information regarding compensation plans under which securities of the Company are authorized for issuance in effect as of the end of the Company's most recently completed financial year end:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Shareholders	1,645,000	\$1.66	750,563
Equity Compensation Plans Not Approved By Shareholders	-	-	-
Total:	1,645,000	\$1.66	750,563

A description of the significant terms of the Company’s Stock Option Plan is found under the heading “Executive Compensation – Incentive Plan Awards” and “Ratification of Stock Option Plan.”

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as set out herein, no person who has been a Director or executive officer of the Company at any time since the beginning of the Company’s last financial year, no proposed nominee of management of the Company for election as a Director of the Company and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in any matter to be acted upon at the Meeting other than the election of Directors, the ratification of the Stock Option Plan, the ratification of the Directors’ Options and the increase of the Directors’ remuneration. (See “Particulars of Matters to be Acted Upon” for further details.)

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as set out herein, none of the directors or executive officers of the Company, a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company, nor any shareholder beneficially owning, directly or indirectly, common shares of the Company, or exercising control or direction over common shares of the Company, or a combination of both, carrying more than 10% of the voting rights attached to the outstanding shares of the Company, nor any proposed director of the Company nor an associate or affiliate of any of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company’s most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company. (Refer to “Related Party Transactions Generally” for further details.)

#### **MANAGEMENT CONTRACTS**

No management functions of the Company are performed to any substantial degree by a person other than the Directors or executive officers of the Company.

#### **AUDIT COMMITTEE**

Under National Instrument 52-110 – Audit Committees (“NI 52-110”), companies are required to provide disclosure with respect to their audit committee including the text of the audit committee’s charter, composition of the audit committee and the fees paid to the external auditor.

## **The Audit Committee's Charter**

### *Mandate*

The primary function of the audit committee (the “**Committee**”) is to assist the Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting and the Company’s auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s financial reporting and internal control system and review the Company’s financial statements.
- Review and appraise the performance of the Company’s external auditors.
- Provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board of Directors.

### *Composition*

The Committee shall be comprised of three Directors as determined by the Board of Directors, the majority of whom should be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

### *Meetings*

The Committee shall meet a least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

1. *Documents/Reports Review*
  - (a) Review and update this Charter annually.

- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

2. External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.<sup>(1)</sup>
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or

by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

<sup>(1)</sup> this Standard has been replaced by Rule 3526 "*Communication with Audit Committees Concerning Independence*" of the United States Securities and Exchange Commission.

#### *Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

#### 3. Other

Review any related-party transactions.

## Composition of the Audit Committee

The following are the members of the Committee:

	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>	Relevant Education & Experience
Alan Phillips	No	Yes	Director and/or chairman of ASX- listed public companies covering a period of 30 years, specialising in start-up and turn-around across a broad range of industries, but predominantly in the mining exploration and technology industries. Mr Phillips' current directorships include TSX-V listed Cadan Resources Corporation.
Simon Hickey <i>Committee Chairman</i>	Yes	Yes	Experience as a director of ASX and TSX listed companies in resource sector over 18 years. Also, acted as a corporate adviser in Australia and North America. Holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment. CEO of marketing company Performance Marketing Solutions Inc. since May 2003. From 2000, CEO of private investment company Clavell Holdings Pty Ltd.
John Toigo	Yes	Yes	Partner of ClarkeKann Lawyers, in Brisbane. Over 20 years experience as a corporate lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation. Holds a Bachelor of Laws (Honours) and a graduate diploma in applied finance and investment.

### Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. The Company is endeavouring to recruit additional knowledgeable directors who will also fit the definition of "independent".
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

### Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

### Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading “External Auditors”.

### External Auditor Service Fees (By Category)

The aggregate fees billed by the Company’s external auditors in each of the last two fiscal years for audit fees are as follows:

<i>Financial Year Ending</i>	<i>Audit Fees <sup>(1)</sup></i>	<i>Audit Related Fees <sup>(2)</sup></i>	<i>Tax Fees <sup>(3)</sup></i>	<i>All Other Fees <sup>(4)</sup></i>
March 31, 2010	\$96,467	-	-	\$11,633
March 31, 2009	\$68,111	-	-	\$41,664

#### Notes:

- (1) The aggregate audit fees billed.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements which are not included under the heading “Audit Fees”.
- (3) Fees billed for preparation of Company’s corporate tax return
- (4) The aggregate fees billed for products and services other than as set out under the headings “Audit Fees”, “Audit Related Fees” and “Tax Fees”.

### Exemption in Section 6.1 of NI 52-110

The Company is relying on the exemption in Section 6.1 of NI 52-110 from the requirement of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations): Venture issuers are exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of NI 52-110.

### CORPORATE GOVERNANCE

A summary of the responsibilities and activities and the membership of each of the Committees is set out below.

National Policy 58-201 (“**NI 58-201**”) establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company’s practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

### Independence of Members of Board

The Company’s Board consists of 3 directors, 2 of whom are independent based upon the tests for independence set forth in National Instrument 52-110. Mr Phillips is not independent as he is the President and CEO of the Company,

### **Management Supervision by Board**

The CEO and CFO report upon the operations of the Company separately to the independent directors of the Board at such times throughout the year as is considered necessary or advisable by the independent directors. Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having independent Board members. The independent directors are encouraged to meet at any time they consider necessary without any members of management including the non-independent directors being present. The Company's auditors, legal counsel and employees may be invited to attend. The independent directors exercise their responsibilities for independent oversight of management through their majority control of the Board.

### **Participation of Directors in Other Reporting Issuers**

The participation of the directors in other reporting issuers is described in the following table:

<b>Director</b>	<b>Report Issuers in which Involved</b>
Alan Phillips	Director – Cadan Resources Corporation (TSX-V)
Simon Hickey	Nil
John Toigo	Nil

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. information respecting the functioning of the Board, committees and copies of the Company's corporate governance policies;
2. access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;
3. access to management, technical experts and consultants; and
4. a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

### **Ethical Business Conduct**

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders. The Board has instructed its management and employees to adopt and abide by values consistent with ethical business conduct.

### **Nomination of Directors**

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mining industry are consulted for possible candidates.

### **Compensation of Directors, the CEO and CFO**

Mr Simon Hickey and John Toigo are Independent Directors and are responsible for determining compensation for the directors and senior management. The Board notes that TSX-V, per s.19.4 of Policy 3.1, requires approval by independent directors of all compensation of directors and senior officers.

To determine compensation payable, the independent director shall review compensation paid for directors, CEOs and CFOs of companies of similar size and stage of development in the mineral exploration/mining industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. This includes consultants with recruitment companies to determine current market conditions and rates. In setting the compensation the independent director shall annually review the performances of the CEO and CFO in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

### **Board Committees**

The Company only has an Audit Committee at this time. As the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development.

### **Assessments**

The Board does not consider that formal assessments would be useful at this stage of the Company's development. The Board conducts informal annual assessments of the Board's effectiveness, the individual directors and each of its committees. To assist in its review, the Board conducts informal surveys of its directors on their assessment of the functioning of the Board and reports from each committee respecting its own effectiveness. As part of the assessments, the Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.

### **OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company local on (07) 3229 3554 or international telephone +61 7 3229 3554 during Australian business hours on or by facsimile to the Company on 07 3221 6152 or +617 3221 6152 (if from overseas), Email: [communications@macarthurminerals.com](mailto:communications@macarthurminerals.com) or at Level 20, AMP Place, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year which are filed on SEDAR.

DATED this 26<sup>th</sup> day of July, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF MACARTHUR MINERALS LIMITED**

*"Alan Phillips"*

Alan S. Phillips,  
President & CEO, Director