MACARTHUR MINERALS LIMITED
ACN 103 011 436

Management Discussion and Analysis
(Form 51-102F1)
For the Quarter ended December 31, 2010

Information as of February 28, 2011 unless otherwise stated

Note to Reader

The following management discussion and analysis of the financial condition and results of operations of Macarthur Minerals Limited (ôMacarthurö or the ôCompanyö) should be read in conjunction with the Companyös annual audited financial statements for the year ended March 31, 2010, together with the notes thereto, as well as the Companyös previous quarterly financial and MD&A reports throughout the year. The material herein, as of February 28, 2011 updates the information as of September 30, 2010 contained in the MD&A of that report. The annual audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Forward-Looking Information

This discussion includes certain statements that may be deemed ôforward-looking statements.ö All statements in this discussion, other than statements of historical facts, which address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes that expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. The material factors or assumptions used to develop forward-looking information include prevailing and projected market prices, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

OVERALL PERFORMANCE

Macarthur is a mineral exploration company focusing on early-stage development for magnetite and hematite iron ore in the Yilgarn Region of Western Australia.

All exploration activities are focused on its Lake Giles project owned by its 100% owned subsidiary Internickel Australia Pty Ltd (IAPL).

Drilling Program 2010

All exploration activities during the 2010 field season have been focused on its Lake Giles project located in the Yilgarn Iron Ore Province of Western Australia. The Company has completed a total of 287 RC drill holes for an advance of 21,684 metres (Stages 8 and 9) for the 2010 field season. In addition, 6 HQ diameter diamond drill holes were completed to obtain material for metallurgical test work (4 hematite/goethite holes and 2 magnetite holes). Better intersections previously reported during the year included:

24m @ 62.5%Fe from 6m
14m @ 58.0%Fe from 5m
11m @ 58.2%Fe from 38m
21m @ 57.4%Fe from 5m
9m @ 61.6%Fe from 16m
28m @ 57.9%Fe from 13m
16m @ 57.4%Fe from 36m
8m @ 61.1%Fe from 44m

OVERALL PERFORMANCE (Cont'd)

On November 25, 2010 the company reported a 57% increase in the Hematite-Goethite Inferred Mineral Resource estimate for its Lake Giles DSO ("potential Direct Shipping Ore"). The Inferred Resource estimate has increased to 18 million tonnes at 55.5% Fe (refer Table 1) based on the last resource statement of 11.5Mt at 55.2% Fe (Press Release dated November 9, 2010).

Table 1 - Goethite/Hematite (DSO) - Inferred Mineral Resource Estimate

Deposit	Tonnes (Mt)	Fe%	P%	SiO2%	Al2O3%	LOI %
Banjo-Lost World	5.5	55.7	0.07	8.1	4.7	7.1
Moonshine	0.6	52.8	0.06	13.3	3.9	5.8
Central	4.8	55.2	0.06	8.2	4.5	8.0
Snark	7.1	55.9	0.07	7.8	4.2	7.6
Total	**18.0**	**55.5**				

- Figures contained within Table 1 have been rounded.
- A block model was constructed using three dimensional geological wireframes.
- Variograms were generated but were generally very poor due to limited data. Grades were estimated using ordinary kriging.
- Outlines and wireframes honour the actual locations of contacts on drill holes that are off section.
- Density was estimated with a regression from Fe grade based on core and rock samples.

On December 15, 2010 the company reported the Moonshine Inferred Mineral Resource estimate for magnetite increased to 710 Mt at 30.6% Fe (refer Table 2) from 511 Mt at 27.8 % Fe. As a result, the Inferred Mineral Resource estimate for magnetite for the Lake Giles project increased from 1,117 Mt at 27.8 % Fe to 1,316 Mt at 30.1 % Fe (Table 3).

Table 2 - Average DTR results for the Moonshine deposit.

	Tonnes (Mt)	Fe %	% Mass Recovery
In-Situ	710	30.6	
Davis Tube Concentrate	215	66.1	30.3

Table 3 - Lake Giles Project Mineral Resource Estimate (magnetite) as at December 2010 at a 15% Fe cut-off.

	INFERRED	
Deposit	**Tonnes (Mt)**	**Fe %**
Snark	75	27.7
Clark Hill North	130	25.8
Sandlewood	335	31.1
Clark Hill South	66	30.3
Moonshine	710	30.6
Total	**1,316**	**30.1**

OVERALL PERFORMANCE (Cont'd)

On February 7, 2011 the Company reported the receipt of the Moonshine Magnetite Scoping Study undertaken by Engenium in respect of the Moonshine deposit located within the Company's Lake Giles project in Western Australia. The key highlights of the study are summarised below:

- Project NPV between AUD 2,525 million to AUD 2,651 million based on a discounted cash flow model:
    - using a real discount rate of 10%;
    - based on a project life of 26 years; and
    - with no terminal value added to the NPV, which assumes no extension to the plant and/or mine life.
- Project is potentially highly profitable with payback (based on NPV) in 3.62 years to 3.95 years.
- Operating costs (AUD/t concentrate) estimated at AUD 52.3 to AUD 59.3 (rounded).
- Total direct costs estimates a range from AUD1,877 million to AUD 2,272 million (rounded).
- Total Project Costs (direct & indirect, including contingency of AUD 300 million) range from AUD 2,459 million to 2,913 million (rounded).

The financial highlights for the Scoping Study base case over the first 26 years of the project operation are summarised as follows:

	Option 1*
Scoping Study base case financial model	26 Years
Scoping Study parameters	± 30 %
Saleable concentrate per annum	10Mtpa
Operation Cost F.O.B	A$52.3
Capital direct cost	A$2,272M
NPV @ 10% real discount rate	A$2,651M
IRR	23%
Magnetite concentrate grade	68%
Mass recovery	38%

*Note: Option 1 is the base case slurry pipeline from mine site to Karara then rail from Karara to Oakajee Port.

Corporate Update

Capital Raising

On February 24, 2011 the Company announced that it closed its previously announced bought deal private placement offering (the "Offering") of units ("Units") of the Company. Each Unit consists of one common share and one-half of one common share purchase warrant (the "Warrants"). Each whole warrant is exercisable for one common share at a price of $4.50 per share for a period of 24 months from the date hereof. In the event that the closing sale price of the Company's common shares on the TSX Venture Exchange is greater than $6.00 per share for a period of 20 consecutive trading days at any time after closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The syndicate of underwriters was led by TD Securities Inc. and included Macquarie Capital Markets Canada Ltd. and Stifel Nicolaus Canada Inc. (collectively, the "Underwriters").

A total of 13,900,000 Units were issued at a price of $3.60 per Unit for aggregate gross proceeds to Macarthur Minerals of $50,040,000, which includes the exercise by the Underwriters of an over-allotment option to purchase an additional 1,400,000 Units. Pursuant to the terms of an underwriting agreement dated effective February 24, 2011 between the Company and the Underwriters, the Underwriters received a cash commission equal to 6% of the gross proceeds raised and non-transferable options to acquire Units exercisable at a price of $3.60 per Unit in the amount equal to 6% of the number of Units issued for a period of 24 months from the date hereof. The securities issued with respect to the Offering will be subject to a four month hold period in accordance with applicable Canadian securities laws.

OVERALL PERFORMANCE (Cont’d)

The net proceeds from the Offering will be used to fund development of the Company’s Lake Giles project in Western Australian and for general corporate purposes.

Appointment of Buick Group as Investor Relations

The Company announced on October 1, 2010 the appointment of the Buick Group Corp (“Buick Group”) as an investor relations consultant.

The Buick Group is a Toronto based firm that specializes in assisting emerging growth companies with public relations, capital markets experience, brand building and brand awareness and developing and initiating strategies to strengthen relations and communications between companies or individuals associated with the firm. The Buick Group is assisting the Company in gaining increased exposure to investors through the dissemination of corporate information to a network of online venues, brokerage firms, financial institutions and private investors.

Esperance Port Authority Secured Port Access

The Company announced on December 15, 2010 that it has entered into a Multi User Facility Access Deed with the Esperance Port Authority under which it has secured commitment to a 2 million tonnes per annum allocation, as part of the proposed expansion of iron ore export facilities at the Port of Esperance in Western Australia.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(All amounts in Australian dollars)

Exploration Expenses

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

Australian $	**Quarter Ended December 31, 2010**	**Quarter Ended December 31, 2009**	**9 months to December 31, 2010**	**9 months to December 31, 2009**
Expenses	-	-	-	-
Capitalized expenses	2,155,797	364,120	6,685,258	2,762,368

For the last quarter ended December 31, 2010, the Company expended $2,155,797 on exploration activities compared with $364,120 for the quarter ended December 31, 2009. This was in line with the Company’s expansion of its exploration activities.

For the nine months ended December 31, 2010, the Company expended $6,685,258 on exploration activities compared with $2,762,368 for the nine months ended December 31, 2009.

Exploration costs for the quarter ended December 31, 2010 were broadly similar to the previous September quarter and reflect the Company’s current program of works.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

Administrative Expenses

Administration expenses are as follows:

Australian $	Quarter Ended December 31, 2010	Quarter Ended December 31, 2009	9 months to December 31, 2010	9 months to December 31, 2009
Administration expenses	774,756	1,021,572	3,693,730	2,006,383

For the quarter ended December 31, 2010 the Company incurred administrative expenses of $774,756, compared to $1,021,572 for the quarter ended December 31, 2009.

The largest elements of administrative expenses for the quarter ended December 31, 2010 were professional fees of $258,028 and salaries and management fees of $389,837. Compared to the corresponding quarter ended December 31, 2009 total administrative expenses decreased by $250,731. During the quarter there was re-classification of $300,000 from consulting fees to management fees. An increase in investor relations expenditure to $56,121 stems from the appointment of the Buick Group.

For the nine months ended December 31, 2010 the Company expended $3,693,730, on administrative expenses, compared to $2,006,383 for the corresponding nine months ended December 31, 2009. The higher administration costs for the nine months were mainly driven by the May 2010 issue of stock options of $1,499,921, findersôfees of $530,032, consulting fees of $225,309 and increases in professional fees and salary and management costs.

Income

Income normally comprises interest income. For the quarter ended December 31, 2010 the Company earned interest income of $48,101. Compared to the corresponding quarter ended December 31, 2009 interest income increased by $25,835, due to an increased cash balance.

For the nine months ended December 31, 2010 the Company earned income of $235,967, compared to $63,423 for the nine months ended December 31, 2009. The Company no longer receives rental income.

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

Income Taxes

Future tax assets have not been recognized in the financial statements as the directors believe it is more likely than not that these non-capital losses will not be recovered.

Net Losses

The net loss for the quarter ended December 31, 2010 was $677,865, compared with the net loss for the corresponding quarter ended December 31, 2009 of $1,779,012. The net loss for the quarter ended December 31, 2010 was mainly due to administrative expenses. The net loss for the corresponding quarter ended December 31, 2009 was greater mainly owing to the buy-back of shares in IAPL from LPD Holdings Pty Ltd (ŉLPDŏ).

The net loss for the nine months ended December 31, 2010 was $3,233,735, compared with the net loss for the corresponding nine months ended December 31, 2009 of $2,955,776. The net loss for the nine months ended December 31, 2009 was impacted by a dilution loss of $1,316,441 resulting from the buy-back of the 30% shareholding in IAPL from LPD and Minmetals Mining Corporation Ltd.

The net loss for the nine months ended December 31, 2010 was greater mainly due to the issue of stock based compensation of $1,499,921 and findersôfees of $530,032 during that quarter.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

Change in Financial Position

At December 31, 2010 the Company's net assets increased by $7,701,274 to $25,466,126, compared to March 31, 2010. The primary driver was the increase in value of the Company's mineral properties from $16,721,854 to $23,407,112 over the last 9 months resulting from the continued expansion of its exploration activity.

The Company's net working capital at December 31, 2010 was $1,841,198 compared to $900,706 at March 31, 2010. At December 31, 2010 the Company's cash balance of $2,516,330 was $897,637 higher than March 31, 2010 and trade creditors of $1,216,989 were relatively constant.

MINERAL PROPERTIES

The Company's 100% owned of Lake Giles project granted tenures consists of:

Tenement Number	Area Sub-blocks (1 sub-block=approx. 3sq. km)	Grant Date	Expiry Date	Expenditure	Rent Date	Rent
E30/0230	18	28-Apr-00	(1)	$ 70,000	27-Apr-11	$ 8,717.94
E30/0240	39	23-Oct-00	22-Oct-12	$ 117,000	22-Oct-11	$ 18,888.87
E30/0242	2	06-Feb-01	(1)	$ 50,000	05-Feb-12	$ 968.66
E30/0269	3	18-Apr-05	17-Apr-12	$ 30,000	17-Apr-11	$ 767.25
E30/0318	26	24-Nov-08	23-Nov-13	$ 26,000	23-Nov-11	$ 3,148.86
E30/0321	12	08-Aug-07	07-Aug-12	$ 20,000	07-Aug-11	$ 2,261.16
E30/0322	47	30-Mar-07	29-Mar-12	$ 70,500	29-Mar-11	$ 8,856.21
E30/0323	8	30-Mar-07	29-Mar-12	$ 30,000	29-Mar-11	$ 1,507.44
E30/0324	15	30-Mar-07	29-Mar-12	$ 30,000	29-Mar-11	$ 2,826.45
E30/0384	1	16-Feb-10	15-Feb-15	$ 10,000	15-Feb-12	$ 291.72
E30/0385	2	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-12	$ 242.22
E30/0386	2	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-12	$ 242.22
E30/0387	7	16-Feb-10	15-Feb-15	$ 20,000	15-Feb-12	$ 847.77
E30/0392	23	16-Feb-10	15-Feb-15	$ 23,000	15-Feb-12	$ 2,785.53
E30/0398	3	07-May-10	06-May-15	$ 15,000	06-May-11	$ 363.33
E30/0399	1	07-May-10	06-May-15	$ 10,000	06-May-11	$ 291.72
E30/0400	2	07-May-10	06-May-15	$ 15,000	06-May-11	$ 242.22
E30/0404	8	23-Jun-10	22-Jun-15	$ 20,000	22-Jun-11	$ 968.88
E30/0407	17	07-Sep-10	06-Sept-15	$20,000	06-Sep-11	$2,058.87
E30/0408	12	07-Sep-10	06-Sept-15	$20,000	06-Sep-11	$1,453.32
M30/0206	893	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-10	$ 14,243.35
M30/0207	892	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-10	$ 14,227.40
M30/0208	892	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-10	$ 14,227.40
M30/0219	893	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-10	$ 14,243.35
M30/0228	595	02-Jul-07	01-Jul-28	$ 59,500	01-Jul-10	$ 9,490.25
M30/0229	892	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-10	$ 14,227.40
M30/0243	1253	02-Jun-09	01-Jun-30	$ 125,300	01-Jun-11	$ 19,985.35
M30/0246	1363	23-Oct-09	22-Oct-30	$ 136,300	22-Oct-11	$ 21,739.85
P30/1061	200	21-Apr-08	20-Apr-12	$ 8,000	20-Apr-11	$ 462.00
P30/1062	22	21-Apr-08	20-Apr-12	$ 2,000	20-Apr-11	$ 50.82
P30/1083	115	27-Oct-09	26-Oct-13	$ 4,600	26-Oct-11	$ 265.65

Note: (1) converted to mining leases

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of its business and the present stage of development. The following risk factors should be considered:

General

The Company is an Australian mineral exploration company listed on the TSX Venture Exchange and engaged in the exploration and development of mineral properties located at Lake Giles in Western Australia.

It has not yet determined whether all of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

The Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the quarter ended December 31, 2010 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Company's recent exploration experience and prospects, as well as the general market conditions relating to the availability of funding for exploration-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Trends

The Company's financial success is dependent upon the discovery of commercial mineral resources on the Lake Giles prospect which could be economically viable to develop. Such development could take several years to complete and the resulting income, if any, is difficult to determine at this time. 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.

RISKS AND UNCERTAINTIES (Cont'd)

Environmental Factors and Protection Requirements

The Company currently conducts exploration and development activities in Western Australia. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with minimal environmental impact.

Mineral Exploration and Development

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

Operating Hazards and Risks

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

Economics of Developing Mineral Properties

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

RISKS AND UNCERTAINTIES (Cont’d)

Commodity Prices

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

Currency Risk

The Company's revenues and expenses will be incurred in Australian dollars, though its financings are completed in Canadian dollars. Although the Company has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the Australian dollar. This could adversely affect the Company’s financial position and operating results.

Title

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

Governmental Regulation

Operations, development and exploration on the Company’s properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (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, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

Management and Directors

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

- Alan Phillips – Chairman, President/CEO (Peter Ziegler, as alternate)
- David Taplin – CFO and Company Secretary
- Joe Phillips – Chief Operating Officer
- Simon Hickey – Director
- John Toigo – Director
- 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.

RISKS AND UNCERTAINTIES (Cont'd)

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

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at December 31, 2010 the Company's deficit was $17,498,316.

Price Fluctuations: Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the quarter ended December 31, 2010, the per share price of the Company's shares fluctuated from a low of CAD $1.45 to a high of CAD $3.15. There can be no assurance that continued fluctuations in price will not occur.

Shares Reserved for Issuance: Dilution

As at December 31, 2010, there were 2,950,000 stock options and 2,339,150 warrants outstanding.

Market Conditions

Global Economy

The two-speed recovery continues. In advanced economies, activity has moderated less than expected, but growth remains subdued, unemployment is still high, and renewed stresses in the euro area periphery are contributing to downside risks. In many emerging economies, activity remains buoyant, inflation pressures are emerging, and there are now some signs of overheating, driven in part by strong capital inflows. Most developing countries, particularly in sub-Saharan Africa, are also growing strongly. Global output is projected to expand by 4½ per cent in 2011, an upward revision of about ¼ percentage point relative to the October 2010 World Economic Outlook (WEO). This reflects stronger-than-expected activity in the second half of 2010 as well as new policy initiatives in the United States that will boost activity this year. But downside risks to the recovery remain elevated. The most urgent requirements for robust recovery are comprehensive and rapid actions to overcome sovereign and financial troubles in the euro area and policies to redress fiscal imbalances and to repair and reform financial systems in advanced economies more generally. These need to be complemented with policies that keep overheating pressures in check and facilitate external rebalancing in key emerging economies

(Source: IMF World Economic Outlook, January, 2011, www.imf.org)

RELATED PARTY TRANSACTIONS

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

- Alan Spence Phillips – Chairman, President/CEO
- Simon Hickey – Director
- John Toigo – Director
- Peter Ziegler – Alternate Director
- Strategic Capital Services Pty Ltd ("Strategic") is a related party of the Company, as it is an entity associated with Alan Spence Phillips and Alan Joseph Phillips, the latter who is currently a director of Strategic, and is a related party of Alan Spence Phillips.
- Unlimited Business Strategies Pty Ltd is a related party of the Company, as Alan Joseph Phillips is a director and a related party of Alan Spence Phillips.

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

a) Paid or accrued $57,487 (2009: $86,743) in directors fees during the period, which included $9,487 in travel expenses and related reimbursements.

b) Paid $161,858 (2009: $26,121) to Strategic Capital Services Pty Ltd of which $60,000 was for consulting fees, $27,000 for rent, $74,858 for travel and related reimbursements.

c) Paid $72,562 (2009: $Nil) to Unlimited Business Strategies Pty Ltd., which consisted of $60,000 for consulting services, plus reimbursed travel and related expenses of $12,562.

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.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with December 31, 2010. This Financial information is derived from the Financial Statements of the Company. Financial information is prepared according to GAAP and is reported in Australian $.

	Mar 31 2009	Jun 30 2009	Sept 30 2009	Dec 31 2009	Mar 31 2010	June 30 2010	Sep 30 2010	Dec 31 2010
Interest and rent Income	$104,868	$42,256	$43,003	$23,410	$3,639	$85,492	$102,374	$48,101
Net profit/(loss)	$(2,440,553)	$(159,034)	$(973,242)	$(1,847,213)	$(923,659)	$(2,310,052)	$(245,818)	$(677,865)
Net profit/(loss) per share	$(0.09)	$(0.01)	$(0.05)	$(0.09)	$(0.05)	$(0.08)	$(0.01)	$(0.02)

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

During the last 8 quarters, the Company has consistently reported net losses. The most significant factor affecting quarterly losses during the last 8 quarters is continuing administrative expenses.

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

SUMMARY OF QUARTERLY INFORMATION (Cont'd)

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

LIQUIDITY AND CAPITAL RESOURCES

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

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

At December 31, 2010, the Company has net working capital of $1,841,198.

Over the next 2 quarters (6-months), the Company's quarterly cash expenditure requirements will increase as the company moves through its study program to support the development of up to 2 million tonne per annum DSO export program.

COMMITMENTS

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 19 to the Australian Annual Financial Statements for March 31, 2010.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICIES

Accounting policies are listed in Note 1 to the Financial Statements for the year ended March 31, 2010.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

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

FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point of time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2006, the Canadian Accounting Standards Board (ñAcSBò) 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 IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

The Company completed a preliminary IFRS transition assessment which highlighted several key areas of difference between existing Canadian GAAP and IFRS, specifically, presentation of financial statements, the treatment of asset retirement obligations, impairment of assets and share-based payments.

The Company developed an IFRS project plan assigning responsibilities and outlining the proposed timing of execution of key IFRS conversion projects. The Companyõs IFRS project plan stipulates several project phases. The first phase included initial training and education for key finance staff. This phase has been completed, with key members of the IFRS project team attending external courses, as well as conducting self-study training.

The next phase of the Companyõs IFRS project was the ñimpact assessmentò phase, whereby the project phase, the project team determined the potential qualitative differences between Canadian GAAP and IFRS and assessed the impact of these differences on the Companyõs accounting policies, information systems, internal controls over financial reporting and other business processes. To-date,

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Cont’d)

the Company has identified the following key areas of potential difference with respect to the accounting for:

- Share-based payments ï Canadian GAAP allows the preparer to choose from two options, namely a) treating all options granted at a particular date and with the same terms and conditions as one pool (pooling method) and b) treating options with different vesting dates as different grants (vesting method). The cost of such options is calculated according to Black-Scholes for both methods. For the pooling method, the total expense is amortized on a straight line basis over the longest vesting period of all of the options in the pool resulting in equal charges to income over the period. The vesting method looks at each vesting tranche and the expense associated with that particular vesting tranche and amortizes that in a straight line. This second method front end loads the expense so that although available, this method is rarely used under Canadian GAAP. Under IFRS, the vesting method is the only method that may be used.

- Asset retirement obligation ï Canadian GAAP requires that the future cost of asset retirement be discounted at the credit adjusted risk-free interest rate with the asset book value being increased by the discounted amount and a liability being recognized in the same amount. The credit adjusted risk-free interest rate is defined as the rate of interest on monetary assets that are essentially free of default risk, adjusted for the effect of the entityõs credit standing. On the asset side, the discounted asset retirement amount is amortized over the life of the asset whereas the liability is increased or accreted at the credit adjusted risk-free rate so that, at the end of the projectõs life, the full liability for the rehabilitation work will have been recorded. Unless the anticipated cost of the asset retirement obligation changes due to more stringent requirements, improved technology or for other reasons, no further adjustment is made to the original asset retirement obligation except for ongoing amortization (asset side) or accretion (liability side). In contrast, IFRS requires that the asset retirement obligation must be calculated using a discount rate equal to the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Further, re-measurement must be made at the end of each reporting period to give a best estimate of the obligation and includes recalculating using the discount rate at the balance sheet date. As interest rates fluctuate, the discounted asset retirement obligation will also change causing changes to both the amortization and accretion expense. The effect of these changes may be material. Re-measurement for changes in the interest rate is not a requirement of Canadian GAAP.

- Impairment of assets ï IAS 36, Impairment of Assets (ñIAS 36ò), uses a one-step approach for testing and measuring asset impairments with asset carrying values being compared to the higher of value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the assetõs carrying value to determine if impairment exists. This may result in more frequent write-downs in the carrying value of assets under IFRS since asset carrying values that were previously supported under Canadian GAAP based on undiscounted cash flows may not be supported on a discounted cash flow basis under IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has been reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

- Mineral property costs ï The Company has evaluated its existing policy for exploration cost accounting and does not expect any of the differences between IFRS and Canadian GAAP to impact its accounting for exploration costs.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Cont'd)

- Under IFRS, flow-through instruments are accounted for as combined instruments comprising a liability component and an equity instrument upon issuance of the flow-through instruments. Upon renunciation of the expenditures for Canadian income tax purposes, the liability is reversed and a taxable temporary difference is recorded. Under Canadian GAAP flow through instruments are accounted for as equity instruments only. Upon renunciation of the expenditures for Canadian tax purposes, a taxable temporary difference affected at the issuer's applicable tax rate is recorded and charged to equity as cost of issuance of flow through instruments.

On changing to IFRS, the Company will be eligible to make elections under the standard for the transition to IFRS, namely IFRS 1 – First Time Adoption. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. Where an election is available, the Company is currently reviewing the selection of a suitable option. Typically, IFRS requires significantly more disclosure than is the case under current Canadian GAAP, particularly with respect to the notes to the financial statements. The Company, as part of the Plan, will be reviewing its data collection and reporting systems to ensure that the requisite information will be available and reliable.

The Company has completed a preliminary review of the above areas of potential difference on its information systems and has assessed that its existing software systems are sufficient. The change to IFRS is not expected to have a significant impact on the Company's information and data systems, business processes, internal controls over financial reporting, disclosure controls or business activities.

The Company has completed the majority of its impact assessment phase. The next project phase consists of developing new IFRS-compliant accounting policies, implementation of these policies, calculating the Company's opening balance sheet under IFRS as at April 1, 2010, related testing and additional training as required. The Company expects to have developed new IFRS-compliant accounting policies and calculated its opening balance sheet under IFRS by the end of its fiscal year ending March 31, 2011.

OUTSTANDING SHARE DATA AS OF FEBRUARY 28, 2011:

Authorized and issued share capital:

Class	Par Value	Authorized Common shares (No par value)	Issued
Common	No par value	Unlimited	44,080,630

As at February 28, 2011 there were 3,594,000 stock options and 9,289,150 warrants outstanding.

OTHER INFORMATION

The Company's website address is www.macarthurminerals.com. Other information relating to the Company may be found on SEDAR at www.sedar.com.

COMPETENT PERSON'S STATEMNENT

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

BY ORDER OF THE BOARD

"Alan Phillips"	"John Toigo"
Alan Phillips Chairman President and CEO	John Toigo Director