Today's Notes:

1. Macarthur Minerals: Slow and Steady, Continues to Deliver by Chris Berry

We recently met with Joe Phillips, COO of our current favorite iron ore junior, Macarthur Minerals (MMS: TSXV, MMSDF: OTCQX) and thought it important to discuss recent developments with the company. To wit:

- A 36% increase in the hematite (direct shipping ore) resource estimate at the Snark deposit to 9.7 million tonnes grading 55% Fe.
- MMS has capacity granted at the Port of Esperence – currently being upgraded to handle 19 M tonnes of ore per year up from its current capacity of 8M tpa. The port is 120 km from MMS's Lake Giles deposit.
- Key additions to the management team of Mr. Chris O'Brien and Mr. David Larsen – individuals with extensive knowledge of the iron ore industry including mine building and geology in Western Australia.

The total hematite resource is now 20.6 million tonnes (inferred) complimented by an inferred resource of 1.3 billion tonnes of magnetite at 30.6% Fe (in situ) in total at the company's 100% owned Lake Giles project in Western Australia. A chart showing the breakdown of the inferred hematite resource is shown below:

Deposit	Tonnes (Mt)	Fe%	P%	SiO_2%	Al_2O_3%	LOI%
Snark	9.7	55	0.08	8.9	4.5	7.5
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
TOTAL	20.6	55.2				

Source: Company Press Release

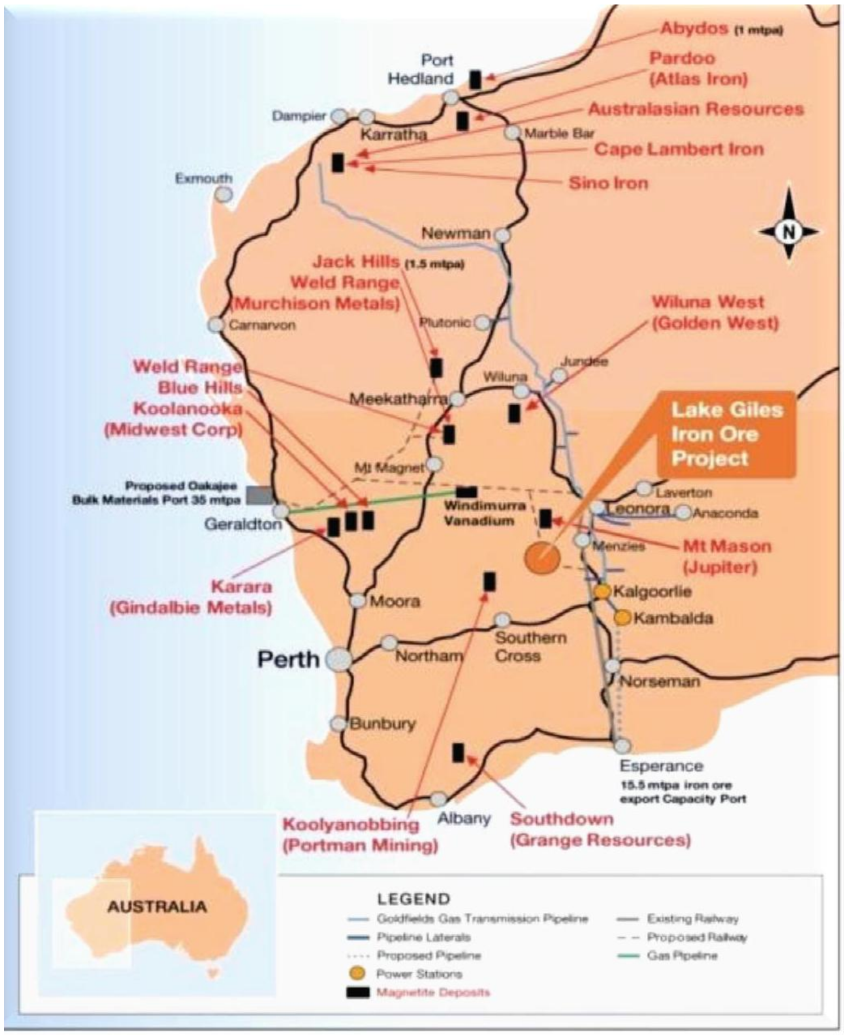
The increase in the Snark deposit and subsequent increase in the overall inferred hematite (DSO) resource was accounted for by including drill results from 153 new RC holes used for in-fill drilling. A total of 305 total holes have been drilled on Snark, and the company is awaiting assay results on the remaining 152 holes which will eventually be included in the resource estimate. There are believed to be multiple mineralized zones here with thickness between 15 and 40 meters and a strike length of 5 to 6 km. As the saying in mining goes: "The drill tells the story…" That is most certainly the case here, as well.

The original plan for the hematite deposit was to delineate a 10M tonne resource. This has now been doubled with plenty of discovery upside remaining as the company's 100,000 meter drill program for 2011 is now well underway. The increased tonnage decreases the discovery cost per tonne and so a re-examination of the economics of the deposit is in order in light of this news.

MMS estimates their cost of production will be roughly AUD $59/tonne FOB. With spot iron ore prices at roughly $170/tonne, the economics are clearly positive and will help the company achieve its near-term goal of production on the hematite resource to generate cash flow for the production on the much larger magnetite resource. The company expects the capital expenditure necessary to bring the hematite resource into production to be between AUD $100M to $150M. MMS is proposing an output of 2M tonnes per year and recovery rates are in the 85% to 90% range with grades of approximately 59% iron ore. So as the resource size grows, the economics should continue to improve.

MMS will continue to have the drills turning this year with an eventual goal of moving the hematite resource to 30M tonnes across the measured, indicated, and inferred categories.

Two more plusses: infrastructure and geography. The history of iron ore mining in Western Australia is no secret and as ore has been mined her for some time by numerous companies including BHP, Rio Tinto, and Cliffs infrastructure, including roads, rail, and port facilities is solidly in place. We said above that MMS has secured port access and is in the process of securing rail access. This will significantly and positively impact overall capital expenditure – not to mention the speed to eventual production.



Source: Company Documents

Regarding geography, two of the biggest global customers for iron ore, China and India, are a relatively short shipping route away from Australia and because of this, MMS has a $20/t advantage over iron ore projects in Canada and Africa further improving the economics of the operation relative to its competitors. With rumblings out of India regarding restricting iron ore exports, this can only help a near-term producer such as MMS as demand for iron ore stays firm.

We haven't discussed the 1.3 billion tonne magnetite resource in this Note and will save it for another day, but it is clear that as drilling also continues on this resource, it too will increase in size and add overall value to MMS. Capital IQ estimates MMS's Enterprise Value / tonne of resource to be $0.16 – lowest amongst its peers.

The next steps for MMS are to get to definitive feasibility by Q1 2012 on the hematite resource. This should confirm the economics we've discussed above. The company will also be completing a mine plan and will be negotiating rail access.

MMS completed a bought deal in February 2011 and has ample cash to achieve the goals we listed above with an operating budget of $28.7M through March 2012. Though the share price has stumbled somewhat this year, we think that company management's track record of execution, plus a continued healthy appetite for iron ore from emerging markets bode well for MMS shareholders going forward. We think this company is a solid contrarian play.

MMS has 44,080,630 shares outstanding and 52,669,780 fully diluted.

2. Grande Portage Intersects Visible Gold at Herbert

The Grande Portage / Quaterra Resources joint venture on the Herbert Glacier project near Juneau Alaska reports good news this AM. Grande Portage reports that the JV has hit visible gold bearing Deep Trench vein in their first diamond core hole of the 2011 drill campaign at their Herbert Glacier project. The hole is their first to test the western end of the Deep Trench Vein.

No assays have yet been received however on inspection visible gold was observed over a significant width.

The company's press release noted,

"Project geologist Carl D. Hale had predicted the Deep Trench intersection at about 110 meters in a south-directed -45° drill hole. Including hanging and footwall alteration zones, the vein intersection found was from 342' to 380' (105.5-117.2m) with the midpoint at about 359 feet (110.7m). Strong quartz-veined intervals are found from 352 to 355 feet (108.6 to 110.7m), also 365-368 feet (112.6-113.5m) and 372-377.5' (108.6-109.5m).

Initial inspection showed visible gold in several locations throughout the mineralized intercepts."

We have written on this project before today and, in fact, last August we visited the project in Juneau. The drilling program last year was quite successful in building the geological knowledge of the several veins in the system.

This hole is very interesting and we shall await the assay results with great interest.

The Herbert Glacier project is in the Juneau Gold Belt about half way between the historic A-J Mine at Juneau and Coeur's Kensington Mine. The target of the Herbert project is a series of strong E-W striking gold-quartz veins hosted within a quartz diorite body.

Surrounding the Herbert Glacier there are a number of current and historic mines. Coeur's Kensington and Hecla's prolific Green's Creek. The Juneau area is truly elephant territory where deposits are in a safe geopolitical jurisdiction. This could be a very interesting drill season at Herbert for both Grande Portage and Quaterra Resources. Please stay tuned.