MACARTHUR Minerals

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

For the three and nine months ended December 31, 2012

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Condensed Interim Consolidated Financial Statements – December 31, 2012

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This condensed interim financial report covers the consolidated financial statements for the entity consisting of Macarthur Minerals Limited and its subsidiaries. The financial report is presented in the Australian currency.

Its registered office and principal place of business are detailed on page 7.

The financial report was authorized for issue by the directors on February 14, 2013. The directors have the power to amend and reissue the financial report.

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Australian Dollars)
(Unaudited)
AS AT DECEMBER 31, 2012

		December 31, 2012		March 31, 2012
ASSETS				
Current				
Cash and cash equivalents	**$**	**13,717,157**	$	26,589,704
Receivables		**761,308**		505,610
Security deposits and prepayments		**554,117**		416,799
Total current assets		**15,032,582**		27,512,113
Non-Current				
Plant and equipment (Note 4)		**1,022,205**		1,100,915
Exploration and evaluation assets (Note 5)		**52,843,922**		44,361,835
Total non-current assets		**53,866,127**		45,462,750
Total assets	**$**	**68,898,709**	$	72,974,863
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**1,007,447**	$	2,310,612
Employee benefits		**173,363**		80,033
Finance lease obligation (Note 6)		**107,105**		108,180
Total current liabilities		**1,287,915**		2,498,825
Non-Current				
Employee benefits		**1,966**		928
Finance lease obligation (Note 6)		**-**		36,262
Total non-current liabilities		**1,966**		37,190
Total liabilities		**1,289,881**		2,536,015
Shareholders' equity				
Contributed equity (Note 7)		**86,686,256**		86,686,256
Reserves		**3,738,000**		3,695,288
Deficit		**(22,815,428)**		(19,942,696)
Total shareholders' equity		**67,608,828**		70,438,848
Total liabilities and shareholders' equity	**$**	**68,898,709**	$	72,974,863

Nature and continuance of operations (Note 1)
Commitments (Note 16)

Contingent liabilities (Note 17)
Subsequent events (Note 18)

On behalf of the Board:

" Alan Phillips" Director ***"Simon Hickey"*** Director

The accompanying notes are an integral part of these interim consolidated financial statements

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three and nine months ended December 31
(Expressed in Australian Dollars)
(Unaudited)

	Three months ended December 31		Nine months ended December 31	
	2012	2011	**2012**	2011
EXPENSES				
Depreciation	**(72,199)**	(53,914)	**(209,827)**	(144,841)
Investor relations	**(12,115)**	(38,973)	**(136,928)**	(128,644)
Office and general	**(107,934)**	(73,274)	**(315,897)**	(326,035)
Personnel fees	**(476,241)**	(586,492)	**(1,448,595)**	(1,295,263)
Professional fees	**(483,740)**	(233,977)	**(1,109,889)**	(954,161)
Rent	**(30,169)**	(30,760)	**(94,735)**	(88,520)
Share-based compensation (Note 8)	**-**	(42,300)	**(42,712)**	(320,242)
Share registry, filing and listing fees	**(27,649)**	(178,312)	**(103,181)**	(300,492)
Travel and accommodation	**(47,197)**	(28,622)	**(211,685)**	(88,064)
Total Administrative Expenses	**$ (1,257,244)**	$ (1,266,624)	**$ (3,673,449)**	$ (3,646,262)
REVENUE				
Interest income	**$ 192,971**	$ 492,287	**$ 800,717**	$ 1,776,886
Net loss and comprehensive loss for the period	**$ (1,064,273)**	$ (774,337)	**$ (2,872,732)**	$ (1,869,376)
Basic and diluted loss per ordinary share (Note 9)	**$ (0.02)**	$ (0.02)	**$ (0.06)**	$ (0.04)
Basic and diluted weighted average number of ordinary shares outstanding	**44,820,630**	44,820,630	**44,820,630**	44,724,630

The accompanying notes are an integral part of these interim consolidated financial statements.

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Australian Dollars)
(Unaudited)
AS AT DECEMBER 31, 2012

	Number of Shares	Contributed Equity	Deficit	Reserves	Total Equity
Balance at April 1, 2011	44,670,630	$ 86,426,323	$ (17,376,730)	$ 3,500,632	$ 72,550,225
Net loss for the period	-	-	(1,869,376)	-	(1,869,376)
Exercise of options and warrants	150,000	164,032	-	-	164,032
Exercise of options – allocation of fair value	-	95,901	-	(95,901)	-
Share based payment transactions	-	-	-	320,242	320,242
Balance at December 31, 2011	44,820,630	86,686,256	(19,246,106)	3,724,973	71,165,123
Balance at April 1, 2011	44,670,630	86,426,323	(17,376,730)	3,500,632	72,550,225
Net loss for the year	-	-	(2,565,966)	-	(2,565,966)
Exercise of options	150,000	164,032	-	-	164,032
Exercise of options – allocation of fair value	-	95,901	-	(95,901)	-
Share based payment transactions	-	-	-	290,557	290,557
Balance at March 31, 2012	44,820,630	86,686,256	(19,942,696)	3,695,288	70,438,848
Balance at April 1, 2012	**44,820,630**	**86,686,256**	**(19,942,696)**	**3,695,288**	**70,438,848**
Net loss for the period	**-**	**-**	**(2,872,732)**	**-**	**(2,872,732)**
Exercise of options and warrants	**-**	**-**	**-**	**-**	**-**
Exercise of options – allocation of fair value	**-**	**-**	**-**	**-**	**-**
Share based payment transactions	**-**	**-**	**-**	**42,712**	**42,712**
Balance at December 31, 2012	**44,820,630**	**$ 86,686,256**	**$ (22,815,428)**	**$ 3,738,000**	**$ 67,608,828**

The accompanying notes are an integral part of these interim consolidated financial statements.

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Australian Dollars)
(Unaudited)
AS AT DECEMBER 31, 2012

	Nine months ended December 31, 2012		Nine months ended December 31, 2011
OPERATING ACTIVITIES			
Net loss for the period	**(2,872,732)**	$	(1,869,376)
Items not involving cash:			
Depreciation	**209,827**		144,841
Loss on sale of assets	**-**		16,030
Share-based compensation	**42,712**		320,242
Changes in non-cash working capital balances:			
Accounts payable and accrued liabilities	**(180,136)**		(38,310)
Other Operating Assets	**(137,318)**		163,871
Receivables	**(255,698)**		(413,938)
Net Cash used in Operating Activities	**(3,193,345)**		(1,676,640)
INVESTING ACTIVITIES			
Purchases of plant and equipment	**(140,503)**		(835,154)
Proceeds from sale of plant and equipment	**-**		14,499
Deferred exploration expenditure	**(9,501,362)**		(15,464,161)
Net Cash used in Investing Activities	**(9,641,865)**		(16,284.816)
FINANCING ACTIVITIES			
Issuance of Common Shares	**-**		164,032
Repayment of finance lease	**(37,337)**		(30,087)
Net Cash used in Financing Activities	**(37,337)**		133,945
Change in cash and cash equivalents during period	**(12,872,547)**		(17,827,511)
Cash and cash equivalents, beginning of period	**26,589,704**		48,784,511
Cash and cash equivalents, end of period	**13,717,157**	$	30,957,000

Supplemental disclosures with respect to cash flows (Note 12)

The accompanying notes are an integral part of these interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited (“the Company”) is an Australian public company listed in Canada on the Toronto Stock Exchange (“TSX”) (symbol: MMS) and the OTC Market Place, OTCQX International (“OTCQX”) (symbol: MMSDF) that is currently focused on the exploration and development of iron ore projects in Western Australia.

The Macarthur Iron Ore Projects are owned by the Company’s wholly owned subsidiary Macarthur Iron Ore Pty Ltd (“Macarthur Iron Ore” or “MIO”), and its subsidiary Hatches Nominees Pty Ltd (“Hatches”).

There was no change in the nature of the Company’s principal activities during the year.

The Company’s continuing operations are dependent upon its ability to either raise additional equity capital, project financing or generate cash flow from operations in the future, which is not assured. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital, financing or generate cash from operations in the future.

The Company’s cash and cash equivalent position at the reporting date is $13,717,157 and $428,104 is held as security deposits for environmental bonds and office leases. The Company believes these funds will enable it to meet its obligations and commitments for the foreseeable future.

The Company maintains its corporate head office and principal place of business at Level 20, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

These condensed interim consolidated financial statements (“interim financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. BASIS OF PRESENTATION

These interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

These interim financial statements were authorized by the board of directors of the Company on February 14, 2013.

These interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies, refer to Note 3.

In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these interim financial statements are in accordance with IFRS and have not been audited. The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim financial statements do not include all of the information required for full annual financial statements.

The accompanying unaudited interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2012.

(Expressed in Australian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 3 to the audited financial statements for the year ended March 31, 2012, and have been consistently followed in the preparation of these interim financial statements.

4. PLANT AND EQUIPMENT

		December 31, 2012		March 31, 2012
Plant and Equipment				
Plant and equipment				
Opening net book value	**$**	**949,119**	$	295,782
Additions		**44,723**		830,137
Disposals				(23,597)
Depreciation charge		**(139,951)**		(153,203)
Transfer between office equipment		**(56,681)**		-
Closing net book amount	**$**	**797,210**	$	949,119
Cost		**1,157,443**		1,181,308
Accumulated depreciation		**(360,233)**		(232,189)
	$	**797,210**	$	949,119
Office equipment				
Opening netbook value	**$**	**151,796**	$	42,508
Additions		**86,394**		168,040
Disposals		**-**		(6,826)
Depreciation charge		**(69,876)**		(51,926)
Transfer between Plant and Equipment		**56,681**		-
Closing net book amount	**$**	**224,995**	$	151,796
Cost		**384,080**		229,095
Accumulated depreciation		**(159,085)**		(77,299)
	$	**224,995**	$	151,796
Total net book amount		**$1,022,205**	$	1,100,915

Included in plant and equipment is $207,582 in equipment purchased through a finance lease.

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

The Company holds 100% of the outstanding and issued share capital of Macarthur Iron Ore Pty Ltd. Its assets include a claim for a 100% interest in the Macarthur Iron Ore Projects located in Western Australia including those of its subsidiary Hatches Nominees Pty Ltd.

Exploration and evaluation expenditure

Interim Expenditure

The following is a summary of acquisition and deferred exploration costs incurred:

	Acquisition Costs	Deferred Exploration Costs	Total
Balance as at March 31, 2011	$ 3,523,886	$ 21,047,140	$ 24,571,026
Accommodation and camp maintenance	-	574,921	574,921
Drilling	-	8,507,923	8,507,923
E30/317 acquisition cost	100,000	-	100,000
Environmental Surveys	-	1,235,936	1,235,936
Fuel	-	44,087	44,087
Other	-	329,902	329,902
Personnel and Contractors	-	2,976,718	2,976,718
Rent and rates	-	344,949	344,949
Research and reports	-	1,934,217	1,934,217
Sampling and testing	-	3,028,657	3,028,657
Site preparation and earthwork	-	223,322	223,322
Tenement management and outlays	-	36,657	36,657
Travel	-	342,784	342,784
Vehicle hire	-	110,736	110,736
	100,000	19,690,809	19,790,809
Balance as at March 31, 2012	$ 3,623,886	$ 40,737,949	$ 44,361,835

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Exploration and evaluation expenditure

Interim Expenditure (cont'd)

		Acquisition Costs	Deferred Exploration Costs	Total
Incurred during the period				
Accommodation and camp maintenance		-	439,859	439,859
Drilling		-	409,445	409,445
E30/317 acquisition cost (refer to Note 15)		200,000	-	200,000
Environmental surveys		-	1,048,792	1,048,792
Other		-	306,284	306,284
Personnel and Contractors		-	2,326,958	2,326,958
Rent and rates		-	449,792	449,792
Research and reports		-	2,301,742	2,301,743
Sampling and testing		-	527,749	527,749
Site preparation and earthwork		-	112,644	112,644
Tenement management and outlays		-	106,378	106,378
Travel		-	185,472	185,472
Vehicle hire		-	66,972	66,972
		200,000	**8,282,087**	**8,482,087**
Balance as at December 31, 2012	**$**	**3,823,886**	**49,020,036**	**52,843,922**

All deferred exploration costs represent costs incurred during the exploration and evaluation phase.

Commitments

In order to maintain its current rights to tenure for exploration tenements, the Company is required to perform minimum annual expenditure requirements specified by various governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made or at other times and are subject to whether the Company decides to continue a tenement's rights until its expiry. The Company may also apply for deferral of expenditure requirements on its tenement licences.

These obligations are not provided for in the financial statements and are payable at future dates as follows:

	Consolidated	
	December 31, 2012	March 31, 2012
Not later than one year	**$ 3,340,829**	$ 2,885,215
Later than one year but not later than five years	**11,950,711**	10,533,302
	$15,291,540	$ 13,418,517

(Expressed in Australian Dollars)

6. FINANCE LEASE COMMITMENTS

The Company entered into two finance lease contracts for the purchase of 4 vehicles with completion dates of February 28, 2013 and November 30, 2013. The vehicles are recorded at cost and classified as depreciable assets. At December 31, 2012 the present value of the lease payments due are $107,105. The total minimum lease payments will be $107,778 and title of the vehicles will transfer to the Company upon residual payments of $87,039. The amount representing interest over the term of the leases is $673.

Future payment obligations are as follows:

	Consolidated	
	December 31, 2012	March 31, 2012
Gross finance lease liabilities		
- minimum lease payments:		
No later than one year	**$ 107,778**	$ 111,182
Later than one year but no later than five years	**-**	36,598
	107,778	147,780
Less: interest	**(673)**	(3,338)
Present value of finance lease liabilities	**107,105**	144,442
Less: current portion	**(107,105)**	(108,180)
	$ -	$ 36,262

7. CONTRIBUTED EQUITY

Ordinary Shares

The Company has authorised ordinary shares with no par value. All issued shares are fully paid and are equally ranked with voting rights.

	Consolidated	
	December 31, 2012	March 31, 2012
Issued and fully paid ordinary shares:	**44,820,630**	44,820,630

There were no shares issued during the period ended December 31, 2012 for share options being exercised.

Share Compensation Plans

The Company, in accordance with its Employee Share Compensation Plan and Consultant Share Compensation Plan ("Share Compensation Plans") and the policies of the TSX, is authorized to grant options, award equity restricted share units (RSUs) or bonus shares or issue common shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 10% of issued and outstanding ordinary shares. Further, there exists a limit of 5% of issued and outstanding ordinary shares that can be issued under the Company's Employee Share Compensation Plan in accordance with the Australian *Corporations Act 2001* and policy of the Australian Securities and Investments Commission, subject to certain exemptions.

7. CONTRIBUTED EQUITY (cont'd)

Share Compensation Plans (cont'd)

Both of the Company's Share Compensation Plans have been approved until September 15, 2015 by the shareholders and took effect from August 29, 2012, replacing the Company's previous Stock Option Plan.

To date the Company has only issued options under the Share Compensation Plans. The exercise price of the options is fixed by the Board at no lesser than the fair market value of the shares on the grant date, subject to all applicable regulatory requirements. Options under the Share Compensation Plans can be granted for a maximum term of 5 years and may be subject to vesting criteria as determined by the Board.

The fair value of all options issued is measured and expensed as share-based compensation at grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves, see Note 8. For further detail on the accounting treatment of share options refer to Note 3 accounting policies.

Upon exercise of options, the consideration paid by the option holder, together with the amounts previously recognized in reserves, is recorded as an increase to contributed equity.

Share Options

During the period ended December 31, 2012

The Company did not grant any options, award equity RSUs or bonus shares or issue common shares under the Share Compensation Plans or the preceding Stock Option Plan during the period.

During the year ended March 31, 2012

On June 10 2011, pursuant to the Company's Stock Option Plan, an aggregate of 1,165,000 incentive options were granted to various directors, officers, employees and consultants. The options are exercisable for a 3 year period at CAD$3.60 per share and vest immediately. The options are subject to a four month hold period commencing on the date of the grant.

On December 20 2011, an aggregate of 425,000 incentive options were granted pursuant to the Company's Stock Option Plan to a director and various employees. The options are exercisable for a 3 year period at CAD$2.00 per share and vest immediately. The options were subject to a four-month hold period commencing on the date of the grant.

On March 28 2012, the Company granted 300,000 incentive options under the Stock Option Plan to Investor Cubed Inc. ("Investor Cubed") as part of their consulting contract to provide investor relations and shareholder communications and services. The Investor Cubed contract expired on October 25, 2012 and the options issued under the contract expired 30 days later.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Share options (cont'd)

Share option transactions issued under the Company's previous Stock Option Plan and the number of share options outstanding are summarized as follows:

	Nine months ended December 31, 2012		Year ended March 31, 2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**3,665,000**	**$ 2.15 (CAD $2.23)**	2,995,000	$ 1.79 (CAD $1.79)
Granted	**-**	**-**	1,890,000	$ 2.73 (CAD $2.83)
Exercised	**-**	**-**	(150,000)	$ 1.06 (CAD $1.10)
Forfeited	**(130,000)**	**$ 3.13 (CAD $3.23)**	(850,000)	$ 2.29 (CAD $2.38)
Expired	**(1,150,000)**	**$ 1.04 (CAD $1.07)**	(220,000)	$ 1.54 (CAD $1.60)
Outstanding, end of period	**2,385,000**	**$ 2.65 (CAD $2.73)**	3,665,000	$ 2.15 (CAD $2.23)
Options exercisable, end of period [1]	**2,035,000**	**$ 2.50 (CAD $2.58)**	3,315,000	$ 2.12 (CAD $2.19)

[1] Excludes unvested options.

Share options outstanding at December 31, 2012 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
575,000	$1.96 (CAD$2.00)	May 4, 2013
[1] 350,000	$3.52 (CAD$3.60)	March 30, 2014
865,000	$3.52 (CAD$3.60)	June 9, 2014
200,000	$0.98 (CAD$1.00)	July 31, 2014
395,000	$1.96 (CAD$2.00)	December 22, 2014

[1] Options issued with a vesting price of CAD$4.25.

The range of exercise prices for options outstanding at December 31, 2012 is CAD$1.00 to CAD$3.60.

The weighted average remaining contractual life for the share options as at December 31, 2012 is 1.23 years.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine months ended December 31, 2012		Year ended March 31, 2012	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**9,039,150**	**$3.82 (CAD $3.96)**	8,789,150	$3.96 (CAD $3.97)
Granted	**-**	**-**	250,000	$3.48 (CAD $3.60)
Exercised	**-**	**-**	-	-
Forfeited	**-**	**- -**	-	-
Expired	**-**	**-**	-	-
Outstanding, end of period	**9,039,150**	**$3.84 (CAD $3.96)**	9,039,150	$3.82 (CAD $3.96)

Warrants outstanding at December 31, 2012 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	$1.96 (CAD$2.00)	January 3, 2013
339,150	$1.76 (CAD$1.80)	April 28, 2013
6,950,000	$4.40 (CAD$4.50)	February 24, 2013
250,000	$3.52 (CAD$3.60)	February 23, 2014

During the period ended December 31, 2012

There were no warrants granted by the Company during the period.

During the year ended March 31, 2012

(i) 250,000 warrants were granted on February 22, 2012 at an exercise price of CAD$3.60 pursuant to an agreement with Macquarie Capital Markets Canada Ltd dated July 7, 2010.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Agents' Options

*O*ptions that were issued to underwriters as commission in connection with the Company's private placements are summarized below:

	Nine months ended December 31, 2012		Year ended March 31, 2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**834,000**	**$3.48 (CAD $3.60)**	834,000	$3.96 (CAD $3.60)
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-** -	-	-
Expired	**-**	**-**	-	-
Outstanding, end of period	**834,000**	**$3.49 (CAD $3.60)**	834,000	$3.48 (CAD $3.60)

Outstanding agents' options as at December 31, 2012 comprise the following:

Number of Options	Exercise Price	Expiry Date
834,000 [1]	$3.49 (CAD $3.60)	February 24, 2013

[1] Upon exercise of those options, a one-half of one common share purchase warrant will be issued at a warrant price of CAD$4.50 per share for a period of 24 months from closing of the placement. In the event that the closing sale price of the Company's common shares on the TSX is greater than CAD$6.00 per share for a period of 20 consecutive trading days at any time after closing of the placement, the Company may accelerate the expiry date of those 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.

There were no agents' options issued or exercised during the period.

(Expressed in Australian Dollars)

8. SHARE BASED COMPENSATION

The Company measures the cost of share options at fair value at the grant date using the Black-Scholes formula, adjusted to reflect market vesting conditions, but excludes any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest and the entity revises its estimate of options that are expected to vest at each reporting date.

The fair value calculated for options issued is expensed over their vesting period as share based compensation in the statement of comprehensive loss and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. The weighted average fair value of options granted during the period was $Nil (December 2011 - $0.20). Refer to Note 7 for details of options granted during the period.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	Nine months ended December 31, 2012	Nine months ended December 31, 2011
	Weighted average	*Weighted average*
Share price	**-**	CAD $2.19
Exercise price	**-**	CAD $3.17
Risk-free interest rate	**-**	1.36%
Expected life of options	**-**	1.3 years
Annualized volatility	**-**	46.21%
Dividend rate	**-**	0%
Forfeitures	**-**	-

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a commensurate period of time which approximates the expectations that would be reflected in a current market.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive options and warrants.

The following reflects the income and share data used in the computation of the total operations basis and dilutive earnings.

	Consolidated	
	December 31, 2012	December 31, 2011
	$	$
Net loss and comprehensive loss for the period	**(2,872,732)**	(1,869,376)
	Number	Number
Weighted average number of ordinary shares for basic and diluted earnings per share	**44,820,630**	44,724,630

(Expressed in Australian Dollars)

9. EARNINGS PER SHARE (cont'd)

The Company's outstanding options and warrants that did not have a dilutive effect at December 31, 2012 were 2,385,000 options and 9,039,150 warrants. The exercise price of these options and warrants exceeded the average market price of ordinary shares of CAD$0.45 during the period. There were no options and warrants that did have a dilutive effect as at December 31, 2012.

10. RELATED PARTY TRANSACTIONS

Related party disclosure

The consolidated financial statements include the financial statements of Macarthur Minerals Ltd and the subsidiaries listed in the following table. Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated on consolidation. Macarthur Minerals Ltd is the ultimate parent for all entities.

Name	Country of Incorporation	% Equity Interest	
		December 31, 2012	December 31, 2011
Macarthur Iron Ore Pty Ltd	Australia	100	100
Hatches Nominees Pty Ltd	Australia	100	100
Tracker Resources Pty Ltd	Australia	100	100

There were no transactions between the Company and related parties in the wholly owned Group during the year other than remuneration for key management personnel details of which are contained in this note.

The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that an entity would have adopted if dealing on an arm's length basis.

Key Management Personnel

The following persons were key management personnel of the Company during the period ending December 31, 2012.

Chairman, President and Chief Executive Officer ("CEO")
A S Phillips

Executive Director
J Starink

Independent Directors
S Hickey
J Toigo
J Wall
R Patricio (appointed on September 18, 2012)

Other key management personnel
The following persons also had authority and responsibility for the planning, directing and controlling various activities of the Company during the financial year:

Other company executives
David Taplin — Chief Financial Officer ("CFO") and Company Secretary
Alan J ("Joe") Phillips — Chief Operating Officer ("COO")

(Expressed in Australian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration

Details of the remuneration of each key management personnel of the Company are set out in the following tables.

Period ending December 31, 2012	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus[4]	Non-monetary benefits	Superannuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	243,747	9,468	-	-	-	-	253,215
S Hickey	45,000	-	-	-	-	-	45,000
R Patricio [1]	17,167						17,167
J Toigo	45,000	-	-	-	-	-	45,000
J Starink [2]	194,625	-	-	-	-	-	194,625
J Wall [3]	35,000	-	-	-	-	-	35,000
Other Company Executives:							
D Taplin	191,250	4,952	-	-	-	-	196,202
A J Phillips	200,628	5,195	-	-	-	-	205,823
Total	**972,417**	**19,615**	**-**	**-**	**-**	**-**	**992,032**

[1] R Patricio was appointed as a non-executive director on September 18, 2012
[2] J Starink was paid $25,000 in directors fees up to 31 August 2012 and $169,625 for consulting services to the Company under a consultancy agreement, commencing March 16, 2012
[3] J Wall was appointed as a non-executive director on June 15, 2012
[4] On September 14, 2012, 60,118 cash RSUs vested in accordance with the Cash RSU Plan and ratified by the Board.

Remuneration accrued and payable to key management personnel as at December 31, 2012 was $150,850.

Remuneration of each key management personnel of the Company for the period ended December 31, 2011 was as follows.

Period ending December 31, 2011	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Superannuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	222,498	60,000	-	-	-	9,543	292,041
S Hickey	45,000	-	-	-	-	-	45,000
J Toigo	45,000	-	-	-	-	11,929	56,929
J Starink [1]	31,154	-	-	-	-	9,953	41,106
P Ziegler [2]	-	-	-	-	-	11,929	11,929
Other Company Executives:							
D Taplin	187,500	60,000	-	-	-	59,644	307,144
A J Phillips	193,752	60,000	-	-	-	59,644	313,396
Total	724,904	180,000	-	-	-	162,642	1,067,546

[1] J Starink, appointed on June 23, 2011
[2] P Ziegler (Alternate for A S Phillips), resigned on May 4, 2011

10. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

Remuneration accrued and payable to key management personnel as at December 31, 2011 was $115,625.

Fees and payments to directors reflect the demands which are made on, and the responsibilities of directors. Remuneration of non-executive directors is determined by the Company's Remuneration and Nomination Committee and approved by the Board within the maximum aggregate amount approved by shareholders from time to time. The remuneration of key executives is determined by the Remuneration and Nomination Committee and approved by the Board.

To determine remuneration payable, the Remuneration and Nomination Committee reviews compensation paid for directors, CEOs, CFOs and other officers of companies of similar size and stage of development in the mineral exploration/mining industry. Appropriate compensation is determined by 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 approaching consultants with recruitment companies and independent remuneration advisors to determine current market conditions and rates. In setting the compensation the Remuneration and Nomination Committee annually reviews the performances of the CEO, CFO and officers in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives. An independent remuneration report was used in determining the appropriate level of compensation and conditions of the executives' consulting contracts.

Cash Based Restricted Share Unit Plan

The CEO, COO and CFO and Company Secretary ("executives") are eligible to participate in the Company's cash based Restricted Share Unit ("RSU") Plan which entitles them to receive cash based RSUs.

The key terms of the executives' cash RSU agreements are:

- Cash RSUs vest on achievement of certain performance criteria within agreed dates as detailed in the agreements and plan.
- No value is attributable to cash RSUs until they vest.
- RSU cash payment amounts are based on the market value of a common share in the Company on the date that the cash RSU vests. Market value is calculated as the average of the daily volume weighted closing price of a common share of the Company on the TSX for the 20 trading days prior to the vesting date.
- Cash RSUs vest on termination without cause and change of control.

(Expressed in Australian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

Total cash RSU entitlements for executives since commencement of the cash RSU Plan on December 5, 2011 are:

Executives	Number of Performance Based Cash RSUs		
	Granted	**Vested**	**Balance**
A S Phillips	232,143	29,018	203,125
D Taplin	121,429	15,179	106,250
A J Phillips	127,371	15,921	111,450
Total	480,943	60,118	420,825

Executives	Number of Non-performance Based Cash RSUs		
	Granted	**Vested**	**Balance**
A S Phillips	66,667 [1]	-	66,667
D Taplin	-	-	-
A J Phillips	88,889 [1]	-	88,889
Total	155,556	-	155,556

[1] One cash RSU vests on the exercise of every 2.25 options that were issued previously with an exercise price of C$3.60, a vesting price of C$4.25, expiring March 31, 2014.

On September 14, 2012, 60,118 cash RSUs vested and a corresponding cash payment was made for $19,615. Refer also to the Remuneration Table.

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of IAS 24. Where transactions are entered into with those entities the terms and conditions are no more favourable than those that it is reasonable to expect the entity would have adopted if dealing on an arm's length basis.

Details of these transactions during the quarter are set out below:

a) At December 31, 2012 $Nil (December 2011: $1,311) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.
b) At December 31, 2012 $Nil (December 2011: $13,200) was received or receivable from Phillips Exploration Pty Ltd, an entity of which A J Phillips, COO, is a director and J Phillips, wife of AS Phillips, Chairman, President and CEO, is a director, that result in them having significant influence over Phillips Exploration Pty Ltd for the purposes of IAS 24, for the sale of 2 motor vehicles which were independently valued and approved by the Board. Alan S Phillips did not vote.

(Expressed in Australian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd)

Below are the aggregate amounts of other transactions with key management personnel:

	Consolidated Quarter ended December 31 2012	Consolidated Quarter ended December 31 2011
Amounts paid or accrued		
Consulting work	**$ -**	$ 1,311
Amounts received or receivable		
Sale of two motor vehicles	**-**	(13,200)
	$ -	$ (11,889)

There were no amounts payable to or receivable from related parties of key management personnel at balance date relating to the above types of transactions.

11. TAX CONSOLIDATION

The Company and its subsidiaries have formed a tax consolidated group for Australian taxation purposes. All entities are therefore taxed as a single entity.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Nine months ended December 31, 2012	Nine months ended December 31, 2011
Cash paid during the period for interest	**$ 3,298**	$ 11,042

During the period ended December 31, 2012, the Company entered into the following non-cash transactions:

a) Recorded $533,953 in deferred exploration expenditures through accounts payable.

b) Recorded $4,316 in plant and equipment through accounts payable.

During the period ended December 31, 2011, the Company entered into the following non-cash transactions:

a) Recorded $1,477,681 in deferred exploration expenditures through accounts payable.

b) Re-allocated $95,901 from reserves to contributed equity upon exercise of 150,000 options.

c) Issued 1,590,000 options as share based compensation. Expense was $320,242.

(Expressed in Australian Dollars)

13. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of mineral properties in Australia. All of the Company's exploration and evaluation assets and plant and equipment are located in Australia.

14. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. This amount is as follows:

	Carrying Amount			
		December 31, 2012		March 31, 2012
Financial assets				
Cash and cash equivalents	**$**	**13,717,157**	$	26,589,704
Security Deposits		**428,104**		338,104
Receivables		**761,308**		505,610
	$	**14,906,569**	$	27,433,418

The Company's receivables comprises of interest receivable and goods and services taxation payments recoverable from the Australian Government.

The Company's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	Carrying Amount			
		December 31, 2012		March 31, 2012
Australia	**$**	**761,308**	$	505,610
Canada		**-**		-
Total	**$**	**761,308**	$	505,610

The financial liabilities the Company has at the reporting date are payables and accrued liabilities, and finance lease liabilities. The Company has sufficient cash to cover these liabilities as they come due.

14. **FINANCIAL INSTRUMENTS** (cont'd)

Currency Risk

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date was as follows:

	AUD	CAD	AUD	CAD
	December 31, 2012		March 31, 2012	
Cash and cash equivalents	**$ 13,638,527**	**$ 78,630**	$ 26,516,510	$ 73,194
Receivables	**761,308**	**-**	505,610	-
Security deposits	**428,104**	**-**	338,104	-
	14,827,939	**78,630**	27,360,224	73,194
Accounts payable and accrued liabilities	**990,427**	**17,020**	2,243,759	66,853
Owing to related parties	**-**	**-**	-	-
Employee Benefits	**175,329**	**-**	80,961	-
Finance Lease liabilities	**107,105**	**-**	144,442	-
	1,272,861	**17,020**	2,469,162	66,853
Net exposure	**$ 13,555,078**	**$ 61,610**	$ 24,891,062	$ 6,341

The following significant exchange rates applied during the period:

	Average rate		Reporting date spot rate	
AUD	**December 31, 2012**	March 31, 2012	**December 31, 2012**	March 31, 2012
Canadian dollar (CAD)	**0.9728**	0.9640	**0.9672**	0.9654

Sensitivity analysis

As at December 31, 2012, the Company's expenditures are in Australian dollars and Canadian dollars. As at December 31, 2012, the Company has cash of $78,630 Canadian dollars (March 31, 2012 – CAD $73,194) and accounts payable of $17,020 Canadian dollars (March 31, 2012 – CAD $66,853). For each 10% change in the Australian dollar vs. Canadian dollar a $5,959 gain/loss would arise (March 31, 2012 - $612) on this balance of cash and accounts payable.

(Expressed in Australian Dollars)

14. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount	
	December 31, 2012	March 31, 2012
Variable rate instruments		
Financial assets	**$ 13,971,774**	$ 26,756,928

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for this period.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
December 31, 2012				
Variable rate instruments	**$ 139,718**	**$ (139,718)**	**$ 139,718**	**$ (139,718)**
March 31, 2012				
Variable rate instruments	$ 267,569	$ (267,569)	$ 267,569	$ (267,569)

(Expressed in Australian Dollars)

14. FINANCIAL INSTRUMENTS (cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	December 31, 2012		March 31, 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**$ 13,717,157**	**$ 13,717,157**	$ 26,589,704	$ 26,589,704
Receivables	**761,308**	**761,308**	505,610	505,610
Deposits	**428,104**	**428,104**	338,104	338,104
Accounts payable and accrued liabilities	**(1,007,447)**	**(1,007,447)**	(2,310,612)	(2,310,612)
Employee Benefits	**(175,329)**	**(175,329)**	(80,961)	(80,961)
Finance Lease liabilities	**(107,105)**	**(107,105)**	(144,442)	(144,442)
	$ 13,616,688	**$ 13,616,688**	$ 24,897,403	$ 24,897,403

The Company has classified its cash as a level 1 financial instrument on the fair value hierarchy. The fair value of all other financial instruments approximate carrying value.

15. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes unissued capital of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

In addition to its exploration and evaluation activities with the Macarthur Iron Ore Projects, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ending December 31, 2012. The Company is not subject to externally imposed capital requirements.

(Expressed in Australian Dollars)

16. COMMITMENTS

Operating lease agreements

At December 31, 2012 the Company had the following commitments:

	Finance Vehicle leases $	Operating Building leases $	Total $
Within one year	107,105	197,776	304,881
Later than one year but no later than five years	-	71,124	71,124
Total minimum lease payments	107,105	268,900	376,005

The Group entered into two finance lease contracts for the purchase of 4 vehicles with completion dates of February 28 and November 30, 2013. The vehicles are recorded at cost and classified as a depreciable asset. Title of the vehicles will transfer to the Company upon residual payments of $87,039.

Exploration expenditures

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 5 to the Financial Statements for the period ended December 31, 2012.

Option Agreement E30/317

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km^2. The key terms of the option agreement include a 24 month exercise period to conduct further exploration and due diligence, an immediate payment of $100,000 for acquisition cost, a further $200,000 payment on the first anniversary and an expenditure commitment of $500,000 on exploration. The exercise price of the option for purchase of the tenement is $10,000,000. The Company has paid the initial $100,000 for acquisition cost and $200,000 for the further option fee (refer to Note 5).

The Company is required to undertake expenditure of $500,000 on tenement E30/317 within the 24 month exercise period or pay the shortfall even if it does not exercise the option. As at reporting date the Company has expended $451,792 and expects to expend the remaining required minimum spend of $48,208 by the due date on June 15, 2013.

The Company’s decision to exercise the option is dependent on the delineation of commercial quantities of magnetite and hematite iron ore, and ministerial approval, which will add to the Company’s existing established mineral resources.

Apart from the above, the Company has no other material commitments at balance sheet date.

17. CONTINGENT LIABILITIES

Security

Contingent liability of $248,000 exists in relation to security bonds issued to the Department of Mines and Petroleum for compliance with environmental conditions attached to exploration and mining leases E30/230, E30/317, E30/321, M30/228, M30/229, M30/240 and M30/249.

In addition the Company has bank guarantees issued of $180,104 for office leasing arrangements in Brisbane and Perth.

17. CONTINGENT LIABILITIES (cont'd)

First Strategic Development Corporation Ltd (in liquidation) ("FSDC")

The Company is a creditor of FSDC and lodged a Proof of Debt with FSDC's liquidator for approximately \$460,000. The Company and another creditor have entered into a Funding Agreement with the liquidator of FSDC, to fund the costs and expenses of proceedings against former directors of FSDC (Messrs Sing Chuk Charles Chan, Wai Lap Victor Chan and Wai Tak Kwok) for compensation and/or damages for insolvent trading and breach of directors' duties owed to FSDC (the "FSDC Proceedings"). On August 23, 2012, the Supreme Court of Queensland approved the Funding Agreement and also ordered that the costs of the liquidator, the Company and the other creditor be costs in the winding up.

Under the terms of the Funding Agreement, the Company and the other creditor agreed to equally share the costs and expenses of the FSDC Proceedings up to \$80,000 (plus GST), after which the Company will be solely responsible for the costs and expenses of the FSDC Proceedings. Macarthur may terminate the Funding Agreement at any time. The Company has provided an indemnity to the liquidator of FSDC in respect of any adverse costs order against the liquidator.

Lawyers for the liquidator estimate that, based on the current status of the claim, the future costs and expenses of the FSDC Proceedings (including liquidator fees) up to the matter being set down for trial will be between approximately \$92,000 to \$143,000.

The liquidator was served with a second amended Defence by Mr Kwok on December 3, 2012 and served with the Defence of Messrs Chans on February 1, 2013. On December 13, 2012 the Supreme Court of Queensland ordered, among other things, that parts of Mr Kwok's defence be struck out and that he plead to certain allegations contained in the Statement of Claim by February 15, 2013.

Supreme Court Proceedings

The Company had been served with proceedings in the Supreme Court of Queensland commenced by LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") (the "July Proceedings") in which the Company was named as a respondent. The other respondents to the Proceedings were certain directors and officers of the Company ("Respondent Officers") and Jaldale Pty Ltd.

On November 21, 2012 the Supreme Court of Queensland heard applications to strike-out the July Proceedings by the Company and the Respondent Officers. The Court ordered, among other things, that the July Proceedings be dismissed due to what the Court described as a "fatal defect", namely that neither LPD nor Mayson were registered shareholders of the Company at the date the July Proceedings were commenced (LPD was only a beneficial shareholder and Mayson was not a shareholder at all). The Company and the Respondent Officers sought their costs of the July Proceedings on the indemnity basis and are awaiting the Court's judgment as to costs.

After commencing the July Proceedings, LPD re-registered as a shareholder of the Company and the Company was served with new proceedings commenced by LPD on November 20, 2012 ("New Proceedings"). LPD subsequently amended its Originating Application and served its Statement of Claim in respect of the New Proceedings on December 6, 2012. The New Proceedings are similar to the July Proceedings but do differ in some material respects. In particular, the claims against Jaldale Pty Ltd and the officers of the Company, COO and CFO/Company Secretary, have been dropped and certain grounds for relief have also been abandoned. In addition, Mayson is not an applicant in the New Proceedings.

The Company is of the view that, as with the July Proceedings, the New Proceedings are without merit. The Company intends to vigorously defend the New Proceedings.

The Company has filed an application for security for costs from LPD in relation to the New Proceedings. LPD consented to providing security for costs in the July Proceedings.

17. CONTINGENT LIABILITIES (Cont'd)

The Company has complained to LPD about various defects and lack of particulars in LPD's pleadings. The Company will consider filing an application to strike-out parts of LPD's Statement of Claim in the event LPD does not properly address the Company's complaint. Until LPD properly addresses the Company's complaint or the Company's strike-out application has been determined, the Company is unable to accurately quantify the financial value of LPD's claims against the Company.

If the Company brings a strike-out application legal costs of the New Proceedings from January 1, 2013 up to and including that strike-out application are estimated to be between $85,000 to $130,000 (excluding GST). If the New Proceedings continue to a full trial of the substantial issues, then the legal costs of the New Proceedings after the Company's strike-out application are estimated to be between $400,000 to $600,000 (inclusive of Counsels' fees and excluding GST).

Pursuant to an indemnity within the constitution and Deeds of Indemnity entered into with the directors and officers of the Company, the Company may indemnify the respondent directors and officers for legal costs of defending the action against them (subject to certain restrictions, including restrictions contained in the *Corporations Act 2001* (Cth)), which may be reimbursable under a directors' and officers' insurance policy. It is anticipated that the directors costs of defending the action could be similar to those costs of defending the action against the Company if the New Proceedings continue to a full trial of the substantial issues. The relevant directors have made a claim against the Company's Directors and Officers Liability Insurance policy and have instructed independent lawyers to act for them. Presently the insurer is paying those directors' legal costs on a without prejudice basis.

LPD previously commenced proceedings in the Supreme Court of Queensland on July 16, 2010 for inspection of books and records of the Company and its subsidiary Macarthur Iron Ore Pty Ltd (previously named Internickel Australia Pty Ltd). Those proceedings were settled by mutual agreement on May 18, 2011.

No amounts for the above contingent liabilities have been included in these financial statements. Should any outcome be different to management's estimate, an accrual will be made at that time.

18. SUBSEQUENT EVENTS

Issue of Options

On February 1, 2013 the Company granted 100,000 incentive options under the Consultant Share Compensation Plan to Investor Cubed Inc. as part of their consulting contract to provide investor relations and shareholder communications and services. The options will vest bi-monthly in three tranches as follows:

(a) the first 33,300 options vesting on March 22, 2013, with an exercise price of $0.65 per common share;
(b) the second 33,300 options vesting on May 22, 2013, with an exercise price of $0.75 per common share; and
(c) the final 33,400 options vesting on July 22, 2013, with an exercise price of $0.85 per common share.

The options have a term of three years from the grant date however, in the event of early termination or expiry of the consulting contract, all unvested Options will immediately be cancelled and all vested options must be exercised within 30 days after the date of termination or expiry.

Options exercised/expired

No options were exercised or expired after December 31, 2012 and up to the date of this report.

Warrants exercised/expired

After December 31, 2012 and up to the date of this report, no warrants were exercised and 1,500,000 warrants expired on January 3, 2013.