MACARTHUR MINERALS LIMITED

Australian Company Number 103 011 436

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

June 30, 2012

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Interim Financial Report – June 30, 2012

Contents

This interim financial report covers the consolidated financial statements for the consolidated 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 August 10, 2012. The directors have the power to amend and reissue the financial report.

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Australian Dollars)
(Unaudited)
AS AT JUNE 30, 2012

		June 30, 2012		March 31, 2012
ASSETS				
Current				
Cash and cash equivalents	$	21,557,264	$	26,589,704
Receivables		540,837		505,610
Security deposits and prepayments		430,493		416,799
Total current assets		22,528,594		27,512,113
Non-Current				
Plant and equipment (Note 4)		1,122,263		1,100,915
Exploration and evaluation assets (Note 6)		47,501,055		44,361,835
Total non-current assets		48,623,318		45,462,750
Total assets	**$**	**71,151,912**	**$**	**72,974,863**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	1,118,901	$	2,310,612
Employee benefits		95,125		80,033
Finance lease obligation (Note 5)		99,750		108,180
Total current liabilities		1,313,776		2,498,825
Non-Current				
Employee benefits		1,224		928
Finance lease obligation (Note 5)		32,506		36,262
Total non-current liabilities		33,730		37,190
Total liabilities		1,347,506		2,536,015
Shareholders' equity				
Contributed equity (Note 7)		86,686,256		86,686,256
Reserves		3,723,388		3,695,288
Deficit		(20,605,238)		(19,942,696)
Total shareholders' equity		69,804,406		70,438,848
Total liabilities and shareholders' equity	**$**	**71,151,912**	**$**	**72,974,863**

Nature and continuance of operations (Note 1)
Commitments (Note 15)

Contingent liabilities (Note 16)
Subsequent events (Note 17)

On behalf of the Board:

" Alan Phillips" Director ***"John Toigo"*** Director

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

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Australian Dollars)
(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011
EXPENSES		
Depreciation	$ 66,159	$ 35,525
Investor relations	79,946	33,414
Office and general	111,621	135,303
Personnel fees	441,770	310,366
Professional fees	177,160	549,634
Rent	32,283	27,000
Share-based compensation (Note 8)	28,100	277,942
Share registry, filing and listing fees	15,315	74,406
Travel and accommodation	57,910	8,222
Total Administrative Expenses	1,010,264	1,451,812
Loss before other items	(1,010,264)	(1,451,812)
Other items:		
Interest income	350,711	658,310
Foreign exchange gain / (loss)	(2,989)	2,903
	347,722	661,213
Net loss for the period	$ (662,542)	$ (790,599)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)
Basic and diluted weighted average number of common shares outstanding	$ 44,820,630	$ 44,670,630

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

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Australian Dollars)
(Unaudited)
AS AT JUNE 30, 2012

	Number of Shares	Contributed Equity	Deficit	Reserves	Total
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	-	-	(790,599)	-	(790,599)
Exercise of options and warrants	-	-	-	-	-
Exercise of options – allocation of fair value	-	-	-	-	-
Share based payment transactions	-	-	-	277,942	277,942
Balance at June 30, 2011	44,670,630	86,426,323	(18,167,329)	3,778,574	72,037,568
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	-	-	(662,542)	-	(662,542)
Exercise of options and warrants					
Exercise of options – allocation of fair value					
Share based payment transactions	-	-	-	28,100	28,100
Balance at June 30, 2012	44,820,630	$ 86,686,256	$ (20,605,238)	$ 3,723,388	$ 69,804,406

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

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Australian Dollars)
(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011
OPERATING ACTIVITIES		
Net loss for the period	$ (662,542)	$ (790,599)
Items not involving cash:		
Depreciation	66,159	35,525
Share-based compensation	28,100	277,942
Changes in non-cash working capital items related to operations:		
Payables and accrued liabilities	(176,141)	59,030
Other Operating Assets	(13,694)	180,692
Receivables	(35,227)	(1,010,306)
Net Cash used in Operating Activities	(793,345)	(1,247,716)
INVESTING ACTIVITIES		
Purchases of plant and equipment	(91,300)	(365,073)
Deferred exploration expenditure	(4,135,608)	(3,726,141)
Net Cash used in Investing Activities	(4,226,908)	(4,091,214)
FINANCING ACTIVITIES		
Repayment of capital lease	(12,187)	(7,020)
Net Cash used in Financing Activities	(12,187)	(7,020)
Change in cash and cash equivalents during period	(5,032,440)	(5,345,950)
Cash and cash equivalents, beginning of period	26,589,704	48,784,511
Cash and cash equivalents, end of period	$ 21,557,264	$ 43,438,561

Supplemental disclosures with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited and its subsidiaries (hereafter referred to as the "Company") is currently focused on the exploration and development of iron ore, at the Company's Macarthur Iron Ore Projects located in Western Australia.

The Company's continuing operations are dependent upon its ability to either secure additional equity capital 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 or generate cash from operations in the future.

The Company's cash and cash equivalent position at the reporting date is $21,557,264 and $354,104 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 address of the Company's corporate office and principal place of business is Level 20, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

These consolidated 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 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.

The interim financial statements were authorized by the board of directors of the Company on August 10, 2012.

The 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 set out in 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 condensed consolidated 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 condensed consolidated financial statements.

4. PLANT AND EQUIPMENT

		June 30, 2012		March 31, 2012
Plant and Equipment				
Plant and equipment				
Opening net book value	$	949,119	$	295,782
Additions		23,748		830,137
Disposals		-		(23,597)
Depreciation charge		(49,379)		(153,203)
Closing net book amount	$	923,488	$	949,119
Cost		1,205,055		1,181,308
Accumulated amortization		(281,567)		(232,189)
	$	923,488	$	949,119
Office equipment				
Opening net book value	$	151,796	$	42,508
Additions		63,759		168,040
Disposals		-		(6,826)
Depreciation charge		(16,780)		(51,926)
Closing net book amount	$	198,775	$	151,796
Cost		292,854		229,095
Accumulated amortization		(94,079)		(77,299)
	$	198,775	$	151,796
Total Net book amount	**$**	**1,122,263**	**$**	**1,100,915**

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

(Expressed in Australian Dollars)

5. FINANCE LEASE COMMITMENTS

The Company entered into finance lease contracts for the purchase of 4 vehicles with a completion date of November 30, 2013. The vehicles are recorded at cost and classified as a depreciable asset. At June 30, 2012 the present value of the lease payments due are $132,256. The total minimum lease payments will be $134,446 and title of the vehicles will transfer to the Company upon payment of $87,039. The amount representing interest over the term of the leases is $2,190.

Future payment obligations are as follows:

	Consolidated	
	June 30, 2012 $	**March 31, 2012 $**
Within one year	$ 101,798	$ 111,182
Later than one year but not later than five years	32,648	36,598
	134,446	147,780
Less: interest	(2,190)	(3,338)
Total future principal payments	132,256	144,442
Less: current portion	(99,750)	(108,180)
	$ 32,506	$ 36,262

6. EXPLORATION AND EVALUATION ASSETS

The Company holds 100% of the outstanding and issued share capital of MIO. 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

Commitments

In order to maintain current rights to tenure to exploration tenements, the Company is required to perform minimum 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 and at other times. These obligations are not provided for in the financial statements and are payable:

	Consolidated	
	June 30, 2012 $	**March 31, 2012 $**
Not later than one year	3,032,166	2,885,215
Later than one year but not later than five years	10,765,270	10,533,302
	$ 13,797,436	$ 13,418,517

(Expressed in Australian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

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**

	Acquisition Costs	Deferred Exploration Costs	Total
Incurred during the period			
Accommodation and camp maintenance	-	198,735	198,735
Drilling	-	186,842	186,842
E30/317 acquisition cost (refer to Note 15)	200,000	-	200,000
Environmental surveys	-	54,076	54,076
Other	-	104,068	104,068
Personnel and Contractors	-	789,366	789,366
Rent and rates	-	90,174	90,174
Research and reports	-	1,069,177	1,069,177
Sampling and testing	-	251,780	251,780
Site preparation and earthwork	-	36,765	36,765
Tenement management and outlays	-	88,653	88,653
Travel	-	63,765	63,765
Vehicle hire	-	5,819	5,819
	200,000	**2,939,220**	**3,139,220**
Balance as at June 30, 2012	**$ 3,823,886**	**43,677,169**	**$ 47,501,055**

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

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY

Ordinary Shares

Authorized: Unlimited

Rights: Ordinary shares are voting

	Consolidated	
	June 30, 2012	March 31, 2011
Number of authorized ordinary shares on issue:	44,820,630	44,820,630

There were no shares issued during the period ended June 30, 2012 for stock options being exercised.

Stock options

The Company, in accordance with the policies of the TSX, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of the options is fixed by the Board at no lesser than the discounted market price of the shares at the time of grant, subject to all applicable regulatory requirements. The options can be granted for a maximum term of 5 years. Options granted to employees, directors and officers vest fully at the grant date. Options issued to consultants performing investor relations activities must vest in stages over 12 months with one quarter of the options vesting in any three month period.

The fair value of all share purchase options is measured and expensed as a share-based compensation expense 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 contributed surplus, see Note 8.

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

During the period ended June 30, 2012

The Company did not grant any options under the 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.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Stock options (cont'd)

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 options are exercisable at CAD$1.00 and will vest quarterly over a period of one year commencing from June 26, 2012 and will only be exercisable when the volume weighted average price for the last 20 days of the Company's shares is at least CAD$2.00. These options are expensed over their vesting period, refer to accounting policy Note 3(i) to the audited financial statements for the year ended March 31, 2012 on share based payment transactions.

Stock option transactions issued under the Stock Option Plan and the number of stock options outstanding are summarized as follows:

	Three months ended June 30, 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)
Expired/cancelled	-	-	(1,070,000)	$ 2.14 (CAD $2.22)
Outstanding, end of period	3,665,000	$ 2.14 (CAD $2.23)	3,665,000	$ 2.15 (CAD $2.23)
Options exercisable, end of period [1]	3,315,000	$ 2.14 (CAD $2.23)	3,315,000	$ 2.15 (CAD $2.23)

[1] Excludes unvested options.

Stock options outstanding at June 30, 2012 are as follows:

Number of Options	Exercise Price	Expiry Date
100,000	0.96 (CAD$1.00)	October 19, 2012
100,000	1.15 (CAD$1.20)	November 26, 2012
650,000	1.05 (CAD$1.10)	December 2, 2012
200,000	0.96 (CAD$1.00)	July 31, 2014
575,000	1.92 (CAD$2.00)	May 4, 2013
350,000	3.45 (CAD$3.60)	March 30, 2014
965,000	3.45 (CAD$3.60)	June 9, 2014
425,000	1.92 (CAD$2.00)	December 22, 2014
300,000	0.96 (CAD$1.00)	March 30, 2015

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Warrants

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

	Three months ended June 30, 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	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	9,039,150	$3.80 (CAD $3.96)	9,039,150	$3.82 (CAD $3.96)

Warrants outstanding at June 30, 2012 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	$1.92 (CAD$2.00)	March 1, 2013
339,150	$1.73 (CAD$1.80)	April 28, 2013
6,950,000	$4.31 (CAD$4.50)	February 24, 2013
250,000	$3.45 (CAD$3.60)	February 23, 2014

During the period ended June 30, 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

On February 24, 2011, 834,000 options were issued to the underwriters as commission in connection with the private placement at an exercise price of CAD$3.60. They expire on February 24, 2013.

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 exercised during the period and 834,000 options remain outstanding.

8. SHARE BASED COMPENSATION

The Company measures the cost of equity-settled share-based payments 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.

The above amounts are expensed over their vesting period as share based compensation in the statement of comprehensive loss with a corresponding amount recorded to reserves in contributed equity and reduced by the options exercised during the period. The weighted average fair value of options granted during the period was $Nil (June 2011 - $0.24). 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 or vested during the period and expensed to the statement of comprehensive loss:

	Three months ended June 30, 2012	Three months ended June 30, 2011
	Weighted average	*Weighted average*
Risk-free interest rate	1.19%	1.53%
Expected life of options	2.77 years	1.44 years
Annualized volatility	77.31%	38.77%
Dividend rate	n/a	0%
Forfeitures	50%	0%

9. RELATED PARTY TRANSACTIONS

Key Management Personnel

The following persons were key management personnel of the Company during the June 30, 2012 quarter.

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

Non-executive Director
S Hickey
J Toigo
J Starink
J Wall (appointed on June 15, 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")

Related party transactions

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 the entity would have adopted if dealing on an arm's length basis.

Details of Remuneration

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

Period ending June 30, 2012	**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	81,249	-	-	-	-	-	81,249
S Hickey	15,000	-	-	-	-	-	15,000
J Toigo	15,000	-	-	-	-	-	15,000
J Starink [1]	69,600	-	-	-	-	-	69,600
J Wall [2]	5,000	-	-	-	-	-	5,000
Other Company Executives:							
D Taplin	63,750	-	-	-	-	-	63,750
A J Phillips	66,876	-	-	-	-	-	66,876
Total	316,475	-	-	-	-	-	316,475

[1] J Starink was paid $54,600 for consulting services to the Company under a consultancy agreement, commencing March 16, 2012
[2] J Wall was appointed as a non-executive director on June 15, 2012

Remuneration of each key management personnel of the Company for the period ended June 30, 2011 was as follows.

Period ending June 30, 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	60,000	-	-	-	-	9,543	69,543
S Hickey	15,000	-	-	-	-	-	15,000
J Toigo	15,000	-	-	-	-	11,929	26,929
J Starink [1]	-	-	-	-	-	-	-
P Ziegler [2]	-	-	-	-	-	11,929	11,929
Other Company Executives:							
D Taplin	60,000	-	-	-	-	59,644	119,644
A J Phillips	60,000	-	-	-	-	59,644	119,644
Total	210,000	-	-	-	-	152,689	362,689

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

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 having regard to performance-related bonuses and market trends.

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.
- RSUs 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.

Total cash RSU entitlements for executives are:

Executives	**Number of Performance Based Cash RSUs**	**Number of Non-performance Based Cash RSUs**
A S Phillips	232,143	66,667 [1]
D Taplin	121,429	-
A J Phillips	127,371	88,889 [1]
Total	480,943	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.

As of June 30, 2012 no cash RSUs have vested and accordingly no liability has been accrued to any cash RSUs granted to date.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

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. A number of these entities transacted with the Group in the reporting period. The terms and conditions of those transactions were no more favourable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

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

a) At June 30, 2012 $Nil (June 2011: $27,000) was paid or accrued to Strategic Capital Services Pty Ltd ("Strategic Capital") for rent for offices sub-let to the Company in Brisbane up until June 2011. Joe Phillips is a director of Strategic Capital and as a result has significant influence over Strategic Capital.

b) At June 30, 2012 $Nil (June 30, 2011: $9,246) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.

Aggregate amounts of each of the above transactions are:

	Consolidated Quarter ended June 30, 2012	
	2012	**2011**
Amounts paid or accrued	**$**	**$**
Consulting work	-	9,246
Reimbursement of office rent	-	27,000
	-	36,246

There were no amounts payable to related parties of directors at balance date relating to the above types of transactions.

10. 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.

(Expressed in Australian Dollars)

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Three months ended June 30, 2012	Three months ended June 30, 2011
Cash paid during the period for interest	1,155	6,897
Cash paid during the period for income taxes	-	-

During the period ended June 30, 2012, the Company entered into the following non-cash transactions:

a) Recorded $556,840 in deferred exploration expenditures through accounts payable.

b) Recorded $9,909 in plant and equipment through accounts payable.

During the period ended June 30, 2011, the Company entered into the following non-cash transactions:

a) Recorded $1,912,083 in deferred exploration expenditures through accounts payable.

b) Recorded $277,942 as share based compensation upon issue of 1,165,000 options.

12. SEGMENTED INFORMATION

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

13. 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			
		June 30, 2012		March 31, 2012
Financial assets				
Cash and cash equivalents	$	21,557,264	$	26,589,704
Security Deposits		354,104		338,104
Receivables		540,837		505,610
	$	22,452,205	$	27,433,418

(Expressed in Australian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd)

Credit Risk (cont'd)

The Company's receivables comprises of interest receivable and 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			
		June 30, 2012		March 31, 2012
Australia	$	540,837	$	505,610
Canada		-		-
Total	$	540,837	$	505,610

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

Currency Risk

Exposure to currency risk

The Company's exposure to foreign currency risk at balance sheet date was as follows:

	AUD	CAD	AUD	CAD
	June 30, 2012		March 31, 2012	
Cash and cash equivalents	$ 21,477,910	$ 79,354	$ 26,516,510	$ 73,194
Receivables	540,837	-	505,610	-
Security deposits	354,104	-	338,104	-
	22,372,851	79,354	27,360,224	73,194
Accounts payable and accrued liabilities	1,082,230	36,671	2,243,759	66,853
Owing to related parties	-	-	-	-
Employee Benefits	96,349	-	80,961	-
Lease liability	132,256	-	144,442	-
	1,310,835	36,671	2,469,162	66,853
Net exposure	$ 21,062,016	$ 42,683	$ 24,891,062	$ 6,341

13. FINANCIAL INSTRUMENTS (cont'd)

Currency risk (cont'd)

The following significant exchange rates applied during the period:

	Average rate		Reporting date spot rate	
AUD	June 30, 2012	March 31, 2012	June 30, 2012	March 31, 2012
Canadian dollar (CAD)	0.9802	0.9640	0.9587	0.9654

Sensitivity analysis

As at June 30, 2012, the Company's expenditures are in Australian dollars and Canadian dollars. As at June 30, 2012, the Company has cash of $79,354 (March 31, 2012 - $73,194) Canadian dollars and accounts payable of $36,671 (March 31, 2012 - $66,853) denominated in Canadian dollars. For each 10% change in the Australian dollar vs. Canadian dollar a $4,092 gain/loss would arise (March 31, 2012 - $612) on this balance of cash and accounts payable.

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	
	June 30, 2012	March 31, 2012
Variable rate instruments		
Financial assets	$ 21,772,492	$ 26,756,928

(Expressed in Australian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk (cont'd)

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
June 30, 2012				
Variable rate instruments	$ 217,725	$ (217,725)	$ 217,725	$ (217,725)
March 31, 2012				
Variable rate instruments	$ 267,569	$ (267,569)	$ 267,569	$ (267,569)

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:

	June 30, 2012		March 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 21,557,264	$ 21,557,264	$ 26,589,704	$ 26,589,704
Receivables	540,837	540,837	505,610	505,610
Deposits	354,104	354,104	338,104	338,104
Accounts payable and accrued liabilities	(1,118,901)	(1,118,901)	(2,310,612)	(2,310,612)
Employee Benefits	(96,349)	(96,349)	(80,961)	(80,961)
Lease liability	(132,256)	(132,256)	(144,442)	(144,442)
	$ 21,104,699	$ 21,104,699	$ 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.

(Expressed in Australian Dollars)

14. 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 June 30, 2012. The Company is not subject to externally imposed capital requirements.

15. COMMITMENTS

Operating lease agreements

At June 30, 2012 the Company had the following commitments:

	Vehicle leases $	Building leases $	Total $
Within one year	99,750	266,697	366,447
Later than one year but no later than five years	32,506	142,247	174,753
	$ 132,256	$ 408,944	$ 541,200

The Group entered into finance lease contracts for the purchase of 4 vehicles with a completion date of 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 payment 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 6 to the Financial Statements for the period ended June 30, 2012.

15. COMMITMENTS (cont'd)

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 a further option fee of $200,000 on the option's first anniversary (refer to Note 6).

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.

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.

16. CONTINGENT LIABILITIES

Security

Contingent liability of $174,000 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 M30/243.

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

First Strategic Development Corporation Ltd (in liquidation)

The Company is considering entering into a funding agreement with the liquidator of First Strategic Development Corporation Limited (in Liquidation) ("FSDC") to fund the costs and expenses of proceedings in relation to recovery action for the benefit of creditors of FSDC, including recovery of the Company's impaired receivable of $300,815. Management's best estimate of costs and expenses of further action is approximately $130,000 to $190,000.

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

17. SUBSEQUENT EVENTS

Options exercised

No options were exercised after June 30, 2012 and up to the date of this report.

Supreme Court Proceedings

On July 20, 2012, the Company advised that the Company was served with proceedings in the Supreme Court of Queensland commenced by LPD Holdings (Aust) Pty Ltd (“LPD”) and Mayson Associates Limited (“Mayson”). It is alleged that LPD is, and that Mayson was, a shareholder in the Company. Both LPD and Mayson are controlled by Hong Kong residents. Neither of those companies was a registered shareholder at the time the proceedings were commenced.

The Company is named as a respondent. The other respondents to the proceedings are certain directors and officers of the Company and Jaldale Pty Ltd.

LPD and Mayson appear to allege a wide range of breaches of various provisions of the Australian Corporations Act 2001 and seek a wide range of relief against the Company and other respondents under provisions of the Australian Corporations Act 2001. The Company considers the proceedings are without merit and they will be vigorously defended. Legal advisors have been appointed by the Company in respect of the Proceedings.

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.

Legal costs in defending the initial stage of the proceedings are estimated at between $50,000 and $100,000. If the proceedings continue to trial then legal costs may increase up to between $450,000 and $700,000 subject to a number of unquantifiable variables.

Pursuant to an indemnity within the constitution and Deeds of Indemnity the Company may indemnify the directors and officers for legal costs of defending the action against them, which may be reimbursable under a directors and officers insurance policy. It is anticipated that costs of defending the action against the directors and officers could be similar to those costs of defending the action against the Company.