MACARTHUR Minerals Limited

ACN 103 011 436

Management Discussion and Analysis (Form 51-102F1) For the Quarter ended June 30, 2012

Information as of August 10, 2012 unless otherwise stated

Note to Reader

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur" or the "Company") for the three month period ended June 30, 2012 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of August 10, 2012 (unless otherwise stated) and should be read in conjunction with the Company's annual audited financial statements for the year ended March 31, 2012, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the previous year and the Annual Information Form. The condensed interim consolidated financial statements for the three month period ended June 30, 2012 are prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward-Looking Information

This MD&A includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements in this MD&A, other than statements of historical facts, are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning the Company's strategies and objectives, both generally and specifically in respect of the Macarthur Iron Ore Projects and statements which address future production, reserve potential, exploration drilling, exploration activities and events or developments. Although the Company believes that expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. The material factors or assumptions used to develop forward-looking information include prevailing and projected market prices, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions.

Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "Risk Factors".

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements and investors should not attribute undue certainty to or place under reliance on forward-looking statements.

OVERALL PERFORMANCE

Background

Macarthur Minerals Limited 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 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"), formerly named Internickel Australia Pty Ltd ("Internickel") and its subsidiary Hatches Nominees Pty Ltd ("Hatches").

The Macarthur Iron Ore Projects consist of two distinct mineral projects:

1. The Ularring Hematite Project: encompassing hematite iron ore ("hematite"), to be marketed as potential direct shipping and/or beneficiated iron ore; and
2. The Moonshine Magnetite Project: encompassing magnetite iron ore ("magnetite"), to be marketed as a beneficiated concentrate.

The Macarthur Iron Ore Projects are located on exploration and mining tenements covering 1,160 km^2 located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements at least 85 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

Outcropping BIF occurs as both siliceous magnetite rich types and altered hematite iron enriched varieties. Exploration by the Company has identified a number of near-surface hematite prospects as a source of potential direct shipping and/or beneficiated iron ore and larger (and generally deeper) magnetite rich BIF, as a source of beneficiated concentrate.

Report on Operations

a) Ularring Hematite Project Deposits

i. Ularring Hematite Project Exploration Activities

During the quarter the Company completed its latest round of drilling which commenced in February 2012. The object of this program was to convert inferred resources to the indicated category. This program focused on the Banjo, Drabble Downs and Central deposits. For the quarter ended June 30, 2012, 41 RC holes were drilled for a 2,252 m advance. This program brings the total number of holes drilled in this calendar year to date to 290 for an advance of 19,411 m. All samples have been processed and 3D solid models were produced to support a new resource estimate, which was announced on June 14, 2012.

On June 1, 2012 the Company announced the results of its metallurgical test work programs that were designed to test the amenability of hematite from the Ularring Hematite Project, to beneficiation. These test programs were undertaken as part of the Company's on-going examination of a number of alternative approaches to optimizing the potential of the Ularring Hematite Project resources.

Macarthur commissioned a phase one initial metallurgical test work program in the last quarter of 2011 based on 200 kilograms of sample composited from diamond drill core obtained from the Snark deposit in order to characterize the response of this material to both conventional gravity beneficiation processes and to magnetic separation processes.

The results of this work were encouraging and indicated that it was technically possible to recover materials with a grade of more than 60% Fe and with a recovery of over 63% using conventional gravity beneficiation techniques (press release dated November 21, 2011; NI43-101 Technical Report released January 4, 2012). The outcome of a single test using magnetic fractionation was also encouraging, warranting follow-up of magnetic fractionation as an alternative to, or adjunct to, conventional gravity processing.

OVERALL PERFORMANCE (Cont'd)

A follow-up metallurgical test work program (phase two) was commissioned by Macarthur in February 2012. The primary focus of this program was to confirm that beneficiation could be applied to the full range of hematite material types found at the Ularring Hematite Project over a range of Fe grades and to provide indicative design information for a robust beneficiation process capable of handling all material types.

The results of the second (variability) phase of test work confirmed that all samples could be beneficiated. Products grading over 60% Fe could be produced from 13 of the 15 samples using either gravity separation or magnetic separation or a combination of both. Generally magnetic separation outperforms gravity separation for the medium to high grade starting materials, whereas gravity appeared to perform better for lower grade starting materials.
Based on the positive results of the metallurgical test work conducted during the 2011-2012 drilling campaign the Company announced a substantial increase in the hematite/goethite Mineral Resource inventory at its Ularring Hematite Project on June 14, 2012. Independent mining consultancy group CSA Global Pty Ltd ("CSA") was commissioned by Macarthur to generate a new NI43-101 Mineral Resource estimate for the Ularring Hematite Project, presently comprised of five separate deposits being Snark, Drabble Downs, Central, Banjo (previously called Banjo-Lost World) and Moonshine.

The previous Mineral Resource estimate was based upon a nominal 50% Fe cut-off grade. As a consequence of the positive metallurgical test work (News Release June 1, 2012) which demonstrated that the lower grade mineralization in the Ularring Hematite Project is amenable to beneficiation, the Company and CSA utilized a geological model which encapsulates the Ularring Hematite Project's banded iron formation strata. The new Mineral Resource estimate has been constrained by the BIF envelope and is reported from all blocks above a 40% Fe cut-off grade and incorporates all of the drill results to date. The exception to this is the Moonshine deposit's Mineral Resource, which was not remodeled and was previously estimated using a 50% Fe envelope which is reported for blocks > 50% Fe. This is discussed in the Technical Report filed March 9, 2012.

Table 1 - Ularring Hematite Project Mineral Resource at June 2012

Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	LOI %	S %
Indicated	54.46	47.2	0.06	16.9	6.5	7.9	0.16
Inferred	25.99	45.4	0.06	20.6	6.0	7.2	0.09

***Note**: The CSA mineral resource was estimated within constraining wireframe solids encapsulating BIF strata. The resource is quoted from blocks above 40 Fe % cut-off grade, except Moonshine where resource is quoted from blocks above 50 % Fe. Differences may occur due to rounding.*

Table 2 - June 2012 Ularring Hematite Project Mineral Resource by Deposit

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	LOI %	S %
Snark	40	Indicated	21.83	47.2	0.07	17.5	6.1	7.7	0.15
	40	Inferred	10.96	45.2	0.07	21.8	5.1	6.8	0.09
Drabble Downs	40	Indicated	11.07	47.2	0.06	16.6	6.4	8.3	0.26
	40	Inferred	0.36	43.6	0.05	24.0	4.8	7.8	0.09
Central	40	Indicated	15.09	47.0	0.05	16.2	7.2	8.1	0.12
	40	Inferred	10.19	45.3	0.06	20.3	6.3	7.5	0.08
Banjo	40	Indicated	6.47	47.8	0.06	16.7	6.6	7.4	0.14
	40	Inferred	3.88	45.4	0.06	18.7	7.6	7.9	0.09
Moonshine	50	Inferred	0.60	53.0	0.06	13.4	6.7	6.1	0.15

The results are currently being incorporated into the Pre-feasibility Study currently being conducted by the Company.

ii. Ularring Hematite Project Exploration Activities since quarter ended June 30, 2012

No new drilling has been undertaken since the end of the June 2012 quarter. Activities have focused on development of new drill targets through detailed geological mapping and ground magnetics surveys. Work on the Pre-feasibility Study has continued, with completion expected during August.

OVERALL PERFORMANCE (Cont'd)

b) Moonshine Magnetite Project Deposits

i. Moonshine Magnetite Project Exploration Activities

On December 15, 2010 the Company announced that the Moonshine Magnetite Project Inferred Resource estimate had increased from 511 Mt at 27.8% Fe to 710 Mt at 30.6% Fe, resulting in a total Inferred Resource estimate for magnetite for the Moonshine Magnetite Project of 1,316 Mt at 30.1% Fe (NI43-101 Technical Report filed March 25, 2011).

Table 3 - Moonshine Magnetite Project Mineral Inferred Resource Estimate as at December 2010 at a 15% Davis Tube Recovery ("DTR") cut-off.

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

For the year ended March 31, 2012, 28 RC holes were completed for 7,082.9 m. In addition one diamond hole was drilled for 218 m, including 158 m of RC pre-collar. No new drilling was undertaken in the quarter ended June 30, 2012.

Samples from all the RC holes were submitted for DTR analysis. All the results have been received and are being incorporated in a new geological model for the Moonshine Magnetite Project. A new resource estimate will be completed when modeling is complete.

As reported on January 24, 2012 Macarthur will receive a State Government of Western Australia Exploration Incentive Scheme ("EIS") grant for its Moonshine Magnetite Project in 2012. The EIS is a co-funded government-industry drilling program designed to support drilling activities, which will potentially lead to new discoveries. The grant provides $150,000 funding towards the Company's 2012 magnetite drilling program and the Company will supply the drill results to the Department of Mines and Petroleum for collation and eventual release to the public record.

ii. Moonshine Magnetite Project Exploration Activities since quarter ended June 30, 2012

The Moonshine Magnetite Project exploration activities have focused upon collating and interpreting the drilling data from the 2011 drilling campaign. This data will be subject to resource modeling for release in later in 2012.

c) Environmental Activities

Maintaining our social license to operate is critical for the Company leading to development of the Macarthur Iron Ore Projects. Some of the risks to the Company's social license include compliance with environmental legislation and licenses, impact on the community, and relations with indigenous groups with a connection to the area. To manage these risks the Company has developed environmental procedures that represent industry best practice and meet our regulatory requirements. To this end, no environmental breaches of license conditions were recorded during the year for exploration activities. The environmental team has dedicated considerable effort to the rehabilitation of drill sites as early as possible and prior to the expiry of the permits.

Programme of Works applications were submitted to the DMP for further exploration work.

OVERALL PERFORMANCE (Cont'd)

In addition to exploration activities, environmental work has focused on completing baseline surveys required for State and Federal environmental impact assessments. Work completed included a geochemical analysis of waste rock, indigenous and non-indigenous heritage surveys, and baseline biological surveys of vegetation and flora, terrestrial fauna, subterranean fauna and short range endemic invertebrate fauna. An extension to the field-surveys for Malleefowl was commenced using LiDAR data, which provides rapid detection over a vast area based on fine scale topography.

Consultation with various decision making authorities continued in order to direct the focus of outstanding work and identify the most appropriate approval pathway for the project. The Ularring Hematite Project was referred to the Western Australian Environmental Protection Agency on June 1, 2012 under the *Environmental Protection Act 1986* and the Department of Sustainability, Environment, Water, Population and Communities ("SEWPaC") on June 13, 2012 under the *Environment Protection and Biodiversity Conservation Act 1999* ("EPBC"). The Company received formal notification from SEWPaC on July 13, 2012 that the Macarthur Iron Ore Projects are not considered a controlled action and therefore does not require assessment under the EPBC Act. Work has commenced on the Mining Proposal which provides formal approval to mine from the Department of Mines and Petroleum.

A Section 45C application was also commenced in consultation with Esperance Ports, Sea and Land to increase the current capacity of iron ore permitted for export through the Port of Esperance ("Port").

d) Iron Ore Export Facilities at the Port of Esperance

As announced on December 16, 2010, Macarthur and Esperance Port Authority ("EPSL") entered into a Multi User Facility Access Deed, under which it secured commitment to a 2 mtpa allocation, as part of the proposed expansion of iron ore export facilities at the Port in Western Australia.

EPSL has initiated a market sounding process for expansion of iron ore facilities at the Port. As part of the process of moving closer towards expansion of the Port, the Company announced on August 8, 2012 that it has entered into a Capacity Reservation Deed with EPSL for 2 mtpa capacity reservation at the Port. EPSL has also entered into capacity reservation deeds with Cazaly Resources Limited (5 mtpa), Golden West Resources Limited (3 mtpa) and Cashmere Iron Pty Ltd (5 mtpa).

The capacity reservation is subject to the iron ore facility expansion occurring and commercial terms being entered into between Macarthur and the operator of the proposed facility.

Macarthur's proposed mining and export of hematite product is planned to coincide with the completion of the infrastructure corridor to the Port, being managed by the Western Australian Government, and the expansion of the Port itself.

On January 19, 2012 Western Australian Minister for Transport, Hon Troy Buswell BEc MLA, confirmed that export capacity at the Port will potentially increase by up to 20 mtpa in a staged plan, with the State Government formally committing to expansion of the Port.

The Company looks forward to working with EPSL and the appointed operator. The terms and conditions yet to be agreed between the EPSL and the Company are anticipated include access and usage changes and opportunities to increase Macarthur's export capacity allocation over time.

Minister Buswell also said in January that the Western Australian Government would embark on a market sounding exercise to identify private sector interest in expanding the Port's capacity for iron ore exports. As announced by the Company in June 2012, EPSL requested expressions of interest for participation in the Government's market sounding process. This process enables the private sector to identify their interest in the Port expansion process.

As announced on August 8, 2012 to facilitate the Company's participation in the market sounding process the Company has entered into a Market Sounding Participation Deed with EPSL.

The Company is participating in a marketing sounding exercise in two capacities: as a miner, and as one of a number of foundation customers forming part of a larger consortium whose members comprise experienced port developers, operators and project funders.

OVERALL PERFORMANCE (Cont'd)

e) Expansion and Acquisition of Tenements

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.

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.

The Company has applied for a new exploration tenement, E30/404, covering untested BIF and Greenstone horizons to the south of Moonshine.

Corporate Update

a) Appointment of Mr Jeffrey Wall, CBE as director

Mr Wall, CBE was appointed director on June 15, 2012. Mr Wall, CBE serves as a member of the Company's Audit Committee and Remuneration and Nomination Committee.

b) Notification of Legal 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.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(All amounts in Australian dollars)

Exploration and Evaluation Expenses

Expensed and capitalized exploration and evaluation costs, for the Macarthur Iron Ore Projects are as follows:

Australian $	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011
Expenses	-	-
Capitalized expenses	3,139,220	4,681,635

The Company expended $3,139,220 for the quarter ended June 30, 2012 on exploration and evaluation activities compared with $4,681,635 for the corresponding June 2011 quarter. This decrease in expenditure of $1,542,415 reflects the Company's migration from primarily exploration drilling to a focus on feasibility studies.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

During the current quarter a payment of $200,000 was made in respect of the Company's acquisition of an option to purchase tenement E30/317. This payment was capitalized as an acquisition cost and formed part of the capitalized exploration expenses. For further details, please refer to Notes 6 and 15 of the Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2012.

Administrative Expenses

Administrative expenses for the quarter ended June 30, 2012 were $1,010,264, compared to $1,451,812 for the corresponding June 2011 quarter. The primary drivers for the decrease of $441,548 was reduced spend in professional fees of $372,474 and share-based compensation of $249,842.

The largest elements of administrative expenses for the June 2012 quarter were personnel fees of $441,770 and professional fees of $177,160.

Income

Income normally comprises interest income. For the quarter ended June 30, 2012 the Company earned interest income of $350,711. Compared to the corresponding June 2011 quarter interest income decreased by $307,599 due to interest earned on an decreased cash balance following the Company's capital raising in February 2011.

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

Income Taxes

Future tax assets have not been recognized in the financial statements as the directors believe it has not yet become probable that they will be recovered and utilized.

Net Losses

The net loss for the quarter ended June 30, 2012 was $662,542 and is mainly due to administrative expenses. The loss for the comparative June 2011 quarter was $790,599.

Change in Financial Position

At June 30, 2012 the Company had net assets of $69,804,406 compared to $70,438,848 at March 31, 2012. The decrease is due to outlays in administrative expense during the year.

The Company's cash balance is $21,557,264 at June 30, 2012 which was a decrease of $5,032,440 from the March 31, 2012 balance. This decrease resulted mainly from capital expenditure and administrative costs.

The Company's net working capital at June 30, 2012 is $21,214,818 compared with net working capital of $25,013,288 at March 31, 2012. The decrease in the net working capital results mainly from a decreased cash balance.

MINERAL PROPERTIES

As at August 2, 2012, the Company's 100% owned Macarthur Iron Ore Projects consists of:

Tenement Number	Area[1]	Grant Date	Expiry Date	Expenditure	Rent Date	Rent
E30/0240	27 SB	23-Oct-00	22-Oct-12	$ 94,000	22-Oct-12	$ 12,245
E30/0317[2]	10 SB	01-Sep-06	31-Aug-13	$ 50,000	31-Aug-12	$ 2,395
E30/0318	26 SB	24-Nov-08	23-Nov-13	$ 39,000	23-Nov-12	$ 4,718
E30/0321[3]	12 SB	08-Aug-07	07-Aug-12	$ 30,000	07-Aug-12	$ 2,874
E30/0322	27 SB	30-Mar-07	29-Mar-17	$ 54,000	29-Mar-13	$ 6,467
E30/0323	5 SB	30-Mar-07	29-Mar-17	$ 30,000	29-Mar-13	$ 1,231
E30/0324	9 SB	30-Mar-07	29-Mar-17	$ 50,000	29-Mar-13	$ 2,156
E30/0349	5 SB	21-Dec-11	20-Dec-16	$ 15,000	20-Dec-12	$ 584
E30/0384	1 SB	16-Feb-10	15-Feb-15	$ 10,000	15-Feb-13	$ 281
E30/0385	2 SB	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-13	$ 363
E30/0386	2 SB	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-13	$ 363
E30/0387	7 SB	16-Feb-10	15-Feb-15	$ 20,000	15-Feb-13	$ 1,270
E30/0392	23 SB	16-Feb-10	15-Feb-15	$ 23,000	15-Feb-13	$ 4,173
E30/0398	3 SB	07-May-10	06-May-15	$ 15,000	06-May-13	$ 544
E30/0399	1 SB	07-May-10	06-May-15	$ 10,000	06-May-13	$ 281
E30/0400	2 SB	07-May-10	06-May-15	$ 15,000	06-May-13	$ 363
E30/0404	8 SB	23-Jun-10	22-Jun-15	$ 20,000	22-Jun-13	$ 1,452
E30/0407	17 SB	07-Sep-10	06-Sep-15	$ 20,000	06-Sep-12	$ 1,984
E30/0408	12 SB	07-Sep-10	06-Sep-15	$ 20,000	06-Sep-12	$ 1,400
E30/0410	7 SB	15-Sep-10	14-Sep-15	$ 20,000	14-Sep-12	$ 817
E30/0411	3 SB	19-Aug-10	18-Aug-15	$ 15,000	18-Aug-12	$ 350
E77/1299	70 SB	02-May-11	01-May-16	$ 70,000	01-May-13	$ 8,169
E77/1969	62 SB	03-Apr-12	02-Apr-17	$ 62,000	02-Apr-13	$ 7,235
L30/0049	628 HA	24-Aug-11	23-Aug-32	$ -	23-Aug-12	$ 8,572
L30/0050	844 HA	24-Aug-11	23-Aug-32	$ -	23-Aug-12	$ 11,521
L30/0051	2683 HA	28-Dec-11	27-Dec-32	$ -	27-Dec-12	$ 36,623
M30/0206	893 HA	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-13	$ 13,752
M30/0207	892 HA	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-13	$ 13,737
M30/0208	892 HA	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-13	$ 13,737
M30/0213	894 HA	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-13	$ 13,768
M30/0214	894 HA	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-13	$ 13,768
M30/0215	894 HA	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-13	$ 13,769
M30/0216	893 HA	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-13	$ 13,752
M30/0217	893 HA	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-13	$ 13,752
M30/0218	893 HA	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-13	$ 13,752
M30/0219	893 HA	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-13	$ 13,752
M30/0227	595 HA	13-Jun-11	12-Jun-32	$ 59,500	12-Jun-13	$ 9,163
M30/0228	594 HA	02-Jul-07	01-Jul-28	$ 59,450	01-Jul-13	$ 9,148
M30/0229	889 HA	02-Jul-07	01-Jul-28	$ 89,050	01-Jul-13	$ 13,691
M30/0248	2825 HA	22-Feb-12	21-Feb-33	$ 282,500	21-Feb-13	$ 43,505
M30/0249	3821 HA	22-Feb-12	21-Feb-33	$ 382,100	21-Feb-13	$ 58,843
P30/1070	124 HA	21-Dec-11	20-Dec-15	$ 4,960	20-Dec-12	$ 279
P30/1071	124 HA	21-Dec-11	20-Dec-15	$ 4,960	20-Dec-12	$ 279
P30/1083	115 HA	27-Oct-09	26-Oct-13	$ 4,600	26-Oct-12	$ 259
P30/1085	49 HA	11-Jul-11	10-Jul-15	$ 2,000	10-Jul-13	$ 110
P30/1089	24 HA	25-Oct-11	24-Oct-16	$ 2,000	24-Oct-12	$ 54

[1] 1 sub-block = approx. 3km^2, 1 HA = 0.01km^2

[2] The Company controls this tenement under option, see section (e) Expansion and Acquisition of Tenements for more details.

[3] An application to renew M30/321 for a period of 5 years has been made to the WA Dept. of Mines and Petroleum.

RISKS AND UNCERTAINTIES

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

General

The Company is an Australian mineral exploration and development company listed on the TSX and engaged in the exploration and development of mineral properties in Western Australia.

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

Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting both from the failure to discover mineral deposits and from finding mineral deposits which, though present, are insufficient in size and grade at the then prevailing market conditions to return a profit from production. The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

The Condensed Interim Consolidated Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the period ended June 30, 2012 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

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

Trends

The Company's financial success is dependent upon the discovery of commercial mineral resources on the Macarthur Iron Ore Projects which could be economically viable to develop. Such development could take several years to complete and the resulting income, if any, is difficult to determine at this time. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Competitive Conditions

The resource industry is intensively competitive in all of its phases, and a number of other hematite and magnetite deposits have been developed in Western Australia. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors.

The Company competes with many other companies that have substantially greater financial resources than the Company and our ability to compete is dependent on being able to raise additional funds as and when required.

RISKS AND UNCERTAINTIES (Cont'd)

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

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

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places the Macarthur Iron Ore Projects into production.

Operating Hazards and Risks
Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labor disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are some of the risks involved in the operation of mines and the conduct of exploration programs.

Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

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

Depending on the price of minerals produced, the Company may determine that it is impractical to commence commercial production.

RISKS AND UNCERTAINTIES (Cont'd)

Estimates of Mineral Reserves and Resources
The mineral resource estimates included in this MD&A are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

Project Studies
The Company's reported scoping studies and future Pre-feasibility Studies ("Project Studies") are evaluations of potential development of a project at a given time taking many factors into account. No assurance can be given that the process, methodology or plan of development included in a Project Study will be progressed and included in further studies. Project Studies are based on existing resource estimates and market conditions and consequently, market fluctuations, varied logistics or production costs or recovery rates may render the results of existing Project Studies uneconomic and may ultimately result in a future study being very different.

The Company's ability to rely on results from Project Studies would be affected due to the time based nature of the studies which may adversely affect the Company as it may need to repeat certain aspects of the Project Studies with new results and current market conditions.

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

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

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

Infrastructure and Development
There are numerous activities that need to be completed in order to successfully commence production of beneficiated iron ore from the Ularring Hematite Project, including, without limitation, negotiating final terms of export capacity at the Port of Esperance, negotiating rail and road haulage contracts, optimizing the mine plan, locating an adequate supply of fresh and saline water (for road and dust suppression), acquisition of the right to establish a rail siding, negotiating contracts for the supply of power, for the sale of hematite and for shipping, updating, renewing and obtaining, as required, all necessary permits including, without limitation, mining and environmental permits, local government road haulage approvals and handling any other infrastructure issues.

RISKS AND UNCERTAINTIES (Cont'd)

There is no certainty that the Company will be able to successfully negotiate these contracts, put these matters in place and secure these necessary resources. Most of these activities require significant lead times and the Company will be required to manage and advance these activities concurrently in order to commence production. It is not unusual in developing a resources project to experience unexpected problems and delays in infrastructure delivery and project development. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, and will have a material adverse effect on the Company's business, prospects, financial performance and future results of operations.

Governmental Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as: (i) environmental protection, health, safety and labor; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) access to and use of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted. If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labor standards, environmental protection, mine safety and other matters. In addition, new laws or regulations, governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

Government Policy and Taxation

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and government policies in Australia, may have an adverse effect on the operations and financial performance of Macarthur and, ultimately, the market price of its securities.

In addition to the normal level of income tax imposed on all industries, Macarthur may be required to pay government royalties, indirect taxes, GST and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

The Australian Government passed legislation on March 20, 2012 for the Mineral Resource Rent Tax ("MRRT") which applies to coal and iron ore projects and was implemented from July 1, 2012. The MRRT will broadly tax the profits at the run of mine stock pile of over $75 million per annum at an effective rate to 22.5%. Deductible expenditure will include a starting base allowance on the value of the mine assets relating to the extraction of resources at May 2, 2010 plus certain expenditure on such assets between May 2, 2010 and July 1, 2012, depreciated over the life of the mine. Royalties paid to the State will be creditable for MRRT purposes, and MRRT payments will be deductible for company income tax returns. The MRRT will not apply to the Company until it has commenced production of iron ore and generates MRRT assessable profits of over $75 million after taking into account inbuilt allowances.

Additionally, the Australian Government has enacted a number of new pieces of legislation, together comprising the "Clean Energy Legislative Package" which will facilitates the implementation of a carbon pricing mechanism including the carbon tax regime. The Clean Energy Legislative Package is being implemented and the carbon pricing mechanism started on July 1, 2012. The carbon pricing mechanism is expected to cover up to 500 entities operating in Australia which generally includes entities operating large facilities, natural gas suppliers and companies that emit more than 25,000 tonnes of CO_2-e emissions each year. As Macarthur is not a major carbon emitter, similar to the vast majority of Australian businesses, the Company will not have any obligations under the carbon pricing mechanism. However, the new regime may indirectly lead to increased costs.

It is possible that the MRRT and the Clean Energy Legislated Package may adversely impact the financial performance of Macarthur's planned future mining operations.

RISKS AND UNCERTAINTIES (Cont'd)

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

- Alan S Phillips – Chairman, President/CEO
- David Taplin – CFO and Company Secretary
- Alan J ("Joe") Phillips – Chief Operating Officer
- Simon Hickey – Independent Director
- John Toigo – Independent Director
- Jon Starink – Non-Executive Director
- Jeffrey Wall – Independent Director

The Company does not maintain key person insurance on any of its management.

Conflicts of Interest
Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Limited Operating History
The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at June 30, 2012 the Company's deficit was $20,605,238.

Price Fluctuations: Share Price Volatility
In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration and development companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the quarter ended June 30, 2012, the per share price of the Company's shares fluctuated from a low of CAD$0.38 to a high of CAD$0.93. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Issuance: Dilution
As at June 30, 2012, there were 3,665,000 stock options, 9,039,150 warrants and 834,000 agents' options outstanding.

Market Conditions - Global Economy
As reported by the IMF:

"Global recovery, which was not strong to start with, has shown signs of further weakness. Financial market and sovereign stress in the euro area periphery have ratcheted up, close to end-2011 levels. Growth in a number of major emerging market economies has been lower than forecast. Partly because of a somewhat better-than-expected first quarter, the revised baseline projections in this WEO Update suggest that these developments will only result in a minor setback to the global outlook, with global growth at 3.5% in 2012 and 3.9% in 2013, marginally lower than in the April 2012 World Economic Outlook.

Global growth increased to 3.6% (seasonally adjusted annual rate) in the first quarter of 2012, on the upside by some ¼% point compared with the forecasts presented in the April 2012 World Economic Outlook. Global trade rebounded in parallel with industrial production in the first quarter of 2012, which, in turn, benefited trade-oriented economies, notably Germany and those in Asia.

RISKS AND UNCERTAINTIES (Cont'd)

Growth momentum has also slowed in various emerging market economies, notably Brazil, China, and India. This partly reflects a weaker external environment, but domestic demand has also decelerated sharply in response to capacity constraints and policy tightening over the past year. Many emerging market economies have also been hit by increases in investor risk aversion and perceived growth uncertainty, which have led not only to equity price declines, but also to capital outflows and currency depreciation. In global financial markets, prices of risky assets declined during much of the second quarter, notably equity prices.

In view of a stronger-than-expected first quarter outcome, weaker global growth in the second half of 2012 will primarily affect annual growth in 2013 through base effects."

(Source: IMF World Economic Outlook Update, July 2012 www.imf.org)

Market Conditions – Iron Ore

As reported by Haywoods Securities Junior Exploration Report:

"Iron ore prices have demonstrated significant reliability over the past quarter (January-March 2012), and now reside at US$148 per tonne costs and freight (CFR) China (62% Fe fines) on incremental increase in global crude steel production to new record highs. Given the relatively high operating margins afforded by the current iron ore prices, as well as the strategic nature of the commodity for the Growth Market Nations (i.e. China, India, Brazil, Russian, Mexico, South Korea, Turkey and Indonesia), we believe that the trend of project purchases and M&A activity is likely to continue through 2012 as steel makers and iron ore producers look to lock up future supply."

(Source: Haywood Securities Inc. "Junior Exploration Report", May 8, 2012)

RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions between the Company and related parties in the wholly owned Group during the quarter ended June 30, 2012 other than remuneration for key management personnel, details are disclosed below. 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.

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
Joe Phillips	Chief Operating Officer ("COO")

Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 9 of the Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2012.

RELATED PARTY TRANSACTIONS (Cont'd)

Other transactions with key management personnel

A number of key management persons, 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 Company in the reporting period. 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 arm's length basis.

Details of those transactions 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.

These transactions were in the normal course of operations and, in management's opinion, were undertaken with the same terms and conditions as transactions with unrelated parties.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2012. This financial information is derived from the Financial Statements of the Company. Financial information is prepared according to IFRS and is reported in Australian $.

	Sept 30 2010 $	Dec 31 2010 $	Mar 31 2011 $	Jun 30 2011 $	Sept 30 2011 $	Dec 31 2011 $	Mar 31 2012 $	Jun 30 2012 $
Interest and rent Income	102,374	48,101	265,701	658,309	626,290	492,287	418,787	350,711
Net profit/(loss)	(245,818)	(677,865)	(883,639)	(790,587)	(304,452)	(774,337)	(696,590)	(662,542)
Net profit/(loss) per share	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

LIQUIDITY AND CAPITAL RESOURCES Cont'd)

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

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

At June 30, 2012, the Company has net working capital of $21,214,818.

Over the next 3 quarters (9 months), the Company anticipates that quarterly cash expenditure requirements will decrease due to a reduction in the Company's drilling program and transition to development stage.

COMMITMENTS

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 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. 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 are set out in Note 6 to the Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2012.

Option agreement

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 a further option fee.

The Company is required to undertake expenditure $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.

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICIES

Accounting policies are listed in Note 3 to the Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2012.

DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. The Company's CEO and CFO have designed the Company's disclosure controls and procedures, or caused them to be designed under their supervision to provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

The Company's CEO and CFO have over seen the evaluation of the effectiveness of the Company's disclosure controls and procedures as at March 31, 2012 and concluded that they are effective and provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

The CEO and CFO are responsible for the design of ICFR, or for causing them to be designed under their supervision for evaluating the effectiveness of such internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of external financial statements in accordance with IFRS. Regardless of how well an internal control system is designed and operated, it can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements resulting from error or fraud due to the inherent limitations of any internal control system.

The CEO and CFO have overseen the evaluation of the design and effectiveness of the Company's ICFR based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and concluded that the Company's ICFR was effective as of June 30, 2012.

There were no significant changes that occurred during the the period ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The Company has not in any way limited the design of the ICFR and there are no material weaknesses related to its design as at June 30, 2012.

The CEO and the CFO oversee all material transactions and related accounting records. The Audit Committee of the Company, with management, reviews the financial statements of the Company, on a quarterly and annual basis. The external auditor reviews on a quarterly basis and audits annually the Company's financial statements and disclosures

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

FINANCIAL INSTRUMENTS

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

The carrying value of cash, sundry receivables, and accounts payable and accrued liabilities and amounts due to related parties approximate their fair market value because of the short-term nature of these instruments. See Note 13 to the Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2012.

OUTSTANDING SHARE DATA AS OF AUGUST 10, 2012:

Authorized and issued share capital:

Class	**Par Value**	**Authorized Common shares (No par value)**	**Issued**
Common	No par value	Unlimited	44,820,630

As at August 10, 2012 there were 3,665,000 stock options 9,039,150 warrants and 834,000 agents' options outstanding.

OTHER INFORMATION

Additional disclosures pertaining to the Company, including its most recent financial statements, management information circular, material change reports, press releases and other information, are available on the SEDAR website at www.sedar.com or on the Company's website at www.macarthurminerals.com. Readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

COMPETENT PERSON'S STATEMENT

Technical aspects of this MD&A were prepared and verified by Mr David Larsen, B.Sc, who is a member of the Australian Institute of Geoscientists (MAIG). He is the qualified person as required by National Instrument 43-101, and is the technical person responsible for this MD&A. Mr Larsen consents to the public filing of the MD&A.

BY ORDER OF THE BOARD

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