MACARTHUR MINERALS LIMITED

Australian Company Number 103 011 436

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

September 30, 2012

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Interim Financial Report – September 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 November 13, 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 SEPTEMBER 30, 2012

		September 30, 2012		March 31, 2012
ASSETS				
Current				
Cash and cash equivalents	$	17,719,212	$	26,589,704
Receivables		387,010		505,610
Security deposits and prepayments		461,790		416,799
Total current assets		18,568,012		27,512,113
Non-Current				
Plant and equipment (Note 4)		1,080,670		1,100,915
Exploration and evaluation assets (Note 6)		50,650,608		44,361,835
Total non-current assets		51,731,278		45,462,750
Total assets	**$**	**70,299,290**	**$**	**72,974,863**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	1,350,423	$	2,310,612
Employee benefits		154,338		80,033
Finance lease obligation (Note 5)		91,147		108,180
Total current liabilities		1,595,908		2,498,825
Non-Current				
Employee benefits		1,611		928
Finance lease obligation (Note 5)		28,670		36,262
Total non-current liabilities		30,281		37,190
Total liabilities		1,626,189		2,536,015
Shareholders' equity				
Contributed equity (Note 7)		86,686,256		86,686,256
Reserves		3,738,000		3,695,288
Deficit		(21,751,155)		(19,942,696)
Total shareholders' equity		68,673,101		70,438,848
Total liabilities and shareholders' equity	**$**	**70,299,290**	**$**	**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 ***"Simon Hickey"*** 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 September 30, 2012	Three months ended September 30, 2011	Six months ended September 30, 2012	Six months ended September 30, 2011
REVENUE				
Interest income	$ 257,035	$ 626,290	$ 607,746	$ 1,284,600
EXPENSES				
Depreciation	(71,469)	(55,401)	(137,628)	(90,927)
Investor relations	(44,867)	(56,257)	(124,813)	(89,671)
Office and general	(93,353)	(114,566)	(207,963)	(252,363)
Personnel fees	(530,584)	(401,102)	(972,354)	(708,771)
Professional fees	(448,989)	(170,444)	(626,149)	(720,184)
Rent	(32,283)	(30,760)	(64,566)	(57,760)
Share-based compensation (Note 8)	(14,612)	-	(42,712)	(277,942)
Share registry, filing and listing fees	(60,217)	(47,690)	(75,532)	(122,180)
Travel and accommodation	(106,578)	(51,220)	(164,488)	(59,442)
Total Administrative Expenses	(1,402,952)	(927,440)	(2,416,205)	(2,379,240)
Net loss and comprehensive loss for the period	**$ (1,145,917)**	**$ (304,452)**	**$ (1,808,459)**	**$ (1,095,039)**
Basic and diluted loss per common share	$ (0.03)	$ (0.01)	$ (0.04)	$ (0.02)
Basic and diluted weighted average number of common shares outstanding	44,820,630	44,820,630	44,820,630	44,820,630

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 SEPTEMBER 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	-	-	(1,095,039)	-	(1,095,039)
Exercise of options and warrants	150,000	164,032	-	-	164,032
Exercise of options – allocation of fair value	-	95,901	-	(95,901)	-
Share based payment transactions	-	-	-	277,942	277,942
Balance at September 30, 2011	44,820,630	86,686,256	(18,471,769)	3,682,673	71,897,160
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	-	-	(1,808,459)	-	(1,808,459)
Exercise of options and warrants	-	-	-	-	-
Exercise of options – allocation of fair value	-	-	-	-	-
Share based payment transactions	-	-	-	42,712	42,712
Balance at September 30, 2012	44,820,630	$ 86,686,256	$ (21,751,155)	$ 3,738,000	$ 68,673,101

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)

	Six months ended September 30, 2012	Six months ended September 30, 2011
OPERATING ACTIVITIES		
Net loss for the period	$ (1,808,459)	$ (1,095,039)
Items not involving cash:		
Depreciation	137,628	90,927
Share-based compensation	42,712	277,942
Changes in non-cash working capital items related to operations:		
Accounts payable and accrued liabilities	(259,647)	(24,673)
Other Operating Assets	(44,991)	181,302
Receivables	118,600	(512,332)
Net Cash used in Operating Activities	**(1,814,157)**	**(1,081,873)**
INVESTING ACTIVITIES		
Purchases of plant and equipment	(131,084)	(780,612)
Deferred exploration expenditure	(6,900,626)	(10,015,200)
Net Cash used in Investing Activities	**(7,031,710)**	**(10,795,812)**
FINANCING ACTIVITIES		
Issuance of Common Shares	-	164,032
Repayment of finance lease	(24,625)	(18,747)
Net Cash used in Financing Activities	**(24,625)**	**145,285**
Change in cash and cash equivalents during period	**(8,870,492)**	**(11,732,400)**
Cash and cash equivalents, beginning of period	**26,589,704**	**48,784,511**
Cash and cash equivalents, end of period	**$ 17,719,212**	**$ 37,052,111**

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 $17,719,212 and $379,104 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 November 13, 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

		September 30, 2012		March 31, 2012
Plant and Equipment				
Plant and equipment				
Opening net book value	$	949,119	$	295,782
Additions		40,126		830,137
Disposals		-		(23,597)
Depreciation charge		(94,623)		(153,203)
Transfer between office equipment		(56,681)		
Closing net book amount	$	837,941	$	949,119
Cost		1,152,843		1,181,308
Accumulated depreciation		(314,902)		(232,189)
	$	837,941	$	949,119
Office equipment				
Opening netbook value	$	151,796	$	42,508
Additions		77,257		168,040
Disposals		-		(6,826)
Depreciation charge		(43,005)		(51,926)
Transfer between Plant and Equipment		56,681		
Closing net book amount	$	242,729	$	151,796
Cost		374,946		229,095
Accumulated depreciation		(132,217)		(77,299)
	$	242,729	$	151,796
Total net book amount	**$**	**1,080,670**	**$**	**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 September 30, 2012 the present value of the lease payments due are $119,817. The total minimum lease payments will be $121,112 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 $1,295.

Future payment obligations are as follows:

	Consolidated	
	September 30, 2012	**March 31, 2012**
Within one year	$ 92,414	$ 111,182
Later than one year but not later than five years	28,698	36,598
	121,112	147,780
Less: interest	(1,295)	(3,338)
Total future principal payments	119,817	144,442
Less: current portion	(91,147)	(108,180)
	$ 28,670	$ 36,262

6. EXPLORATION AND EVALUATION ASSETS

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

Exploration and evaluation expenditure

Commitments

In order to maintain current rights to tenure to exploration tenements, the Company is required to perform minimum annual expenditure requirements specified by various governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made or at other times and are subject to whether the Company decides to continue a tenement's rights until its expiry. These obligations are not provided for in the financial statements and are payable at future dates as follows:

	Consolidated	
	September 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	10,763,118	10,533,302
	$ 13,795,284	$ 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	-	318,704	318,704
Drilling	-	903,340	903,340
E30/317 acquisition cost (refer to Note 15)	200,000	-	200,000
Environmental surveys	-	42,706	42,706
Other	-	211,387	211,387
Personnel and Contractors	-	1,532,949	1,532,949
Rent and rates	-	198,894	198,894
Research and reports	-	2,174,938	2,174,938
Sampling and testing	-	366,769	366,769
Site preparation and earthwork	-	69,586	69,586
Tenement management and outlays	-	100,607	100,607
Travel	-	132,357	132,357
Vehicle hire	-	36,536	36,536
	200,000	**6,088,773**	**6,288,773**
Balance as at September 30, 2012	**$ 3,823,886**	**$ 46,826,722**	**$ 50,650,608**

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

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

Stock options

The Company, in accordance with its Employee Share Compensation Plan and Consultant Share Compensation Plan ("Share Compensation Plans") and the policies of the TSX, is authorized to grant options to directors, employees and consultants, to acquire in aggregate up to 10% of issued and outstanding common shares. Further, there exists a 5% limit on the number of shares that can be issued under the Company's Employee Share Compensation Plan in accordance with the Australian *Corporations Act 2001* and policy of the Australian Securities and Investments Commission.

Both of the Company's Compensation Plans are approved annually by the shareholders and took effect from August 29, 2012, replacing the Company's previous Stock Option Plan. The exercise price of the options is fixed by the Board at no lesser than the fair market value of the shares on the grant date, subject to all applicable regulatory requirements. Options under the Share Compensation Plans can be granted for a maximum term of 5 years and may be subject to vesting criteria as determined by the Board.

The fair value of all 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 reserves, see Note 8. For further detail on the accounting treatment of stock options refer to Note 3 accounting policies.

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 September 30, 2012

The Company did not grant any options under the Share Compensation Plans or the preceding Stock Option Plan during the period.

During the year ended March 31, 2012

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

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Stock options (cont'd)

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

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

	Six months ended September 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	120,000	$ 3.26 (CAD $3.33)	(1,070,000)	$ 2.14 (CAD $2.22)
Outstanding, end of period	3,545,000	$ 2.14 (CAD $2.19)	3,665,000	$ 2.15 (CAD $2.23)
Options exercisable, end of period [1]	3,195,000	$1.99 (CAD $2.04)	3,315,000	$ 2.12 (CAD $2.19)

[1] Excludes unvested options.

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

Number of Options	Exercise Price	Expiry Date
100,000	0.98 (CAD$1.00)	October 19, 2012
100,000	1.17 (CAD$1.20)	November 26, 2012
650,000	1.08 (CAD$1.10)	December 2, 2012
575,000	1.96 (CAD$2.00)	May 4, 2013
350,000	3.52 (CAD$3.60)	March 30, 2014
865,000	3.52 (CAD$3.60)	June 9, 2014
200,000	0.98 (CAD$1.00)	July 31, 2014
405,000	1.96 (CAD$2.00)	December 22, 2014
300,000	0.98 (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:

	Six months ended September 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	$3.87 (CAD $3.96)	9,039,150	$3.82 (CAD $3.96)

Warrants outstanding at September 30, 2012 are as follows:

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

During the period ended September 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

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

	Six months ended September 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	834,000	\$3.48 (CAD \$3.60)	834,000	\$3.96 (CAD \$3.60)
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	834,000	\$3.52 (CAD \$3.60)	834,000	\$3.48 (CAD \$3.60)

Outstanding agents' options as at September 30, 2012 comprise the following:

Number of Options	Exercise Price	Expiry Date
834,000 [1]	\$3.52 (CAD\$3.60)	February 24, 2013

[1] Upon exercise of those options, a one-half of one common share purchase warrant will be issued at a warrant price of CAD\$4.50 per share for a period of 24 months from closing of the placement. In the event that the closing sale price of the Company's common shares on the TSX is greater than CAD\$6.00 per share for a period of 20 consecutive trading days at any time after closing of the placement, the Company may accelerate the expiry date of those warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

There were no agents' options exercised during the period.

(Expressed in Australian Dollars)

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 (September 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:

	Six months ended September 30, 2012	Six months ended September 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	0%	0%
Forfeitures	-	-

9. RELATED PARTY TRANSACTIONS

Key Management Personnel

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

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

Executive Director
J Starink

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

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

Other company executives

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

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.

Period ending September 30, 2012	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus[4]	Non-monetary benefits	Superannuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	162,498	9,468	-	-	-	-	171,966
S Hickey	30,000	-	-	-	-	-	30,000
R Patricio [1]	2,167						2,167
J Toigo	30,000	-	-	-	-	-	30,000
J Starink [2]	130,800	-	-	-	-	-	130,800
J Wall [3]	20,000	-	-	-	-	-	20,000
Other Company Executives:							
D Taplin	127,500	4,952	-	-	-	-	132,452
A J Phillips	133,752	5,195	-	-	-	-	138,947
Total	636,717	19,615	-	-	-	-	656,332

[1] R Patricio was appointed as a non-executive director on September 18, 2012
[2] J Starink was paid $25,000 in directors fees up to 31 August 2012 and $105,800 for consulting services to the Company under a consultancy agreement, commencing March 16, 2012
[3] J Wall was appointed as a non-executive director on June 15, 2012
[4] On September 14, 2012, 60,118 cash RSUs vested in accordance with the Cash RSU Plan and ratified by the Board.

Remuneration accrued and payable to key management personnel as at September 30, 2012 was $169,207.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

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

Period ending September 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	120,000	-	-	-	-	9,543	129,543
S Hickey	30,000	-	-	-	-	-	30,000
J Toigo	30,000	-	-	-	-	11,929	41,929
J Starink [1]	16,154	-	-	-	-	-	16,154
P Ziegler [2]	-	-	-	-	-	11,929	11,929
Other Company Executives:							
D Taplin	120,000	-	-	-	-	59,644	179,644
A J Phillips	120,000	-	-	-	-	59,644	179,644
Total	436,154	-	-	-	-	152,689	588,843

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

Remuneration accrued and payable to key management personnel as at September 30, 2011 was $106,154.

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

The remuneration of key executives is determined by the Remuneration and Nomination Committee and approved by the Board. To determine remuneration payable, the Remuneration and Nomination Committee reviews compensation paid for directors, CEOs, CFOs and other officers of companies of similar size and stage of development in the mineral exploration/mining industry. Appropriate compensation is determined by reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. This includes approaching consultants with recruitment companies and independent remuneration advisors to determine current market conditions and rates. In setting the compensation the Remuneration and Nomination Committee annually reviews the performances of the CEO, CFO and officers in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

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 since commencement of the cash RSU Plan on December 5, 2011 are:

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

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

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

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

(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 September 30, 2012 $Nil (September 2011: $4,630) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.
b) At September 30, 2012 $Nil (September 2011: $25,000) was paid or accrued to Phillips Exploration Pty Ltd, an entity of which A J Phillips, Chief Operating Officer, is a director and J Phillips, wife of AS Phillips, Chairman, President and Chief Executive Officer, is a director, that result in them having significant influence over Phillips Exploration Pty Ltd for the purposes of IAS 24, was assigned to the Company for office equipment and furniture.

Aggregate amounts of each of the above transactions are:

	Consolidated Quarter ended September 30, 2012 2012	2011
Amounts paid or accrued		
Consulting work	$ -	$ 4,630
Reimbursement for office equipment and furniture	-	25,000
	$ -	$ 29,630

There were no amounts payable to related parties of key management personnel 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

	Six months ended September 30, 2012	Six months ended September 30, 2011
Cash paid during the period for interest	$ 2,050	$ 9,048
Cash paid during the period for income taxes	-	-

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

a) Recorded $941,376 in deferred exploration expenditures through accounts payable.

b) Recorded $Nil in plant and equipment through accounts payable.

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

a) Recorded $2,293,143 in deferred exploration expenditures through accounts payable.

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

12. SEGMENTED INFORMATION

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

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	
	September 30, 2012	March 31, 2012
Financial assets		
Cash and cash equivalents	$ 17,719,212	$ 26,589,704
Security Deposits	379,104	338,104
Receivables	387,010	505,610
	$ 18,485,326	$ 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	
	September 30, 2012	March 31, 2012
Australia	$ 387,010	$ 505,610
Canada	-	-
Total	$ 387,010	$ 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
	September 30, 2012		March 31, 2012	
Cash and cash equivalents	$ 17,638,231	$ 80,981	$ 26,516,510	$ 73,194
Receivables	387,010	-	505,610	-
Security deposits	379,104	-	338,104	-
	18,404,345	80,981	27,360,224	73,194
Accounts payable and accrued liabilities	1,315,650	34,773	2,243,759	66,853
Owing to related parties	-	-	-	-
Employee Benefits	155,949	-	80,961	-
Lease liability	119,817	-	144,442	-
	1,591,416	34,773	2,469,162	66,853
Net exposure	$ 16,812,929	$ 46,208	$ 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	September 30, 2012	March 31, 2012	September 30, 2012	March 31, 2012
Canadian dollar (CAD)	0.9736	0.9640	0.9654	0.9654

Sensitivity analysis

As at September 30, 2012, the Company's expenditures are in Australian dollars and Canadian dollars. As at September 30, 2012, the Company has cash of $80,981 (March 31, 2012 - $73,194) Canadian dollars and accounts payable of $34,773 (March 31, 2012 - $66,853) denominated in Canadian dollars. For each 10% change in the Australian dollar vs. Canadian dollar a $4,461 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	
	September 30, 2012	March 31, 2012
Variable rate instruments		
Financial assets	$ 17,907,933	$ 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
September 30, 2012				
Variable rate instruments	$ 179,079	$ (179,079)	$ 179,079	$ (179,079)
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:

	September 30, 2012		March 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 17,719,212	$ 17,719,212	$ 26,589,704	$ 26,589,704
Receivables	387,010	387,010	505,610	505,610
Deposits	379,104	379,104	338,104	338,104
Accounts payable and accrued liabilities	(1,350,423)	(1,350,423)	(2,310,612)	(2,310,612)
Employee Benefits	(155,949)	(155,949)	(80,961)	(80,961)
Lease liability	(119,817)	(119,817)	(144,442)	(144,442)
	$ 16,859,137	$ 16,859,137	$ 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 September 30, 2012. The Company is not subject to externally imposed capital requirements.

15. COMMITMENTS

Operating lease agreements

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

	Vehicle leases $	Building leases $	Total $
Within one year	91,147	223,884	315,031
Later than one year but no later than five years	28,670	106,685	135,355
	119,817	330,569	450,386

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 September 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 $200,000 for the further option fee (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 $199,000 exists in relation to security bonds issued to the Department of Mines and Petroleum for compliance with environmental conditions attached to exploration and mining leases E30/230, E30/317, E30/321, M30/228, M30/229, M30/240 and M30/249.

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

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

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

The Company and the other creditor have agreed to equally share the costs and expenses of the FSDC Proceedings up to $80,000 (plus GST), after which the Company will be solely responsible for the costs and expenses of the FSDC Proceedings. Macarthur may terminate the Funding Agreement at any time. The Company has provided an indemnity to the liquidator of FSDC in respect of any adverse costs order against the liquidator. Lawyers for the liquidator estimate that, based on the current status of the claim, the future costs and expenses of the FSDC Proceedings will be between approximately $80,000 to $130,000.

16. CONTINGENT LIABILITIES (Cont'd)

Supreme Court Proceedings

On July 20, 2012, the Company advised that it had been served with proceedings in the Supreme Court of Queensland commenced by LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") (the "Proceedings") in which the Company had been named as a respondent. The other respondents to the Proceedings are certain directors and officers of the Company and Jaldale Pty Ltd. Both LPD and Mayson are controlled by Hong Kong residents.

LPD and Mayson allege a range of breaches of the Australian Corporations Act 2001 and sought relief against the Company and other respondents under provisions of the Corporations Act 2001. The Company considers the proceedings are without merit and is vigorously defending the Proceedings.

On August 23, 2012 an Application by the Company to strike-out parts of the Proceedings ("Strike-out Application") was heard by the Supreme Court of Queensland. The Court ordered that LPD and Mayson deliver an amended Originating Application and an amended Statement of Claim after LPD and Mayson conceded that there were defects in the form of its Court documents. LPD and Mayson were also ordered to pay each of the respondents' costs thrown away by the adjournment of the Strike-Out Application.

A copy of the proposed amended Originating Application and proposed amended Statement of Claim were delivered to the Company and the other respondents (but not filed) on September 24, 2012. Under the proposed amendments Mayson intended to discontinue its proceedings against all the respondents and LPD intended to discontinue its proceedings against Jaldale Pty Ltd.

Following a review of the proposed amendments, the Company remains of the view that the proposed amended Originating Application and Statement of Claim should be struck out. The Company therefore re-listed its Strike-Out Application which has now been set down for a one day hearing on November 21, 2012. The respondent directors and officers have also filed a strike-out application which is to be heard on that day.

LPD subsequently filed and served an amended Statement of Claim on November 6, 2012. The amended pleading is substantially the same as that delivered on September 24, 2012. Pursuant to that amended document, Mayson will discontinue its proceedings against all the respondents and LPD will discontinue its proceedings against Jaldale Pty Ltd.

LPD has consented to Court orders that it pay the sum of $50,000 into Court as security for the Company's costs of and incidental to the hearing of the Strike-Out Application. LPD has also consented to Court orders that it pay security in the amount of $60,000 for the costs of the respondent directors and officers up to the hearing of their strike-out application.

If the Proceedings are not struck out and are to continue then the Company will apply for further security for its future costs to be paid by LPD into Court.

Until the Company's Strike-Out Application has been determined, the Company is unable to accurately quantify the financial value of LPD's claims against the Company.

Legal costs of the Proceedings from October 1, 2012 up until November 21, 2012 are estimated to be between $100,700 to $110,500 (excluding GST). If the Proceedings continue to a full trial of the substantial issues, then the legal costs of the Proceedings after November 21, 2012 are estimated to be between $400,000 to $600,000 (inclusive of Counsels' fees and excluding GST).

17. CONTINGENT LIABILITIES (Cont'd)

Supreme Court Proceedings (cont''d)

Pursuant to an indemnity within the constitution and Deeds of Indemnity entered into with the directors and officers of the Company, the Company may indemnify the respondent directors and officers for legal costs of defending the action against them (subject to certain restrictions, including restrictions contained in the *Corporations Act 2001* (Cth)), which may be reimbursable under a directors' and officers' insurance policy. It is anticipated that the costs of defending the action against the respondent directors and officers could be similar to those costs of defending the action against the Company if the Proceedings continue to a full trial of the substantial issues. The relevant directors and officers have made a claim against the Company's Directors and Officers Liability Insurance policy and have instructed independent lawyers to act for them.

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

No amounts 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.

18. SUBSEQUENT EVENTS

Options exercised

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