MACARTHUR
Minerals

Australian Annual Report

Year end 31 March 2012

Highlights

Over the last 12 months, Macarthur has continued to focus on growth towards development. It has done so by achieving a significant increase in the Ularring Hematite Project resource inventory through an active exploration program. A positive Preliminary Economic Assessment ("PEA") was completed as the foundation for the Preliminary Feasibility Study ("PFS"), which is expected to be released in late July 2012.

The Environmental Impact Assessment for the Ularring Hematite Project is drawing to a conclusion and the Company has sent findings of these studies to the relevant State and Federal Government authorities for review.

Despite the impact of unfavourable global economic conditions and the prevailing negative sentiment for developing iron ore companies, Macarthur remains focused on its immediate goals of delivering its Ularring Hematite Project to market in the shortest possible time frame.

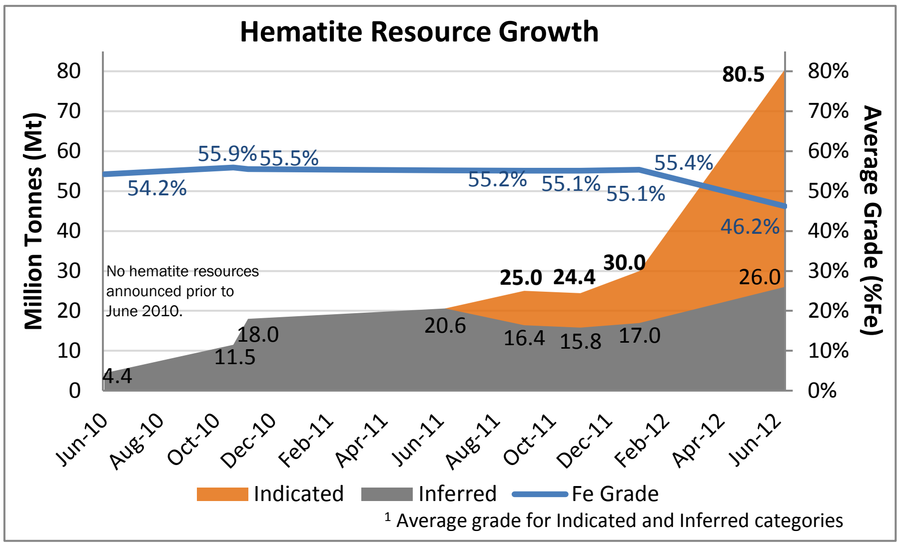
The Company is actively working with potential partners and other stakeholders to provide expanded infrastructure at the Port of Esperance. If achieved, this will significantly de-risk project development and realise the underlying value in Macarthur.

Macarthur's key achievements since **1 April 2011** are as follows:

Exploration

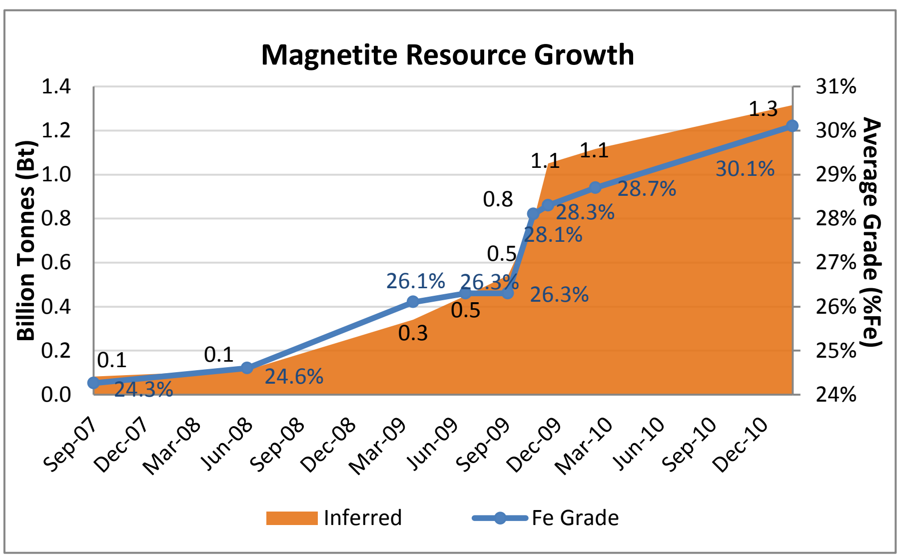
Ularring Hematite Project

An **increase** of **1830%** on the maiden hematite resource in 2010 of 4.4 Mt inferred at an average grade of 54.2% Fe to **80.5 Mt** at an average grade of 46.2% Fe, comprised of 54.5 Mt indicated at 47.2% Fe and 26 Mt inferred at 45.4% Fe.



Moonshine Magnetite Project

Continued development of the magnetite resource of **1.3 Bt** inferred at an average grade of **30.1% Fe**.



Metallurgy

The completion of two phases of preliminary metallurgical test work on a wide range of Ularring sample types has demonstrated that lower grade materials are successfully upgradeable to high grade products, enabling a significantly greater part of the resource inventory to be commercially exploited. A third and final phase of validation and verification of metallurgical test work is underway and is expected to produce detailed engineering design and economic performance parameters. Data from this phase will underpin process design for the purpose of the PFS.

New Exploration Targets for Hematite

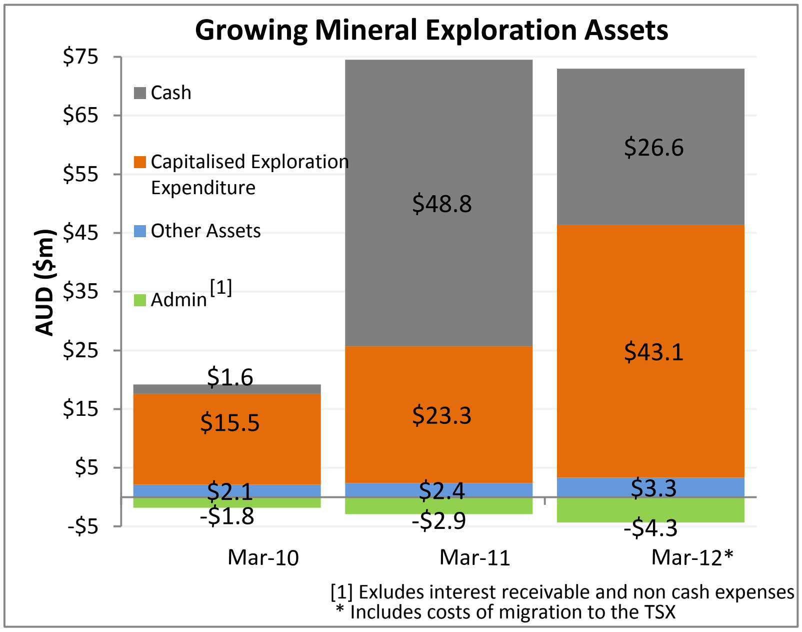
Moving ahead with new geological mapping and ground magnetic surveying to define new areas of hematite/goethite mineralisation.

Development

- Working towards the completion of PFS on the back of a successful PEA of the hematite resource.
- Building the Company's development team with the appointment of experienced senior iron ore executives.
- Environmental approval assessment lodged.

Financial

- Strong cash position of **$26.6 m** as at 31 March 2012.
- Utilisation of funds from 2011 capital raising to achieve total capitalised exploration assets of **$43.1m.**



Corporate

- Listed on the OTCQX on 22 June 2011, under the symbol, MMSDF.
- Migrated to the TSX on 14 October 2011, under the symbol MMS.
- Research published on the Company by broking houses includes:
  - Dundee Capital Markets Inc.
  - Jennings Capital Inc.
  - TD Securities Inc.
  - Macquarie Capital Markets Inc.
  - Haywood Securities Inc.
  - Stifel Nicolaus & Company

Moving Forward

Macarthur is focusing its activities on development of its Ularring Hematite Project to deliver product through the Port of Esperance in the short term. The Company has made a significant investment in defining a resource, understanding the environmental and commercial implications, and is leveraging upon its 2 Mtpa capacity allocation at the Port of Esperance to drive project financing and development outcomes.

MACARTHUR Minerals

ACN 103 011 436

Annual Report - Year ended 31 March 2012

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Stock Exchange Listing

Macarthur Minerals Limited (the "Company") is a public company and is quoted on the Official Lists of the Toronto Stock Exchange ("TSX") (symbol: MMS) and the OTC Market Place, OTCQX International (symbol: MMSDF). The Company is incorporated in Australia and registered in Queensland.

Directors

Alan S Phillips – President, Chairman and CEO.
Simon Hickey
John Toigo
Jon Starink
Jeffrey Wall, CBE

Secretary

David Taplin

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Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Macarthur Minerals Limited and the entities it controlled at the end of, or during, the year ended 31 March, 2012. All dollar amounts are presented in the Australian currency unless stated otherwise.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless stated otherwise:

Alan S Phillips
Simon Hickey
John Toigo
Jon Starink, appointed on 23 June, 2011
Peter Ziegler (Alternate Director for Alan S Phillips), resigned on 4 May, 2011
Jeffrey Wall, CBE, appointed 15 June, 2012

Directors' Skills, Experience and Expertise

Mr Alan S Phillips was appointed to the board on 19 October, 2005. Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 30 years. Mr Phillips has experience in a broad range of industries, but predominantly in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.

Mr Simon Hickey was appointed to the board on 15 February, 2005. Mr Hickey has experience as a director of ASX and TSX listed companies in the resource sector over 18 years. He has also acted as a corporate advisor in Australia and North America. Over the past 7 years he has established several successful private businesses in the USA. Mr Hickey holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment.

Mr John Toigo was appointed to the board on 31 August, 2009. Mr Toigo is a managing partner of ClarkeKann Lawyers, an Australian based corporate and commercial law firm with offices in both Brisbane and Sydney. Mr Toigo has over 20 years' experience as a corporate lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation, company structuring, corporate governance, corporate finance and complex commercial transactions. He holds a Bachelor of Laws (Hons) and a Graduate Diploma in Applied Finance and Investment. Mr Toigo is a member of Australian Institute of Company Directors, Queensland Law Society and the Resources and Energy Law Association.

Mr Jon Starink was appointed to the board on 23 June, 2011. Mr Starink has 35 years' experience in the mining industry. He is a Chartered Professional Engineer, a Chartered Scientist and Chartered Chemist. His corporate experience includes board level corporate governance, executive corporate management and administration, corporate finance and strategic business development, technical and financial project audit and evaluation, introductions to capital markets and investment risk management. Mr Starink holds a Bachelor of Science (Hons1), Bachelor of Chemical Engineering (Hons1), Master of Applied Science and holds the following grades and memberships of professional bodies, FAusIMM, FIEAust, FIChemE, MRACI and MTMS.

Directors' Skills, Experience and Expertise (cont'd)

Mr Peter Ziegler was appointed to the board as an alternate director for Alan S Phillips on 24 August, 2010. Mr Ziegler is a Chartered Accountant and solicitor experienced in corporate matters and the provision of strategic advice. He was previously a partner of Ernst & Young and has had over 20 years' experience in advising large and small companies with particular emphasis on mergers and acquisitions, capital structure and investments. He holds a Bachelor of Commerce (Hons), Bachelor of Laws (Hons) and Master of Financial Management. Mr Ziegler resigned as an alternate director on 4 May, 2011.

Mr Jeffrey Wall, CBE was appointed to the board on 15 June, 2012. Mr Wall, CBE, is a public affairs advisor and consultant and over the past 40 years he has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea; as a senior advisor to federal and state Ministers in the Federal and Queensland Governments, and as an advisor the Lord Mayor of Brisbane. He also acted as a consultant to the World Bank and to the Queensland Government on issues relating to Papua New Guinea and the South Pacific. He began his working life as a journalist, and has served in administrative roles in rugby league, the Anglican Church, and several charities. In 1992 he was made an Officer of the Order of the British Empire (OBE) and in 2010 a Commander of the Order of the British Empire (CBE) for services to government and community in Papua New Guinea.

Directorships of other Listed Companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

Directors	*Company*	*Period of Directorship*
Alan S Phillips	Cadan Resources Ltd (TSX-V: CXD)	15 June, 2003 – 27 January, 2011
Simon Hickey	-	-
John Toigo	-	-
Jon Starink	Gippsland Ltd (ASX: GIP)	8 May, 2007 – Current
Peter Ziegler (resigned 4 May 2011)	Australian Pacific Coal Ltd (ASX: AQC)	29 November, 2005 – Current
Jeffrey Wall	-	-

Company Secretary

Mr David Taplin was appointed company secretary on 31 August, 2009. Mr Taplin has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX-V companies and government-owned corporations, with a particular focus on resources and energy. Mr Taplin has worked extensively in corporate law, corporate governance and corporate finance both in Australia and internationally. He regularly instructed courses in corporate governance at some of Australia's leading business schools and professional institutions. Mr Taplin holds Bachelor of Laws, Master of Business Administration (AGSM), Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Business Management, and is a solicitor, CPA and Chartered Secretary (FCIS and FCSA).

Principal Activities

Macarthur Minerals Limited is an Australian public company, listed in Canada on the TSX and on the OTCQX 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 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 relatively small near-surface hematite prospects as a source of beneficiated iron ore and larger (and generally deeper) magnetite rich BIF, as a source of beneficiated concentrate.

There was no change in the nature of the Group's principal activities during the year.

Dividends

No dividends were paid or recommended for payment during the financial year.

Review of Operations and State of Affairs

Operating Results

The Group's consolidated loss for the year ended 31 March, 2012 amounted to $2,565,966 after income tax. As an exploration and development company, the Company will continue to report losses until such time as profit is earned from potential production activities.

The loss for the year is attributable to administrative expenses and share based compensation, and represents an 18% decrease on the prior year's loss of $3,112,149. A contributing factor to the decreased losses was increased interest revenue due to an improved cash position resulting from the February 2011 capital raising.

Financial Position

The Group's capitalised exploration and evaluation expenditure increased by $19,790,809 for the reporting period due to expanded exploration activities. Property, plant and equipment additions were $998,177 for the year. As a result of increased capital expenditure, and administrative expenses, the Group's cash position as at 31 March, 2012 was $26,589,704 compared to $48,784,511 at 31 March, 2011. At 31 March, 2012, the Group's net assets were $70,438,848 compared with $72,550,225 at 31 March, 2011.

Review of Operations and State of Affairs (cont'd)

Report on Operations and State of Affairs

(i) Ularring Hematite Project Deposits

a. Ularring Hematite Project Exploration Activities

For the year ended 31 March, 2012 a total of 1,183 reverse circulation ("RC") drill holes were drilled to test shallow hematite mineralisation within the Ularring Hematite Project tenements, for a total of 65,472.6 m. Drilling at individual deposits are summarised in **Table 1**.

Table 1 – Drilling at individual deposits

Deposit	Type	No of Holes	Meters Drilled	Purpose
Snark	RC	461	25,696.8	Hematite resource definition and infill
Drabble Downs	RC	119	6,027.0	Hematite resource definition and infill
Central	RC	544	30,977.8	Hematite resource definition and infill
Banjo	RC	59	2,771.0	Hematite resource definition and infill

All drilling for shallow hematite/goethite mineralisation was undertaken at the Snark, Drabble Downs, Central and Banjo deposits, and was predominantly aimed at increasing the existing inferred resources at these deposits and converting portions of the inferred resources to indicated status. No additional drilling was undertaken at the Moonshine hematite deposit.

In addition 38 diamond drill holes were also completed, for a total of 1,697.4 m. These were drilled to provide geological and geotechnical data and samples for metallurgical testing. The holes were drilled at Snark (29 holes for 1,333.1 m), Central (7 holes for 289.3 m) and Banjo (2 holes for 75.0 m).

An updated Inferred Resource of 20.6 Mt at 55.2% Fe was announced on 27 June, 2011 (this was immaterial, no NI43-101 Technical Report filed). This was again updated in an announcement released on 21 September, 2011 (NI43-101 Technical Report filed 4 November, 2011) to an Indicated Resource of 8.63 Mt at 54.9% Fe and an Inferred Resource of 16.39 Mt at 55.3 % Fe.

On 21 November, 2012 the Company announced its results of the Preliminary Economic Assessment, as detailed below in (b) Ularring Hematite Project Preliminary Economic Assessment.

On 24 January, 2012 the Company announced a 51% increase in the Indicated Resource estimate at the Ularring Hematite Project to 13.01 Mt at 55.2% Fe. The Inferred Resource estimate also increased by 3% to 16.95 Mt at 55.6% Fe (NI43-101 Technical Report filed 9 March, 2012). This included an approximate 10% increase in indicated resource tonnes and 20% in the inferred resource tonnes at Snark and the adjacent Drabble Downs, and a maiden Indicated Resource of 3.54 Mt at Central.

The Company has utilised independent mining consultancy group CSA Global Pty Ltd ("CSA") to undertake the mineral resource estimates, based upon the Company's geological interpretations.

Review of Operations and State of Affairs (cont'd)

Table 2 – Ularring Hematite Project – Indicated and Inferred Mineral Resource Estimate January 2012

Category	Deposit	Tonnes	Fe %	SiO2 %	Al2O3 %	P %	LOI %
Indicated	Snark	7,830,000	54.9	8.5	4.5	0.07	7.7
	Drabble Downs	1,640,000	54.1	7.8	5.0	0.07	8.5
	Central	3,540,000	56.4	7.0	4.1	0.06	7.6
	Total	**13,010,000**	**55.2**	**8.0**	**4.4**	**0.07**	**7.8**
Inferred	Snark	4,440,000	54.9	8.9	4.4	0.07	7.6
	Drabble Downs	2,130,000	56.7	5.8	4.2	0.07	8.1
	Banjo - Lost World	5,500,000	55.7	8.1	4.7	0.07	7.1
	Moonshine	600,000	52.8	13.3	3.9	0.06	5.8
	Central	4,280,000	56	7.8	4.0	0.06	7.4
	Total	**16,950,000**	**55.6**	**8.1**	**4.3**	**0.07**	**7.4**

Notes:

- *Figures contained within Table 2 have been rounded.*
- *Resource estimates were based on block models constructed using three dimensional geological wireframes.*
- *The CSA Mineral Resources were estimated using constraining wire framed solids based on a lower limit cut-off grade of 50% Fe.*
- *The resource was estimated using blocks above 50% Fe.*
- *Part of the January 2012 Mineral Resource was upgraded to indicated due to the determination of densities of the mineralization, both from diamond core wet immersion techniques and geophysical probing of selected holes. CSA has used an assigned density of 2.9 t/m^3 for all mineralised zones.*

b. Ularring Hematite Project Preliminary Economic Assessment ("PEA")

The Company released the results of its PEA for the Ularring Hematite Project in November 2011.

The PEA utilises the combined mineral resources of the Snark, Drabble Downs, Central, Banjo and Lost World deposits, being at that time indicated resources of 8.63 Mt at 54.9% Fe and inferred resources of 15.8 Mt at 55.3% Fe. The inferred hematite resource of 600,000 tonnes at the Moonshine deposit was excluded from the PEA.

Key outcomes from the PEA included:

- the Ularring Hematite Project will be based on a capacity of 2 Mtpa commencing in late Q4 2013 to early Q1 2014, with an estimated minimum life of five years;
- close proximity of existing infrastructure to support haulage of product to the Port of Esperance;
- although the PEA was limited to a potential DSO product, metallurgical test work indicated that a beneficiated product was possible;
- positive financial outcome; and
- strong potential for additional mineral resources.

The economic highlights of the PEA are:

- The Ularring Hematite Project has a pre-tax net present value NPV of $227 million, at 10% real discount rate, and $248 million at 8%, based on a discounted cash flow model with:
  - a project life of 5 years; and

Review of Operations and State of Affairs (cont'd)

  - no terminal value added to the NPV, which assumes no extension to the plant and/or mine life;
- The Ularring Hematite Project Internal Rate of Return 62%;
- The Ularring Hematite Project is potentially highly profitable with payback (based on NPV) in 3 years;
- Operating costs estimated at $67/t (rounded);
- Total direct costs estimated at $94 million (rounded); and
- Total costs for the Ularring Hematite Project (direct & indirect, including contingency of $23 million) are estimated at $134 million (rounded).

The PEA is preliminary in nature and includes inferred resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves. The technical and financial evaluations in the PEA have concluded that there are no fatal flaws that have been identified at this stage.

c. Ularring Hematite Project Activities since year end 31 March, 2012

The Company completed its latest round of drilling in April 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. This program brings the total number of holes drilled in this calendar year to date at 290 holes 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 14 June, 2012.

On 1 June, 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 optimising 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 characterise 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 21 November, 2011; NI43-101 Technical Report released 4 January, 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.

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.

Review of Operations and State of Affairs (cont'd)

On 14 June, 2012, the Company announced a substantial increase in the hematite/goethite Mineral Resource inventory at its Ularring Hematite Project. Independent mining consultancy group CSA was commissioned by the Company 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 (press release dated 1 June, 2012) which demonstrated that the lower grade mineralisation in the Ularring Hematite Project is amenable to beneficiation. The Company and CSA have utilised a geological model which encapsulates the 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 modelled using a 50% Fe envelope and is reported for blocks > 50% Fe. This is discussed in the Technical Report filed 9 March, 2012.

Table 3 -Ularring Hematite Project Mineral Resource at June 2012

Category	Tonnes Mt	Fe %	P %	SiO2 %	Al2O3 %	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 4 - June 2012 Ularring Hematite Project Mineral Resource by Deposit

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes Mt	Fe %	P %	SiO2 %	Al2O3 %	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

Review of Operations and State of Affairs (cont'd)

(ii) Moonshine Magnetite Project Deposits

a. Moonshine Magnetite Project Exploration Activities

On 15 December, 2010 the Company announced that the Moonshine Magnetite Project (NI43-101 Technical Report filed 25 March, 2011) 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.

Table 5 - Moonshine Magnetite Project 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 31 March, 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.

Samples from all the RC holes were submitted for DTR analysis. All the results have now been received and are currently being reviewed. A new geological model for the Moonshine magnetite deposit is being constructed and a new resource estimate will be completed when modelling is completed.

As reported on 24 January, 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.

b. Moonshine Magnetite Project Activities since year end 31 March, 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 modelling for release in later in 2012.

(iii) Environmental Activities

Maintaining our social license to operate is critical for the Company leading to development of the Ularring Hematite Project. Some of the risks to the Company's social license include compliance with environmental legislation and licences, 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 licence conditions were recorded during the year for exploration activities. The environmental team dedicated considerable effort to the rehabilitation of drill sites as early as possible and prior to the expiry of the permits.

Review of Operations and State of Affairs (cont'd)

In addition to exploration activities, environmental work has focussed 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. Consultation with various decision making authorities was also commenced in order to direct the focus of outstanding work and identify the most appropriate approval pathway for the project. Work was commenced on referral documentation for formal approval under the *Environmental Protection Act 1986*, *Environment Protection and Biodiversity Conservation Act 1999*, and the *Mining Act 1978.* These major approvals are expected to be delivered in quarter 4, 2012.

(iv) Iron Ore Export Facilities at the Port of Esperance

On 4 August, 2011, the Company announced an update on the Multi-User Iron Ore Facility Access Deed with the Esperance Port Authority under which the Company has secured commitment to a 2 Mtpa allocation, as part of the expansion of iron ore export facilities at the Port of Esperance ("Port") in Western Australia. The commitment is to access the facilities constructed in Stage 1 to export 2 Mtpa on a take or pay basis for up to 20 years. The terms and conditions to be agreed between the parties include access and usage charges and the right to increase the Company's export capacity allocation over time in further stage development.

On 19 January, 2012 the Western Australia Department of Transport announced a commitment to increase the export capacity at the Port potentially up to 20 Mtpa in a staged expansion of the Port.

The Government is expected to commence a transparent formal tender process for the selection of the preferred private sector developer to undertake the Port expansion.

To date the Company's development strategies are aligned with the projected Port infrastructure expansion completion.

(v) Expansion and Acquisition of Tenements

The Company entered into an option agreement on 16 June, 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'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 also acquired exploration tenements E30/410 and E30/411 with a total area of 29 km^2.

Report on Corporate Activities

(i) OTCQX

On 22 June, 2011 the Company joined the highest tier of the OTC marketplace, OTCQX International. Stifel, Nicolaus & Company, Incorporated serves as the Company's Principal American Liaison on the OTCQX, responsible for providing guidance on OTCQX requirements. The Company trades in the United States on the OTCQX under the symbol "MMSDF".

Review of Operations and State of Affairs (cont'd)

(ii) Issue of Options

On 10 June, 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 vested immediately with no vesting conditions. The options were subject to a four month hold period commencing on the date of the grant.

On 20 December, 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 vested immediately with no vesting conditions. The options were subject to a four-month hold period commencing on the date of the grant.

On 28 March, 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 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.

(iii) Appointment of Mr Jon Starink as director

Mr Starink was appointed director on 23 June, 2011.

(iv) Appointment of New Transfer Agent

On 13 June, 2011 the Company changed its transfer agent from CIBC Mellon Trust Company to Computershare Investor Services Inc.

(v) Change of name – Internickel Australia Pty Ltd

On 16 August, 2011, Internickel Australia Pty Ltd, changed its name to Macarthur Iron Ore Pty Ltd ("MIO") to more appropriately reflect its business and the name of its parent entity, Macarthur Minerals Limited.

(vi) Listing on the Toronto Stock Exchange

On 14 October, 2011 the Company commenced trading on the TSX. The Company's trading symbol, "MMS", remained unchanged. The Company's shares have been delisted from the TSX Venture Exchange.

(vii) Engagement of Investor Relations Group

The Company has engaged Investor Cubed to provide investor relations and shareholder communications services effective 28 March, 2012.

Investor Cubed has been granted options pursuant to the Company's Stock Option Plan, refer to (ii) above for further details.

Review of Operations and State of Affairs (cont'd)

(viii) Issue of Warrants

The Company entered into a contract with Macquarie Capital Markets Canada Ltd ("Macquarie") on 7 July, 2010. The Company and Macquarie have since agreed to conclude this contract, and in accordance with the contract, the Company has issued 250,000 warrants with an exercise price of CAD$3.60 and an expiry date of 23 February, 2014 to Macquarie. 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, the Company may accelerate the expiry date of the warrants by giving notice to Macquarie and the warrants then expire within 30 days.

(ix) Malmac Training Services Pty Ltd (in receivership and liquidation)

The receivers and managers of Malmac Training Services Pty Ltd ("Malmac") made claim to a charge over certain property of the Company, which was acquired by the Company from Malmac under the terms of a deed of settlement. The Company successfully settled the claim in September 2011 and retains full ownership of the property.

(x) LPD Holdings (Aust) Pty Ltd v. Macarthur Minerals Limited

A shareholder, LPD Holdings (Aust) Pty Ltd ("LPD"), commenced proceedings in the Supreme Court of Queensland on 16 July, 2010 under section 247A of the *Corporations Act 2001(Cth)* for inspection of books and records of the Company and its subsidiary MIO. Those proceedings were settled by mutual agreement on 18 May, 2011. LPD holds 1,572,326 shares in the Company, which were acquired following the Company's buy-back of its 10% interest in MIO on 28 August, 2009.

Matters subsequent to the end of the financial year

(i) Metallurgical Test Work Programs

On June 1, 2012, the Company announced the results of two metallurgical test programs. Refer to above section c. Ularring Hematite Project Activities since year end 31 March, 2012.

(ii) Increase in Hematite Resource

On June 14, 2012, the Company announced a substantial increase in the hematite/goethite Mineral Resource inventory at the Ularring Hematite Project. .Refer to above section c. Ularring Hematite Project Activities since year end 31 March, 2012.

(iii) Option Agreement E30/317

On June 16, 2012 the Company paid the further option fee of $200,000 on the option's first anniversary. Refer to above section (v) Expansion and Acquisition of Tenements.

(iv) Appointment of Mr Jeffrey Wall, CBE as director

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

Likely future developments and expected results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Regulations

The Group currently conducts exploration and development activities in Australia. The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and the State of Western Australia. During the year the Group met all reporting requirements under the relevant legislation. 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 and development with minimal environmental impact.

The Company aims to ensure a high standard of environmental care is achieved, and as a minimum, to comply with relevant environmental regulations. There have been no known material breaches of any of the environmental conditions.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001(Cth)* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001(Cth).*

Shares under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date Option Granted	Expiry Date	Issue Price of Shares (CAD$)	Number under option
19.10.2007	19.10.2012	1.00	100,000
26.11.2007	26.11.2012	1.20	100,000
31.07.2009	31.07.2014	1.00	200,000
03.12.2009	02.12.2012	1.10	650,000
04.05.2010	03.05.2013	2.00	575,000
24.02.2011	24.02.2013	3.60	834,000
31.03.2011	31.03.2014	3.60	350,000
10.06.2011	09.06.2014	3.60	965,000
20.12.2011	22.12.2014	2.00	425,000
28.03.2012	30.03.2015	1.00	300,000
			4,499,000

No option holder has any right under the options to participate in any other share issue of the Company or of any entity of the Group.

Shares under Warrant

Unissued ordinary shares of the Company under warrant at the date of this report are as follows:

	Date Warrant Granted	Expiry Date	Issue Price of Shares (CAD$)	Number under warrant
(i)	03.01.2008	03.01.2013	2.00	1,500,000
(ii)	28.04.2010	28.04.2013	1.80	339,150
(iii)	24.02.2011	24.02.2013	4.50	6,950,000
(iv)	22.02.2012	23.02.2014	3.60	250,000
				9,039,150

(i) On 3 January, 2008, the Company issued 2,000,000 warrants, as part of a non-brokered private placement for 2,000,000 units at CAD$1.40 per unit, consisting of one common share and one share purchase warrant exercisable at CAD$2.00 for a period of 18 months and were due to expire on 3 July, 2009. The term of these warrants was initially extended until 3 January, 2010, and was further extended until 3 January, 2013, both with the approval of the TSX-V for $Nil. 500,000 of these warrants were exercised during the year ended 31 March 2011.

(ii) 339,150 warrants were issued on 28 April, 2010, for commissions in connection with the April 2010 private placement, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$1.80 for a period of three years.

(iii) 6,950,000 warrants were issued on 24 February, 2011 in connection with the February 2011 brokered bought deal private placement, which entitles the holder to acquire one-half of one ordinary share for each warrant at a price of CAD$4.50 for a period of two years.

In connection with the brokered bought deal private placement, the underwriters, as part of their commission, received a total of 834,000 options to acquire units for a period of 24 months from closing of the placement. 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.

(iv) 250,000 warrants were issued on 22 February, 2012 in connection with the contract entered into with Macquarie, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$3.60 for a period of two years.

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.

Information on Directors

Particulars of directors' interests in shares, options and warrants of the Company:

			Particulars of directors' interests in shares, options and warrants of the Company		
Director	**Experience**	**Special Responsibilities**	**Ordinary Shares**	**Options**	**Warrants**
A S Phillips	Director since October 2005	Chairman, President, Chief Executive Officer	-	490,000	-
S Hickey	Director since February 2005	Non-executive director, Chairman Audit Committee	443,700	450,000	-
J Toigo	Director since August 2009	Non-executive director, Chairman Remuneration and Nomination Committee	-	300,000	-
J Starink	Director since June 2011	Non-executive director	-	100,000	-
P Ziegler	Alternate director, resigned 4 May 2011	Alternate director to A S Phillips	-	50,000	-
J Wall, CBE	Director since June 2012	Non-executive director	-	-	-

Meeting of Directors

The number of meetings of the Company's board of directors held during the year ended 31 March, 2012, and the number of meetings attended by each director were:

	Number of Board Meetings Attended	**Number Eligible**
A S Phillips	9	9
S Hickey	9	9
J Toigo	9	9
J Starink (appointed 23 June, 2011)	7	7
P Ziegler (resigned 4 May, 2011)	-	-

The number of meetings of the Company's Audit Committee held during the year ended 31 March, 2012, and the number of meetings attended by each member were:

	Number of Audit Committee Meetings Attended	**Number Eligible**
A S Phillips (resigned from Audit Committee 27 July, 2011, re-appointed to Audit Committee 16 March, 2012, and resigned on 15 June, 2012)	3	3
S Hickey Chairman of Audit Committee	6	6
J Toigo	6	6
J Starink (appointed 23 June, 2011, resigned from Audit Committee 16 March, 2012)	4	5
P Ziegler (resigned 4 May, 2011)	-	-

Meeting of Directors (cont'd)

The number of meetings of the Company's Remuneration and Nomination Committee held during the year ended 31 March, 2012, and the number of meetings attended by each member were:

	Number of Remuneration and Nomination Committee Meetings Attended	Number Eligible
S Hickey	2	2
J Toigo Chairman of Remuneration and Nomination Committee	2	2
J Starink (appointed 23 June, 2011)	2	2

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 31 March, 2012 on the exercise of options granted under the Company's Stock Option Plan.

Date options granted	Issue price of shares CAD$	Number of shares issued
03.12.2009	1.10	150,000
		150,000

Since year end and up to the date of this report no ordinary shares of the Company were issued on the exercise of options granted under the Company's Stock Option Plan.

Shares issued on the exercise of warrants

No ordinary shares of the Company were issued during the year ended 31 March, 2012 on the exercise of warrants.

Since year end and up to the date of this report no ordinary shares of the Company were issued on the exercise of warrants granted.

Insurance of Officers

During the financial year, the Company paid premiums of $18,969 to insure the directors, officers and employees of the Company and its Australian based controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as directors, officers and employees of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has not, during or since the end of the previous financial year, in respect of any person who is or has been a director, officer or employee of the Company, or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as directors, officers and employees of the Company, including costs and expenses in successfully defending legal proceedings.

Non-audit Services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditors Crowe Horwath Melbourne and Davidson & Company LLP for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth).* The directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditors' independence requirements of the *Corporations Act 2001(Cth)* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors' own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the Crowe Horwath Melbourne's independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 18.

	Consolidated	
	2012	**2011**
	$	$
During the year the following fees were paid or payable for services provided by the auditors.		
Crowe Horwath Melbourne:		
Audit and review of financial reports	39,000	36,500
Other services	-	7,847
Davidson & Company LLP:		
Audit and review of financial reports in Canada	93,710	67,660
Other services	7,022	-
Total remuneration for audit and other services	139,732	112,007

Auditor

Crowe Horwath Melbourne continues in office in accordance with section 327B of the *Corporations Act 2001 (Cth).*

Signed in accordance with a resolution of directors.

Alan Phillips
Director

Brisbane
27 June, 2012

Crowe Horwath™

Auditor’s Independence Declaration Under S 307C of the Corporations Act 2001 to the Directors of Macarthur Minerals Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2012, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
ii. no contraventions of any applicable code of professional conduct in relation to the audit.

CROWE HORWATH MELBOURNE

Peter Sexton
Partner
Melbourne VIC 3000

Dated: 27 June 2012

Financial Report - 31 March, 2012

Contents

This financial report covers the consolidated financial statements for the consolidated entity consisting of Macarthur Minerals Limited (the "Company") and its subsidiaries (referred to hereafter as the Group or consolidated entity). The financial report is presented in the Australian currency unless stated otherwise.

The Company's registered office and principal place of business are detailed on page 1 of this report.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 2 to 17, which are not part of this financial report.

The financial report was authorised for issue by the directors on 27 June, 2012. The directors have the power to amend and reissue the financial report.

Income Statement
For the year ended 31 March, 2012

	Notes	Consolidated 2012 $	2011 $
Revenue from continuing operations			
Finance Revenue	4(a)	2,195,673	501, 668
Other Revenue		-	300,815
		2,195,673	802,483
Depreciation	4(b)	(205,132)	(91,777)
Finance costs		(12,448)	(5,368)
Foreign exchange gain/(loss)	4(b)	(5,332)	165,919
Impairment expense		-	(300,815)
Investor relations and promotion		(158,394)	(114,201)
Office and general		(460,753)	(412,008)
Personnel costs	4(c)	(1,732,993)	(997,227)
Professional fees	4(d)	(1,169,880)	(881,069)
Rent		(119,872)	(274,826)
Share based compensation	4(c)	(290,557)	(622,628)
Share Registry, filing and listing fees		(342,902)	(34,542)
Travel and accommodation		(263,376)	(346,090)
Profit/(loss) before income tax		(2,565,966)	(3,112,149)
Income tax expense	5	-	-
Profit (loss) from continuing operations		(2,565,966)	(3,112,149)

The accompanying notes form part of these financial statements

Statement of Comprehensive Income
For the year ended 31 March, 2012

	Notes	Consolidated	
		2012	2011
		$	$
Profit (Loss) for the year		(2,565,966)	(3,112,149)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,565,966)	(3,112,149)
Profit (Loss) is attributable to:			
Owners of Macarthur Minerals Limited		(2,565,966)	(3,112,149)
Non-controlling interest		-	-
Total comprehensive income for the year is attributable to:			
Owners of Macarthur Minerals Limited		(2,565,966)	(3,112,149)
Non-controlling interest		-	-
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share	6	(5.73)	(10.04)
- diluted earnings per share	6	(5.47)	(8.62)

The accompanying notes form part of these financial statements

Statement of Financial Position
As at 31 March, 2012

	Notes	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	7	26,589,704	48,784,511
Other receivables	8	505,610	496,890
Security deposits and prepayments	9	416,799	285,103
Total Current Assets		27,512,113	49,566,504
Non-current Assets			
Property, plant and equipment	10	1,100,915	338,290
Investment in subsidiaries	11(b)	-	-
Exploration and evaluation assets	12	43,098,845	23,308,036
Goodwill	11(a)	1,262,990	1,262,990
Total Non-current Assets		45,462,750	24,909,316
TOTAL ASSETS		72,974,863	74,475,820
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,310,612	1,700,284
Employee benefits	14	80,033	38,854
Financial Liabilities	15	108,180	46,184
Total Current Liabilities		2,498,825	1,785,322
Non-current Liabilities			
Employee benefits	14	928	-
Financial Liabilities	15	36,262	140,273
Total Non-current Liabilities		37,190	140,273
TOTAL LIABILITIES		2,536,015	1,925,595
NET ASSETS		70,438,848	72,550,225
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	16	87,483,365	87,505,331
Accumulated losses		(27,184,562)	(24,618,596)
Reserves	16	10,140,045	9,663,490
Parent interests		70,438,848	72,550,225
Non-controlling interests		-	-
TOTAL EQUITY		70,438,848	72,550,225

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the year ended 31 March, 2012

Consolidated	Notes	Contributed Equity	Reserves	Accumulated Losses	Total	Non-controlling Interests	Total Equity
		$	$	$	$	$	$
Balance 1 April, 2010		30,418,594	8,852,705	(21,506,447)	17,764,852	-	17,764,852
Adjustment on change of accounting policy		-	-	-	-	-	-
Restated total equity at the beginning of the financial year		-	-	-	-	-	-
Profit (Loss) for the year		-	-	(3,112,149)	(3,112,149)	-	(3,112,149)
Total other comprehensive income for the year		-	-	-	-	-	-
Transactions with owners in their capacity as owners		-	-	-	-	-	-
Share-based compensation		-	1,202,184	-	1,202,184	-	1,202,184
Contributions for options exercised		1,440,560	-	-	1,440,560	-	1,440,560
Contributions of equity		60,157,257	(391,399)	-	59,765,858	-	59,765,858
Share-based payment transactions		(4,511,080)	-	-	(4,511,080)	-	(4,511,080)
		57,086,737	810,785	(3,112,149)	54,785,373	-	54,785,373
Balance at 31 March, 2011		87,505,331	9,663,490	(24,618,596)	72,550,225	-	72,550,225
Balance 1 April, 2011		87,505,331	9,663,490	(24,618,596)	72,550,225	-	72,550,225
Profit (Loss) for the year		-	-	(2,565,966)	(2,565,966)	-	(2,565,966)
Total other comprehensive income for the year		-	-	-	-	-	-
Transactions with owners in their capacity as owners		-	-	-	-	-	-
Share- based compensation		-	290,557	-	290,557	-	290,557
Contributions for options exercised		164,032	-	-	164,032	-	164,032
Allocation of fair value on exercise of options		95,900	(95,900)	-	-	-	-
Re-transfer of prior year lapsed options [1]		(281,898)	281,898	-	-	-	-
Share-based payment transactions		-	-	-	-	-	-
		(21,966)	476,555	(2,565,966)	2,111,377	-	2,111,377
Balance at 31 March, 2012		87,483,365	10,140,045	27,184,562	70,438,848	-	70,438,848

[1] The fair value of lapsed options was transferred from contributed equity to reserves as per the Company's accounting policy.

The accompanying notes form part of these financial statements.

Cash Flow Statement
Year ended 31 March, 2012

	Notes	Consolidated	
		2012	2011
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(4,096,955)	(2,805,220)
Interest received		2,025,228	267,720
Interest paid		(12,448)	(5,368)
Transfer from/(to) security deposits		(68,503)	(96,541)
Net cash flows used in operating activities	7(b)	(2,152,678)	(2,639,409)
Cash flows from investing activities			
Plant and equipment purchases		(984,475)	(131,630)
Plant and equipment proceeds		14,500	
Deferred exploration expenditure		(19,194,171)	(7,293,730)
Net cash flows from investing activities		(20,164,146)	(7,425,360)
Cash flows from financing activities			
Proceeds from share issues		164,032	61,206,418
Share issue and placement costs		-	(3,931,524)
Receipt/(Repayment) of borrowings		(42,015)	(32,082)
Proceeds from/(payments to) related parties		-	(12,225)
Net cash flows from financing activities		122,017	57,230,587
Net decrease/increase in cash and cash equivalents		(22,194,807)	47,165,818
Cash and cash equivalents at beginning of period		48,784,511	1,618,693
Cash and cash equivalents at end of period	7(a)	26,589,704	48,784,511

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

The financial accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. Refer to Note 11(b) for details of subsidiaries.

a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001 (Cth)*.

The separate financial statements of the parent entity have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001 (Cth)* effective as at 28 June, 2010.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Critical accounting estimates
The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial report. Estimates and judgements are continually evaluated by the directors and management and are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

i. Exploration and Evaluation Expenditure
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $43,098,845. Preliminary economic assessments ("PEA") for the Moonshine Magnetite Project and the Ularring Hematite Project, which are independent expert reports were announced in February and November 2011 respectively and contained positive project evaluations.

Note 1: Summary of Significant Accounting Policies (cont'd)

The most sensitive inputs in the Ularring Hematite Project's PEA were:

- Iron ore price of USD 2.48/dtmu decreasing to USD 1.55/dmtu over life of mine
- Exchange rate of 0.96 USD/AUD decreasing to 0.8 USD/AUD over life of mine
- Potential ore mining rate of 2 Mt per annum
- Project life of 5 years
- Discount rate of 8% and 10%

Since the Ularring Hematite Project's PEA was announced, results of two metallurgical test work programs indicate that it is technically possible to beneficiate lower grade hematite material thereby significantly reducing the cut-off grade increasing the Indicated resource to 54.46 Mt at 47.2% Fe and the Inferred resource to 25.99 Mt at 45.4% Fe. This will have a significant impact on the Ularring Hematite Project's mine life extension.

ii. Share-based payment transactions
The Group measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument at the date at which they are granted. The fair value is determined using the Black-Scholes method. During the reporting period the amount of $290,557 has been shown as stock based compensation expenditure in the statement of comprehensive income.

Going concern
This financial report has been prepared 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. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The PEAs detail capital expenditure of $134 M for the Ularring Hematite Project and $2.27 Bn for the Moonshine Magnetite Project. The Company will be required to arrange appropriate financing linked to off-take contracts for future capital expenditure requirements.

The Company's cash position at reporting date is $26,589,704 as available cash and $338,104 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.

b) Principles of consolidation

(i) Subsidiaries
The consolidated financial report incorporates the assets, liabilities and results of all subsidiaries controlled by the Company as at 31 March, 2012.

A controlled entity is any entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Note 1: Summary of Significant Accounting Policies (cont'd)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(ii) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for as at the acquisition date, which is the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) is recognised.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase.

c) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest. Expenditure in respect of any area of interest or mineral resource is carried forward provided that:

- the Company's rights of tenure to that area of interest are current;
- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively by its sale; or
- exploration and/or evaluation activities in the areas of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Exploration expenditure which no longer satisfies the above policy is written off. Evaluation expenditure for each area of interest or mineral resource is carried forward, but only to the extent to which its recoupment out of revenue to be derived from the relevant area of interest or mineral resource, or from sale of that area of interest, is reasonably assured.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Note 1: Summary of Significant Accounting Policies (cont'd)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off firstly against any existing provision for that expenditure, with any remaining balance being charged to earnings.

d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow or net investment hedge.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

Note 1: Summary of Significant Accounting Policies (cont'd)

- retained earnings are translated at the exchange rate prevailing at the date of the transaction; and
- all resulting exchange differences are recognised as accumulated other comprehensive income (loss), a separate component to equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

e) Goodwill

Goodwill is carried at cost and is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair values of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% is measured at fair value under the full goodwill method.

Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements. Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are recognised as an operating expense in the statement of comprehensive income over the lease term. Operating lease incentives are recognised as a liability and amortised on a straight line basis over the lease term.

Note 1: Summary of Significant Accounting Policies (cont'd)

g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Mineral Resource Rent Tax

The Australian Government passed legislation on 20 March 2012 for the Mineral Resource Rent Tax ("MRRT") which applies to coal and iron ore projects and will be implemented from 1 July, 2012.

MRRT is considered, for accounting purposes, to be a tax based on profits at the run of mine stockpile. The MRRT will not apply to the Company until it has commenced production of iron ore and generated MRRT assessable profits of over $75 million after taking into account inbuilt allowances. Current and deferred MRRT expense will be measured and disclosed on the same basis as income tax.

Current and Deferred Tax Balances

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. As at 31 March, 2012 deferred tax assets were re-assessed and have not been recognised as it has not yet become probable that they will be recovered and utilised.

Tax consolidation legislation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Macarthur Minerals Limited.

h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1: Summary of Significant Accounting Policies (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation in assets is calculated as follows:

Plant & Equipment	10% to 25% Prime Cost Method 15% to 18.75% Diminishing Value Method
Office Equipment	20% to 100% Prime Cost Method 15% to 40% Diminishing Value Method
Motor Vehicles	22.5% to 25% Diminishing Value Method

The asset's residual values and useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is the Company's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

i) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

j) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The balance is recognised as a current liability, amounts are unsecured and are usually paid within 30 days of recognition of the liability.

k) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year; adjusted for bonus elements in ordinary shares issued during the year.

Note 1: Summary of Significant Accounting Policies (cont'd)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive if their exercise price does not exceed the average market price of ordinary shares during the period.

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, rebates and taxes. All revenue is stated net of goods and services tax ("GST").

The Company recognises revenue when the amount of revenue can be readily measured, it is probable that future economic benefit will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Revenue is recognised for the major business activities as follows:

(i) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

n) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities when it is due to be settled within twelve months after reporting date and the Company does not have an unconditional right to defer settlement of the liability for at least 12 months.

Note 1: Summary of Significant Accounting Policies (cont'd)

p) Financial Instruments

Recognition
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are expensed to the statement of comprehensive income immediately.

The Company recognises its investments in the following categories: loans and receivables. The recognition depends on the purpose for which the investments were acquired. Management determines the recognition of its investments at initial recognition.

Subsequent measurement
Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;
(ii) less principal repayments;
(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
(iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Australian Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arrive.

Note 1: Summary of Significant Accounting Policies (cont'd)

(ii) Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturity greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Financial liabilities

Non derivative financial liabilities are recognised at amortised cost, comprising of original debt less principal payments and amortisation.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The normal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the current market interest rate that is available for similar financial instruments.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts are assessed using the probability weighted discounted cash flow approach. The probability is based on:

- the likelihood of the guaranteed party defaulting in a year's period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

Note 1: Summary of Significant Accounting Policies (cont'd)

q) Provisions

Provisions for legal action costs and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the balance sheet date.

r) Employee benefits

(i) Wages and salaries, annual leave and superannuation
Liabilities for wages and salaries, including non-monetary benefit, annual leave and superannuation expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long term employee benefits
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Share based compensation
Share based compensation benefits are provided to employees, directors, officers and consultants via the Company's Stock Option Plan.

The fair value of options granted under the Company's Stock Option Plan is recognised as share based compensation with a corresponding increase in equity. The fair value is measured and expensed at grant date if the Company's options are fully vested upon granting otherwise the fair value is expensed over the vesting period.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the expected life of the option, the share price at grant date, expected price volatility of the underlying share, expected dividend yield and the risk free interest rate for the term of the option and estimated forfeitures.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The entity revises its estimate of the number of options that are expected to vest, at each reporting date. The share benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

If share purchase options are exercised then the fair value of the options is re-classified from reserves to share capital.

Note 1: Summary of Significant Accounting Policies (cont'd)

(iv) Cash based Restricted Share Units

The Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and Company Secretary (the "executives") are eligible to participate in the Company's cash based Restricted Share Unit Plan ("RSU" Plan) which entitles them to receive cash based RSUs. Cash RSUs vest on achievement of certain performance criteria within agreed dates as detailed in the agreements and plan and are approved by the Remuneration and Nomination Committee.

Cash based RSUs granted are recognised as a compensation expense as they vest and are marked to market. The cost of the cash based RSUs on their vesting date 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 and a corresponding compensation expense is recognised to the profit and loss.

s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

t) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards had no material impact on the recognition, measurement and disclosure of certain transactions.

u) Early Adoption of Accounting Standards

The Group has not elected to early adopt any new or revised Australian Accounting Standards and Interpretations during the period ended March 31, 2012.

v) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January, 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

Note 1: Summary of Significant Accounting Policies (cont'd)

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held to maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

Note 2: Parent Information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	**2012**	**2011**
	$	**$**
ASSETS		
Current Assets	26,683,593	49,037,350
Total Assets	65,451,153	67,412,744
LIABILITIES		
Current Liabilities	521,331	684,068
Total Liabilities	522,259	684,068
EQUITY		
Issued Capital	87,483,365	87,505,331
Retained Earnings	(25,379,627)	(23,125,256)
Reserves		
Foreign Exchange Translation Reserve	258,972	258,972
Option reserve	2,566,184	2,089,629
TOTAL EQUITY	64,928,894	66,728,676
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(loss) for the year	(2,254,370)	(2,994,371)
Total comprehensive income	(2,254,370)	(2,994,371)

Note 2: Parent Information (cont'd)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity, Macarthur Minerals Limited has guaranteed the financial liability of Macarthur Iron Ore Pty Ltd (its 100% owned subsidiary) in relation to finance lease payments for four motor vehicles.

Contingent liabilities of the parent entity

Contingent liabilities exist in relation to First Strategic Development Corporation Limited (in liquidation) ("FSDC") the details of which are contained in Note 23.

Contractual commitments for the acquisition of property, plant and equipment by the parent entity

At 31 March, 2012, Macarthur Minerals Limited has not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: Nil).

Note 3: Financial risk management objectives and policies

The Group's principal financial instruments are cash, the main purpose of which is to fund the Group's operations. The Group has various other financial assets and liabilities such as security deposits, other receivable and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and foreign currency risk on capital raised in Canadian dollars. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Foreign currency risk
The Group's financial statements can be affected by movements in the CAD$/AUD$ exchange rate, due to some administrative expenses and liabilities being incurred in Canadian dollars.

Commodity price risk
The Group's future revenues 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.

As the Group has not yet reached the mining stage, its exposure to price risk has no impact on the financial statements, however price risk is a critical assumption for the Company's previously published PEAs and for impairment testing referred to in Note 11.

Note 3: Financial risk management (cont'd)

Credit risk
The Group will trade only with recognised, creditworthy third parties. Credit verification procedures will be carried out when deemed necessary and receivable balances will be monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk
The Group's objective is to raise sufficient funds from equity and/or debt to finance its exploration and development activities until its operations become profitable. The Company's ability to raise sufficient funds is dependent upon debt and capital market conditions and the future viability of its projects. The Company will be required to arrange appropriate financing concurrently with securing off-take contracts for its future capital expenditure. The Company believes that it has sufficient funds to meet its obligations for the foreseeable future.

FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk
The carrying amount of the Group's financial assets represents the maximum credit exposure. This amount is as follows:

	Consolidated Carrying Amount	
	2012	**2011**
	$	**$**
CONSOLIDATED		
Financial assets		
Cash and cash equivalents	26,589,704	48,784,511
Other receivables	505,610	496,890
Security Deposits	338,104	269,601
	27,433,418	49,551,002

The Group's maximum exposure to credit risk at the reporting date was $26,589,704 (2011: $48,784,511) for cash and cash equivalents, $505,610 (2011: $496,890) for receivables and $338,104 (2011: $269,601) for security deposits.

The Group's receivables include interest receivable and current outstanding 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:

	Consolidated Carrying Amount	
	2012	**2011**
	$	**$**
Australia	806,425	797,705
Canada	-	-
Less impairment of receivables	(300,815)	(300,815)
	505,610	496,890

A provision for impairment of $300,815 was recognised relating to project management fees and services invoiced to FSDC in August 2010. FSDC was placed in liquidation on 17 November, 2010. The Group has entered into a funding agreement with the liquidator of FSDC in relation to recovery of the impaired receivable. Refer to Note 23 for further details.

Note 3: Financial risk management (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Exposure to liquidity risk
The Group manages its liquidity risk by monitoring its forecast cash flows and ensuring funds are in place in the form of issuing new securities. The Company has sufficient cash to cover liabilities as they fall due.

Exposure to currency risk
The Group's exposure to foreign currency risk at balance date was as follows:

	AUD $	**CAD $**	**AUD $**	**CAD $**
	2012		**2011**	
Cash and cash equivalents	26,516,510	73,194	47,388,076	1,396,434
Receivables	505,610	-	496,890	-
Security Deposits	338,104	-	269,601	-
	27,360,224	73,194	48,154,567	1,396,434
Trade and other payables	2,243,759	66,853	1,461,946	143,086
Employee Benefits	80,961	-	134,106	-
Lease liability	144,442	-	186,457	-
	2,469,162	66,853	1,782,509	143,086
Net exposure	24,891,062	6,341	46,372,058	1,253,348

Currency risk
The following significant exchange rates applied during the year:

	Average Rate		**Reporting Date Spot Rate**	
	2012 $	**2011 $**	**2012 $**	**2011 $**
Canadian dollar (CAD$)	0.9640	1.0420	0.9654	0.9935

Sensitivity analysis
A 10 % strengthening of the Australian dollar against the Canadian dollar at 31 March, 2012 would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	Consolidated	
	Equity $	**Profit or loss $**
31 March, 2012		
CAD$	(612)	612
31 March, 2011		
CAD$	(124,520)	124,520

Note 3: Financial risk management (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

A 10 % weakening of the Australian dollar against the Canadian dollar at 31 March, 2012 would have had the equal but opposite effect on the Canadian dollars above to the amounts shown above, on the basis that all other variables remain constant.

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	
	2012	2011
	$	$
Variable rate instruments		
Financial assets	26,756,928	47,464,872

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 2011.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	$	$	$	$
31 March 2012	267,569	(267,569)	267,569	(267,569)
Variable rate instruments				
31 March 2011				
Variable rate instruments	474,649	(474,649)	474,649	(474,649)

Fair values
Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	31 March, 2012		31 March, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Receivables	505,610	505,610	496,890	496,890
Cash and cash equivalents	26,589,704	26,589,704	48,784,511	48,784,511
Security deposits	338,104	338,104	269,601	269,601
Lease liability	(144,442)	(144,442)	(186,457)	(186,457)
Trade and other payables	(2,310,612)	(2,310,612)	(1,700,284)	(1,700,284)
Employee benefits	(80,961)	(80,961)	(38,854)	(38,854)
	24,897,403	24,897,403	47,625,407	47,625,407

Note 4: Revenue and expenses

		Consolidated 2012 $	Consolidated 2011 $
	Finance Revenue		
(a)	Bank interest income	2,195,673	501,668
	Depreciation, amortisation and foreign exchange differences included in income statement		
(b)	Depreciation and amortisation	205,132	91,777
	Net foreign exchange gains/(losses)	5,332	(165,919)
(c)	**Employee benefits expense**		
	Personnel costs	1,732,993	997,227
	Share based compensation	290,557	622,628
(d)	**Professional fees include legal costs for the following matters:**		
	- LPD	193,654	304,158
	- FSDC	272,615	159,458
	- Malmac	58,253	59,222

The Company settled the LPD and Malmac matters during the year. For details on the FSDC matter refer to Note 23.

Note 5: Income tax

		Consolidated 2012 $	Consolidated 2011 $
(a)	**Income tax equivalent expense**		
	Current tax expense	-	-
	Deferred tax expense	-	-
	Income tax expense (credit) attributable to profit (loss) from continuing operations	-	-

Note 5: Income tax (cont'd)

	Consolidated 2012 $	Consolidated 2011 $
(b) Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable		
Profit (loss) from continuing operations before income tax expense	(2,565,966)	(3,112,149)
Tax at Australian tax rate of 30%	(769,790)	(933,645)
Adjustment for items not deductible in calculating taxable income:		
Share based payments	87,167	180,758
Impairment expenses	-	90,155
Other	-	31,151
Write off deferred tax amount	-	-
Income not assessable in current year	-	-
	(682,683)	(631,581)
Income tax losses and temporary differences not carried forward as deferred tax assets	682,683	631,581
Income tax expense (credit) attributable to profit (loss) from continuing operations	-	-

(c) Tax consolidation

Macarthur Minerals Limited and its 100% owned subsidiaries have formed a tax consolidated group since January 2006. Macarthur Iron Ore Pty Ltd was a member of the Group from January 2006 to April 2008, from which date it ceased to be a 100% owned subsidiary. On 1 December, 2009 a buy back was completed and Macarthur Iron Ore Pty Ltd again was a 100% owned subsidiary and part of the tax consolidated group.

(d) Tax losses

Consolidated tax losses for which no deferred tax has been recognised:

	Tax losses from operations $	Tax losses on capital raising expenses $	Total $
2012			
Tax losses	43,802,826	4,511,081	48,313,907
Potential benefit	13,140,848	1,353,324	14,494,172
2011			
Tax losses	25,654,085	4,511,081	30,165,166
Potential benefit	7,696,225	1,353,324	9,049,549

Note 6: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and warrants).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations.

	Consolidated	
	2012	2011
	$	$
Net profit/(loss) attributable to members	(2,565,966)	(3,112,149)
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	44,748,499	31,008,904
Weighted average number of ordinary shares for diluted earnings per share	46,945,712	36,110,009

The Company's outstanding options and warrants that did not have a dilutive effect at 31 March 2012 were 4,114,000 options and 7,539,150 warrants. The exercise price of these options and warrants did not exceed the average market price of ordinary shares during the year. The Company's options and warrants that did have a dilutive effect as at 31 March 2012 were 385,000 options and 1,500,000 warrants.

Note 7: Cash and cash equivalents

	Consolidated	
	2012	2011
	$	$
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	2,533,255	2,964,511
Short term deposits earn interest at negotiated fixed rates	24,056,449	45,820,000
	26,589,704	48,784,511

The fair value of cash and cash equivalents is $26,589,704 (2011: $48,784,511)

7(a) Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 March:

Cash at bank and in hand	26,589,704	48,784,511

Note 7: Cash and cash equivalents (cont'd)

	Consolidated	
	2012	**2011**
	$	**$**
7(b) Reconciliation from the net loss to the net cash flows from operations		
Net Profit/(Loss)	(2,565,966)	(3,112,149)
Adjustments for:		
Asset write-off expense	16,030	29,226
Depreciation and amortisation	205,132	91,777
Impairment expense	-	300,815
Share based payments	290,557	622,628
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	(8,720)	(679,642)
(Increase)/Decrease in deferred tax assets	-	-
(Increase)/Decrease in other operating assets	(131,695)	120,515
Increase/(Decrease) in payables	41,984	(12,579)
Non-Operating Profit/Loss items		
Net cash from operating activities	(2,152,678)	(2,639,409)

Note 8: Other Receivables

	Consolidated	
	2012	**2011**
	$	**$**
Other receivables	806,425	797,705
Less: Impairment	(300,815)	(300,815)
	505,610	496,890

A provision for impairment of $300,815 was recognised relating to project management fees and services invoiced to FSDC in August 2010. FSDC was placed in liquidation on 17 November, 2010. The Group has entered into a funding agreement with the liquidator of FSDC in relation to recovery of the impaired receivable. Refer to Note 23 for further details.

Note 9: Other Assets

	Consolidated	
	2012	**2011**
	$	**$**
Prepayments	78,695	15,502
Security deposits (i)	338,104	269,601
	416,799	285,103

(i) Security deposits of $338,104 (2011: $269,601) are comprised of guarantees in place for the Department of Mines and Petroleum of $158,000 for exploration and mining leases for compliance with environmental conditions, and security deposits of $180,104 for office leasing arrangements.

Note 10: Property, plant and equipment

Consolidated	**Plant & Equipment $**	**Motor Vehicles $**	**Office Equipment $**	**Total $**
Year ended 31 March, 2011				
Opening net book value	62,183	156,327	47,962	266,472
Additions	54,544	92,547	45,730	192,821
Disposals	-	-	(28,709)	(28,709)
Depreciation charge	(16,378)	(53,829)	(21,570)	(91,777)
Transfer	388	-	(905)	(517)
Closing net book amount	100,737	195,045	42,508	338,290
At 31 March, 2011				
Cost or fair value	143,588	254,362	75,574	473,524
Accumulated depreciation	(42,851)	(59,317)	(33,066)	(135,234)
Net book amount	100,737	195,045	42,508	338,290
Year ended 31 March, 2012				
Opening net book value	100,737	195,045	42,508	338,290
Additions	527,082	303,055	168,040	998,177
Disposals	-	(23,597)	(6,826)	(30,423)
Depreciation charge	(54,728)	(98,475)	(51,926)	(205,129)
Transfer	-	-	-	-
Closing net book amount	573,091	376,028	151,796	1,100,915
At 31 March, 2012				
Cost or fair value	670,671	510,637	229,095	1,410,403
Accumulated depreciation	(97,580)	(134,609)	(77,299)	(309,488)
Net book amount	573,091	376,028	151,796	1,100,915

Note 11 (a): Intangible Assets

	Consolidated	
	2012 $	**2011 $**
Goodwill		
Cost	1,262,990	1,262,990
Accumulated impairment losses	-	-
Net carrying value	1,262,990	1,262,990
Reconciliation of goodwill		
Balance at beginning of year	1,262,990	1,262,990
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Impairment losses	-	-
Closing carrying value at 31 March 2012	1,262,990	1,262,990

Note 11 (a): Intangible Assets (cont'd)

Goodwill represents the excess of payments made to acquire shares in Macarthur Iron Ore Pty Ltd over the identifiable net assets acquired at the date of acquisition. The excess payment was made in anticipation of future economic benefits that can be derived from the assets owned by Macarthur Iron Ore Pty Ltd.

The assets owned by Macarthur Iron Ore Pty Ltd include indicated and inferred mineral resources as reported in market announcements. At the date of this financial report, PEAs for the Moonshine Magnetite Project and the Ularring Hematite Project, which are independent expert reports, were announced in February and November 2011. These reports contain positive project evaluations using discounted cash flow modelling. The future economic benefits expected to be derived from these resources will far exceed the value of Macarthur Iron Ore Pty Ltd's net assets including goodwill, and consequently no impairment of goodwill has been considered necessary. Refer to Note 3 critical accounting estimates which details the most sensitive inputs contained in the PEAs for the Ularring Hematite Project.

Note 11 (b): Investments in subsidiaries

		Consolidated	
	% owned	2012 $	2011 $
Hatches Nominees Pty Ltd	100	-	-
Macarthur Iron Ore Pty Ltd (formerly Internickel Australia Pty Ltd)	100	-	-
Tracker Resources Pty Ltd	100	-	-
		-	-

Note 12: Exploration and evaluation assets

	Consolidated	
	2012 $	2011 $
Costs carried forward in respect of areas of interest in:		
Exploration and/or evaluation	43,098,845	23,308,036
Cost		
Balance at beginning of year	23,308,036	15,458,864
Acquisition of exploration and evaluation assets	100,000	-
Disposals of exploration and evaluation assets	-	-
Exploration and evaluation assets capitalised	19,690,809	7,849,172
Balance at end of year	43,098,845	23,308,036

Note 13: Trade and other payables

	Consolidated	
	2012	2011
	$	$
Trade creditors	1,841,549	1,449,783
Other creditors and accruals	469,063	250,501
	2,310,612	1,700,284

Note 14: Employee Benefits

The liabilities recognised for employee benefits consist of the following amounts:

	Consolidated	
	2012	2011
	$	$
Current		
- Short term employee obligations	80,033	38,854
Non-current:		
- Long service leave entitlements	928	-
	80,961	38,854

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled before 31 March, 2013. These obligations arise from accrued annual leave and superannuation entitlements at the reporting date.

Note 15: Financial Liabilities

	Note	Consolidated	
		2012	2011
		$	$
Financial lease on vehicles			
Current liability net amount owing		108,180	46,184
Non-current liability net amount owing		36,262	140,273
Present value of minimum lease payments	22(b)	144,442	186,457

The Group entered into finance lease contracts for the purchase of 4 vehicles with a completion date of 30 November, 2013. The vehicles are recorded at cost and classified as a depreciable asset. The present value of the lease payments due including their residual payout is $144,442 (2011: $186,457). Title of the vehicles will transfer to the Company upon payment of $87,039.

Note 16: Contributed equity and reserves

	Consolidated 2012 $	Consolidated 2011 $
Ordinary shares		
Issued and fully paid	87,483,365	87,505,331
	Number	**Number**
Number of shares on issue	*44,820,630*	*44,670,630*

Movement in ordinary share capital

Date	Description	Issue Price (CAD$)	Number of Shares
1 April,2011	Opening Balance		44,670,630
23 September, 2011	Exercise of employee options	1.10	150,000
31 March, 2012	Closing Balance		44,820,630

Reserves

Consolidated	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Dilution Gain Reserve $	Total $
As at 1 April, 2010	258,972	1,278,844	7,314,889	8,852,705
Transfer from reserves	-	(391,399)	-	(391,399)
Cost of share based payments	-	1,202,184	-	1,202,184
As at 31 March, 2011	258,972	2,089,629	7,314,889	9,663,490
As at 1 April, 2011	258,972	2,089,629	7,314,889	9,663,490
Transfer of fair value of options exercised	-	(95,900)	-	(95,900)
Transfer of lapsed options from prior year's share capital	-	281,898	-	281,898
Cost of share based payments	-	290,557	-	290,557
As at 31 March 2012	258,972	2,566,184	7,314,889	10,140,045

Nature and purpose of reserves

Foreign Currency Translation Reserve
Until the year ended 31 March, 2006 the assets and liabilities of the Group were translated from what was the functional currency (Canadian dollars) to the presentation currency (Australian dollars) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation were taken directly to this reserve.

Note 16: Contributed equity and reserves (cont'd)

The functional currency for subsequent years is Australian dollars.

Share-based payment reserve
The Company has issued stock options to subscribe for Macarthur Minerals Limited shares to certain directors, officers, employees, consultants and underwriters on specified terms. The cost of these stock options is measured by reference to their fair value at the date at which they are granted. The fair value is determined using the Black-Scholes method.

Note 17: Share based payment plans

(a) Options

The following table illustrates the number of share options on issue at *31 March, 2012:*

Grant Date	Expiry Date	Exercise Price CAD$	Opening balance	Granted During the Year	Expired During the Year	Exercised During the Year	Number under option
22.12.2006	22.12.2011	1.60	220,000	-	(220,000)	-	-
19.10.2007	19.10.2012	1.00	100,000	-	-	-	100,000
26.11.2007	26.11.2012	1.20	100,000	-	-	-	100,000
31.07.2009	31.07.2014	1.00	200,000	-	-	-	200,000
03.12.2009	02.12.2012	1.10	800,000	-	-	(150,000)	650,000
04.05.2010	03.05.2013	2.00	875,000	-	(300,000)	-	575,000
30.09.2010	29.09.2013	2.00	350,000	-	(350,000)	-	-
24.02.2011	24.02.2013	3.60	834,000	-	-	-	834,000
31.03.2011	31.03.2014	3.60[1]	350,000	-	-	-	350,000
10.06.2011	09.06.2014	3.60	-	1,165,000	(200,000)	-	965,000
20.12.2011	22.12.2014	2.00	-	425,000	-	-	425,000
28.03.2012	30.03.2015	1.00[2]	-	300,000	-	-	300,000
			3,829,000	1,890,000	(1,070,000)	(150,000)	4,499,000

[1] Options issued with a vesting condition of CAD$4.25 share price.
[2] Options issued will vest quarterly over a period of one year.

The following table illustrates the number of share options on issue at *31 March, 2011:*

Grant Date	Expiry Date	Exercise Price CAD$	Opening balance	Granted During the Year	Expired During the Year	Exercised During the Year	Number under option
22.12.2006	22.12.2011	1.60	220,000	-	-	-	220,000
19.10.2007	19.10.2012	1.00	100,000	-	-	-	100,000
26.11.2007	26.11.2012	1.20	100,000	-	-	-	100,000
31.07.2009	31.07.2014	1.00	200,000	-	-	-	200,000
03.12.2009	02.12.2012	1.10	1,025,000	-	-	(225,000)	800,000
04.05.2010	03.05.2013	2.00	-	990,000[1]	(25,000)	(90,000)	875,000
30.09.2010	29.09.2013	2.00	-	350,000	-	-	350,000
24.02.2011	24.02.2013	3.60	-	834,000	-	-	834,000
31.03.2011	30.03.2014	3.60[1]	-	350,000	-	-	350,000
			1,645,000	2,524,000	(25,000)	(315,000)	3,829,000

[1] 1,340,000 options were issued on 4 May, 2010, 350,000 options that were originally issued to a director and officer on 4 May, 2010, were relinquished on 30 September 2010, and re-issued on 31 March, 2011.

Note 17: Share based payment plans (cont'd)

The weighted average remaining contractual life for the share options as at 31 March, 2012 is 1 year nine months.

The range of exercise prices for options outstanding at the end of the year was CAD$1.00 to CAD$3.60.

(b) Warrants

The following table illustrates the number of share warrants on issue at *31 March, 2012:*

Grant Date	Expiry Date	Exercise Price CAD$	Opening balance	Granted During the Year	Expired During the Year	Exercised During the Year	Number under option
03.01.2008	03.01.2013	2.00	1,500,000	-	-	-	1,500,000
28.04.2010	28.04.2013	1.80	339,150	-	-	-	339,150
24.02.2011	24.02.2013	4.50	6,950,000	-	-	-	6,950,000
22.02.2012	23.02.2014	3.60	-	250,000	-	-	250,000
			8,789,150	250,000	-	-	9,039,150

The following table illustrates the number of share warrants on issue at *31 March, 2011:*

Grant Date	Expiry Date	Exercise Price CAD$	Opening balance	Granted During the Year	Expired During the Year	Exercised During the Year	Number under option
03.01.2008	03.01.2013	2.00[1]	2,000,000	-	-	(500,000)	1,500,000
28.04.2010	28.04.2013	1.80	-	339,150	-	-	339,150
24.02.2011	24.02.2013	4.50	-	6,950,000	-	-	6,950,000
			2,000,000	7,289,150	-	(500,000)	8,789,150

[1] On 3 January, 2008, the Company issued 2,000,000 warrants, as part of a non-brokered private placement for 2,000,000 units at CAD$1.40 per unit, consisting of one common share and one share purchase warrant exercisable at CAD$2.00 for a period of 18 months and were due to expire on 3 July, 2009. The term of these warrants was initially extended until 3 January, 2010, and was further extended until 3 January, 2013, both with the approval of the TSX-V for $Nil. 500,000 of these warrants were exercised during the year ended 31 March, 2011.

Note 18: Related party disclosure

The consolidated financial statements include the financial statements of Macarthur Minerals Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest 2012	% Equity Interest 2011	Investment ($) 2012	Investment ($) 2011
Hatches Nominees Pty Ltd	Australia	100	100	5,000	5,000
Macarthur Iron Ore Pty Ltd (formerly Internickel Australia Pty Ltd)	Australia	100	100	5,973,572	5,973,572
Tracker Resources Pty Ltd	Australia	100	100	1	1
				5,978,573	5,978,573

Note 18: Related party disclosure (cont'd)

Macarthur Minerals Limited is the ultimate parent entity for all entities.

		Sales to Related Parties $	Purchases from Related Parties $	Amounts Owed by Related Parties $	Amounts Owed to Related Parties $
Parent Entity					
Subsidiaries:					
Hatches Nominees Pty Ltd	2012	-	-	709	-
	2011	-	-	482	-
Macarthur Iron Ore Pty Ltd (formerly Internickel Australia Pty Ltd)	2012	-	-	32,330,612	-
	2011	-	-	12,079,100	-
Tracker Resources Pty Ltd	2012	-	-	424	-
	2011	-	-	424	-

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 Note 19.

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.

Note 19: Key Management Personnel Disclosures

Key management personnel

The following persons were key management personnel of the Company during the financial year:

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

Non-executive Directors
S Hickey
J Toigo
J Starink

Alternate Director
P Ziegler for A S Phillips, resigned 4 May, 2011

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") Company Secretary
Alan J ("Joe") Phillips	Chief Operating Officer ("COO")

Note 19: Key Management Personnel Disclosures (cont'd)

Principles used to determine the nature and amount of remuneration

Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. Executive remuneration and other terms of employment are reviewed periodically by the Company's Remuneration and Nomination Committee (the majority being independent) having regard to performance-related bonuses and fringe benefits. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Remuneration of non-executive directors is determined by the Board within the maximum aggregate amount approved by the shareholders from time to time.

To determine compensation payable, the Remuneration and Nomination Committee review compensation paid for directors and executives of companies of similar size and stage of development in the mineral exploration/mining industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and executives while taking into account the financial and other resources of the Company. This may include 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 shall annually review the performances of the executives in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

The Remuneration and Nomination Committee engaged two independent remuneration advisors to provide reports on executive remuneration:

- McDonald & Company (Australasia) Pty Ltd were engaged on 25 March, 2011, to prepare and deliver a special report on remuneration matters for a fee of $9,500.

- CRA Plan Managers Pty Ltd, were engaged on 1 June, 2011, to prepare a senior executive remuneration benchmark assessment report for the CEO, CFO and Company Secretary and COO and prepare a detailed long term equity incentive design report for a fee of $13,685.

During the year amendments to the terms and conditions of the Company's CEO, COO and CFO and Company Secretary ("executives") executive consulting contracts ("consulting contracts") were approved by the board to better reflect current remuneration practices. The amendments to the consulting contracts apply retrospectively from 1 July, 2011 and include the following key changes:

- The term of each consultancy agreement has changed from a three year fixed period to be open ended.
- The Company must provide twelve months' notice for termination without cause. Executives must provide six months' notice.
- Each executive's annual salary was increased proportionately in line with other companies of a comparable size and to reflect each executive's position, skills and experience.
- Each executive is eligible to participate in the 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.

Note 19: Key Management Personnel Disclosures (cont'd)

- Alan S Phillips and Joe Phillips were granted a tranche of additional non-performance based cash RSUs by which, one cash RSU vests on the exercise of every 2.25 options issued previously to Alan S Phillips and Joe Phillips on 31 March 2011 with an exercise price of C$3.60, a vesting price of C$4.25, expiring on 31 March 2014, to represent re-payment for surrendered options as agreed between those executives and the Board.
- Total cash RSU entitlements for executives are:

Executives	Number of Performance Based Cash RSUs	Number of Non-performance Based Cash RSUs
A S Phillips	232,143	66,667
D Taplin	121,429	-
A J Phillips	127,371	88,889
Total	480,943	155,556

As of 31 March, 2012 no cash RSUs have vested and accordingly no liability has been accrued to any cash RSUs granted to date.

- Additional remuneration in the form of a one-off bonus of $60,000 was awarded to each executive to represent past performance and payment for services not adequately compensated during the initial management change-over of the company (refer to the remuneration table below).

An independent remuneration report was used in determining the appropriate level and conditions of the executives' consulting contracts. The Remuneration and Nomination Committee reviewed the consulting contracts and cash RSU plan and recommended them to the Board for approval. Mr Alan S Phillips is not a member of the Remuneration and Nomination Committee and did not vote on the resolution to approve his consulting contract.

Details of Remuneration

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

2012	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Superannuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	303,747	60,000	-	-	-	8,582	372,329
S Hickey	60,000	-	-	-	-	-	60,000
J Toigo	60,000	-	-	-	-	10,728	70,728
J Starink [1][3]	67,154	-	-	-	-	5,435	72,589
P Ziegler [2]	-	-	-	-	-	10,728	10,728
Other Company Executives							
D Taplin	251,250	60,000	-	-	-	53,640	364,890
A J Phillips	260,628	60,000	-	-	-	53,640	374,268
Total	1,002,779	180,000	-	-	-	142,753	1,325,532

[1] J Starink, appointed on 23 June, 2011
[2] P Ziegler (Alternate for A S Phillips), resigned on 4 May, 2011
[3] J Starink was paid $21,000 for consulting services to the Company under a consultancy agreement, commencing 16 March, 2012.

Note 19: Key Management Personnel Disclosures (cont'd)

Total remuneration of each key management personnel of the Company for the year ended 31 March, 2011 is set out below.

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	240,000	-	-	-	-	55,376	295,376
S Hickey	48,272	-	-	-	-	55,376	103,648
J Toigo	48,000	-	-	-	-	55,376	103,376
P Ziegler	31,000	-	-	-	-	-	31,000
Other Company Executives							
D Taplin	240,000	-	-	-	-	73,835	313,835
A J Phillips	240,000	-	-	-	-	73,835	313,835
Total	847,272	-	-	-	-	313,798	1,161,070

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of relevant Australian accounting standards. 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 are set out below:

a) $29,700 (2011: $148,640) was paid or accrued to Strategic Capital Services Pty Ltd ("Strategic Capital"), an entity of which Alan S Phillips, Chairman, President and CEO, was a former director (resigned on 16 July, 2010) and his son Joe Phillips, COO, is a director (since 16 July 2010), for rent for offices sub-let to the Company in Brisbane up until June 2011. Accordingly, Alan S Phillips has previously held while a director, and Joe Phillips currently holds as a director, positions in Strategic Capital, that result in them having (or having previously had in the case of Alan S Phillips), significant influence over Strategic Capital for the purposes of IAS 24.
b) $Nil (2011: $26,317) is owed to Strategic Capital, for rent for offices previously sub-let by the Company in Brisbane.
c) $16,690 (2011: $Nil) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.
d) $Nil (2011: $Nil) is owed to ClarkeKann Lawyers, for legal fees.
e) On 11 August, 2011, Phillips Exploration Pty Ltd assigned to the Company office equipment and furniture for $27,500.
f) $Nil is owed to Phillips Exploration Pty Ltd for assignment of office equipment and furniture.
g) On 5 December, 2011 the Company sold two motor vehicles which were independently valued for $13,200 to Phillips Exploration Pty Ltd, an entity of which Joe Phillips, COO, is a director and Jacqueline Phillips, wife of Alan S Phillips, Chairman, President and CEO, is a director, that result in them having significant influence over Phillips Exploration Pty Ltd for the purposes of IAS 24. The sale was approved by the board and Alan S Phillips did not vote.
h) $Nil is owed by Phillips Exploration Pty Ltd for the sale of the two motor vehicles.

Note 19: Key Management Personnel Disclosures (cont'd)

Aggregate amounts of each of the above transactions are:

	Consolidated	
	2012	2011
Amounts paid or accrued	$	$
Consulting work	16,690	-
Sale of two motor vehicles	(13,200)	-
Purchase of office equipment and furniture	27,500	-
Reimbursement of office rent	29,700	148,640
	60,690	148,640

	Consolidated	
	2012	2011
	$	$
Aggregate amounts payable to related parties of directors of the Company at balance date relating to the above types of transactions	-	26,317
Current Liabilities	-	26,317

Equity instrument disclosures relating to key management personnel

Ordinary Shares

The number of shares in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Name	Number at 1/4/11	Number Acquired	Number Disposed	Number at 31/3/12
A S Phillips	-	-	-	-
S Hickey	403,700	40,000	-	443,700
J Toigo	-	-	-	-
J Starink (appointed 23 June, 2011)	-	-	-	-
P Ziegler (resigned 4 May 2011)	-	-	-	-
D Taplin	103,224	45,000	-	148,224
A J Phillips	134,809	-	-	134,809
J Phillips, A J Phillips, D Taplin [1]	1,000,000	35,000	-	1,035,000
	1,641,733	120,000	-	1,761,733

[1] 1,000,000 shares are held by First Apollo Capital Limited ("First Apollo"). A S Phillips was a former director of First Apollo (resigned 16 July, 2010), his wife J Phillips (since 1 June, 2005) and his son A J Phillips (since 16 July, 2010) are directors of First Apollo and D Taplin, CFO and Company Secretary, is a director and secretary of First Apollo (since 17 July, 2008). Accordingly, A S Phillips has previously held while a director, and J Phillips, A J Phillips and D Taplin, currently hold as directors, positions in First Apollo, that result in them having (or having previously had in the case of A S Phillips), significant influence over First Apollo for the purposes of relevant Australian accounting standards.

Options

The number of options in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Note 19: Key Management Personnel Disclosures (cont'd)

Name	Number at 1/4/11	Number Acquired	Number Disposed	Number at 31/3/12
A S Phillips	560,000	40,000	110,000	490,000
S Hickey	560,000	-	110,000	450,000
J Toigo	250,000	50,000	-	300,000
J Starink (appointed 23 June, 2011)	-	100,000	-	100,000
P Ziegler (resigned 4 May, 2011)	-	50,000	-	50,000
D Taplin	350,000	250,000	-	600,000
A J Phillips	350,000	250,000	-	600,000
	2,070,000	740,000	220,000	2,590,000

Warrants

The number of warrants in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Name	Number at 1/4/11	Number Acquired	Number Disposed	Number at 31/3/12
A S Phillips	-	-	-	-
S Hickey	-	-	-	-
J Toigo	-	-	-	-
J Starink (appointed 23 June, 2011)	-	-	-	-
P Ziegler (resigned 4 May, 2011)	-	-	-	-
D Taplin	-	-	-	-
A J Phillips	-	-	-	-
J Phillips, A J Phillips, D Taplin [1]	1,000,000	-	-	1,000,000
	1,000,000	-	-	1,000,000

[1] First Apollo was issued 1,000,000 warrants on 3 January, 2008 with an exercise price of CAD$2.00, exercisable for a period of 18 months. These warrants, along with other warrants held by third party warrant holders, were initially extended until 3 January, 2010 and were further extended until 3 January, 2013, both with the approval of the TSX-V for $Nil. See Note 19, Ordinary Shares, footnote [1].

Note 20: Retirement Benefits of Key Management Personnel

No amounts have been paid in connection with the retirement of directors and executives.

Note 21: Remuneration of Auditors

	Consolidated 2012 $	Consolidated 2011 $
During the year the following fees were paid or payable for services provided by the auditors.		
Crowe Horwath Melbourne:		
Audit and review of financial reports	39,000	36,500
Other services	-	7,847
Davidson & Company LLP:		
Audit and review of financial reports in Canada	93,710	67,660
Other services	7,022	-
Total remuneration for audit and other services	139,732	112,007

Non-audit Services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditors Crowe Horwath Melbourne and Davidson & Company LLP for audit and non-audit services provided during the year are set out above.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001(Cth).* The directors are satisfied that the provision of non-audit services by the auditors, as set out above, did not compromise the auditors' independence requirements of the *Corporations Act 2001(Cth)* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors' own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the Crowe Horwath Melbourne's independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 18.

Note 22: Commitments

	Consolidated 2012 $	Consolidated 2011 $
(a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	303,252	-
Later than one year but not later than five years	190,645	-
Non-cancellable operating lease	493,897	-

Note 22: Commitments (cont'd)

The Company has entered into various operating lease agreements for office space in Brisbane and Perth and accommodation in Perth.

	Note	Consolidated 2012 $	Consolidated 2011 $
(b) Finance Lease commitments			
Commitments in relation to leases contracted for at the reported date and recognised as liabilities are:			
Not later than one year		111,182	53,336
Later than one year but not later than five years		36,598	143,611
Later than five years		-	-
Minimum Lease payments		147,780	196,947
Less future finance payments		(3,338)	(10,490)
Present value of minimum lease payments	14	144,442	186,457

Finance lease agreements have been entered into by the Company for the purchase of four vehicles used for exploration purposes. The completion date of the leases is 30 November, 2013. Minimum lease payments are $4,445 per month and residual pay out at the completion of the leases is $87,039. Total unexpired interest is $3,338.

	Consolidated 2012 $	Consolidated 2011 $
(c) Exploration and evaluation expenditure		
In order to maintain current rights to tenure to exploration tenements, the Company is required to perform minimum expenditure requirements specified by various governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made and at other times. These obligations are not provided for in the financial statements and are payable:		
Not later than one year	2,885,215	1,415,900
Later than one year but not later than five years	10,533,302	7,682,649
	13,418,517	9,098,549

(d) Option Agreement E30/317

The Company is required to undertake expenditure of $500,000 on tenement E30/317 within the 24 month exercise period or pay the shortfall, if it does not exercise the option. Refer to section in Directors' Report (v) Expansion and Acquisition of Tenements.

Note 23: Contingent Liabilities

Security Bonds

Contingent liability of $158,000 exists in relation to security bonds issued to the Department of Mines and Petroleum for compliance with environmental conditions attached to exploration and mining leases E30/230, E30/317, E30/321, M30/228, M30/229, M30/240 and M30/243.

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

First Strategic Development Corporation Ltd (in liquidation)

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

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

Note 24: Post balance date events

Option Agreement E30/317

On June 16, 2012 the Company paid the further option fee of $200,000 on the option's first anniversary. Refer to above section in Directors Report (v) Expansion and Acquisition of Tenements.

Options exercised

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

Directors' Declaration

In accordance with a resolution of the directors of the Company, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001 (Cth)*, including:

(i) giving a true and fair view of the Company and consolidated entity's financial position as at 31 March, 2012 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and *Corporations Regulations 2001 (Cth)*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Alan S Phillips
Chairman

Dated: 27 June, 2012

Independent Auditor's Report to the Members of Macarthur Minerals Limited and Controlled Entities

Report on the financial report

We have audited the accompanying financial report of Macarthur Minerals Limited (the company) and Macarthur Minerals Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 March 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The responsibility of the directors for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial statements, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the company, and have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditors Independence Declaration, a copy of which is attached to the Financial Report.

Auditor's opinion

In our opinion:

a. the financial report of Macarthur Minerals Limited and Macarthur Minerals Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company and consolidated entity's financial position as at 31 March 2012 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

CROWE HORWATH MELBOURNE

Peter Sexton
Partner
Melbourne VIC 3000

Dated: 27 June 2012