



ANNUAL INFORMATION FORM

MACARTHUR MINERALS LIMITED

For the fiscal year ended March 31, 2012

Dated: June 27, 2012



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PRELIMINARY NOTES

In this Annual Information Form (the “**AIF**”), unless the context otherwise requires, the terms “the **Company**” and “**Macarthur**” refer to Macarthur Minerals Limited and its wholly owned subsidiaries.

Documents Incorporated by Reference

Incorporated by reference into this AIF are the following documents:

- (a) consolidated audited financial statements of the Company for the year ended March 31, 2012;
- (b) Management Discussion and Analysis for the year ended March 31, 2012; and
- (c) NI 43-101 Technical Report, Macarthur Minerals Limited: Hematite Mineral Resource, Ularring Hematite Project, Western Australia, filed June 29, 2012.

copies of which may be obtained online from SEDAR at www.sedar.com.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this AIF to the extent that a statement contained in this AIF or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this AIF, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Date of Information

All information in this AIF is as of March 31, 2012 unless otherwise indicated.

Forward Looking Statements

This AIF contains forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) within the meaning of applicable securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Information concerning mineral resource estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and specifically in respect of the Ularring Hematite Project and the Moonshine Magnetite Project (as defined herein) and the Company’s other mineral properties;
- the potential for the expansion of the estimated resources at the Ularring Hematite Project and the Moonshine Magnetite Project;
- the potential for a production decision concerning, and any production at, the Ularring Hematite Project and the Moonshine Magnetite Project;
- the Company’s estimated future exploration expenditures and other expenses for specific operations;

- the Company's estimates of the quality and quantity of the resources at its mineral properties;
- the timing and cost of the planned future exploration programs at the Ularring Hematite Project and the Moonshine Magnetite Project, and the timing of the receipt of results therefrom;
- the Company's future cash requirements;
- general business and economic conditions;
- currency fluctuations;
- litigation risks; and
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "*Risk Factors*".

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and information. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements and information due to a variety of risks, uncertainties and other factors, including without limitation, those referred to in this document under the heading "Risk Factors" and elsewhere. The Company's forward-looking statements and information are based on the reasonable beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's beliefs, expectations or opinions should change.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this AIF. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the price of iron-ore;
- general business and global economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration and potential development program at the Ularring Hematite Project and the Moonshine Magnetite Project;
- conditions in the financial markets generally;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favorable terms in connection with its ongoing exploration program at the Ularring Hematite Project and the Moonshine Magnetite Project;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the timing of the ability to commence and complete the planned work at the Ularring Hematite Project and the Moonshine Magnetite Project;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs at the Ularring Hematite Project and the Moonshine Magnetite Project and the Company's ability to comply with such terms on a safe and cost-effective basis;
- the ongoing relations of the Company with the applicable regulatory agencies;
- that the metallurgy and recovery characteristics of samples from certain of the Company's mineral

properties are reflective of the deposit as a whole;

These forward looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements and information.

Readers are encouraged to consult the Company's public filings at www.sedar.com for additional information concerning these matters.

Cautionary Note to United States Investors regarding Technical Information

The information contained herein and incorporated by reference herein has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all mineral resource estimates included herein or incorporated by reference herein have been prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”) and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure (oral statements as well as written documents and websites) an issuer makes of scientific and technical information concerning mineral projects, and requires that all such disclosure be made under the supervision of a “qualified person” as defined in NI 43-101. It also requires issuers to file technical reports at certain times under a prescribed format.

Canadian standards differ significantly from the requirements of the United States Securities Exchange Commission (the “**SEC**”); mineral resource information contained herein or incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with NI 43-101. These definitions differ from the definitions in the SEC’s Industry Guide 7 (“**Guide 7**”) under the United States Securities Act of 1933, as amended, and rules and regulations thereunder. Under Guide 7 standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves or that they can be mined economically or legally. The estimation of measured, indicated and inferred mineral resources involves greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. U.S. investors are cautioned (i) not to assume that measured or indicated resources will be converted into reserves and (ii) not to assume that estimates of inferred mineral resources exist, are economically or legally mineable, or will be upgraded into measured or indicated mineral resources. It cannot be assumed that the Company will identify any viable mineral resources on its properties or that any mineral reserves, if any, can be recovered profitably, if at all. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies, except in rare cases. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained or incorporated by reference in this Information Circular contains descriptions of the Company’s mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Currency and Exchange Rates

Unless otherwise noted, all dollar amounts in this AIF are expressed in Australian dollars. The Company's functional currency is Australian dollars and the Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Prior to the reporting period commencing April 1, 2011, the Company's financial statements were prepared in accordance with Canadian Generally Acceptable Accounting Principles ("GAAP"). For reporting periods commencing January 1, 2011 reporting companies were required to transition from Canadian GAAP to IFRS. All references to "C\$" are to Canadian dollars.

The following table sets forth the rate of exchange for the Canadian dollar, expressed in Australian dollars in effect at the end of the periods indicated, the average of exchange rates in effect on the last day of each month during such periods, and the high and low exchange rates during such periods based on the noon rate of exchange as reported by the Bank of Canada for conversion of Australian dollars into Canadian dollars.

Australian Dollars to Canadian Dollars	Fiscal Year Ended March 31			
	2012	2011	2010	2009
Rate at end of period	1.0358	0.9875	0.93331	0.8422
Average rate for period	1.0372	0.9599	0.9256	0.8788
High for period	1.0754	1.0012	0.9739	0.9745
Low for period	0.9969	0.8859	0.8758	0.8021

All financial information in this AIF is prepared in accordance with IFRS.

Metric Equivalents

For ease of reference, the following factors for converting imperial measurements into metric equivalents are provided:

To convert from imperial	To metric	Multiply by
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Tons	Tonnes	0.907185
Ounces (troy)/ton	Grams/Tonne	34.2857

Glossary on Mining Terms

A glossary of certain mining terms used in this AIF can be found in "Schedule A":

CORPORATE STRUCTURE

Incorporation

The Company was formed by the amalgamation on March 31, 1991 of "U-Pak Shipping Systems Inc." and "U-Pak Containers Inc." to form "U-Pak Shipping Containers Inc.", an Alberta registered corporation. On October 25, 1996 the Company was continued into British Columbia and changed its name to "Citation Resources Inc.". On October 24, 2002 the shareholders approved the change of the Company's name to "Macarthur Diamonds Limited" and also approved the continuance of the Company to Australia which involved the continuance of the Company into the Yukon Territory effective November 1, 2002 and the continuance of the Company from the Yukon Territory into the jurisdiction of Australia under the *Corporations Act 2001 (C'th)* which became effective December 2, 2002. On February 17, 2005 the Company changed its name to "Macarthur Minerals Limited".

The Company's address and contact information are as follows:

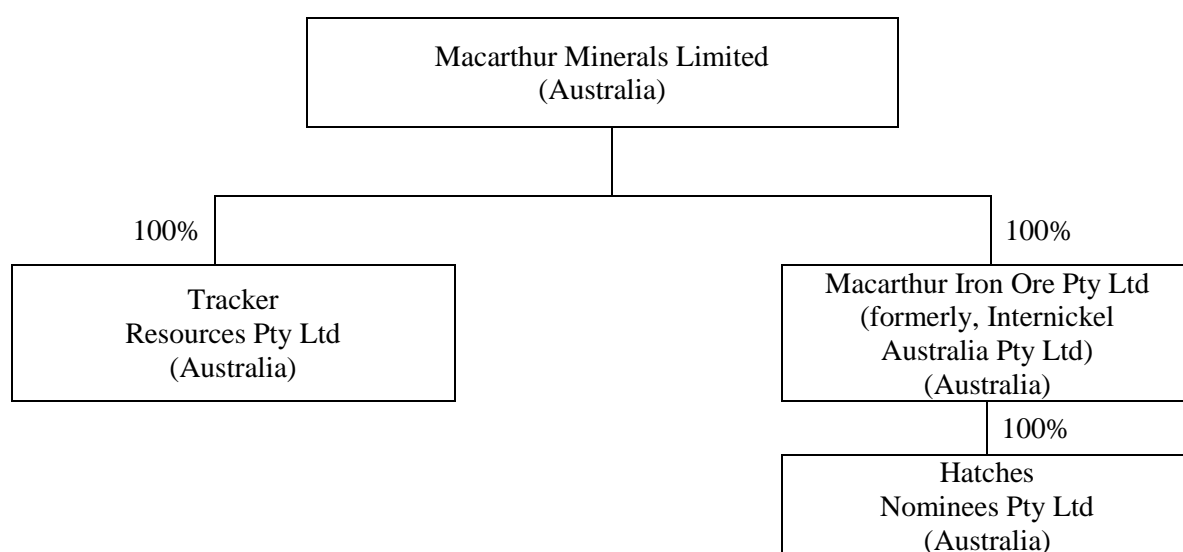
Head office and registered office:

Level 20
10 Eagle Street, Brisbane, QLD. 4000
Australia
Tel: +61 7 3221 1796
Fax: +61 7 3221 6152

Intercorporate Relationships

Macarthur is the holding company of a mineral exploration group of companies all of which are wholly-owned subsidiaries of the Company.

The following table sets out information relating to the Company's subsidiaries:



Macarthur is an incorporated company with its head office in Brisbane, Australia and headed by the Chief Executive Officer, Chief Financial Officer and Company Secretary, and Chief Operating Officer. The head office is comprised of 11 staff as at June 27, 2012.

Macarthur is the entity listed on both the Toronto Stock Exchange (the“**TSX**”) and the OTC marketplace, OTCQX International (“**OTCQX**”). Macarthur holds 3 wholly owned subsidiaries. Macarthur Iron Ore Pty Ltd (“**MIO**”) (formerly Internickel Australia Pty Ltd (“**Internickel**”))¹, is the owner of those tenements referred to in the Mineral Projects section of this report. MIO is the entity from which the Perth, Australia office and the Macarthur Iron Ore Projects are run with 22 staff as at June 27, 2012. MIO is the sole shareholder of Hatches Nominees Pty Ltd, which has limited operations, and is the owner of those tenements referred to in the Mineral Projects section of this report. Tracker Resources Pty Ltd is wholly owned by Macarthur, with limited operations.

¹ Internickel Australia Pty Ltd changed its name to Macarthur Iron Ore Pty Ltd on August 16, 2011.

GENERAL DEVELOPMENT OF THE BUSINESS

General

Macarthur is an Australian minerals exploration and development company. The Company is currently focused on the exploration and development of iron ore, including hematite and magnetite deposits, within the Company's projects. See "Description of the Business of the Company" for further information on the Company's mineral rights and assets.

The Company's common shares (the "**Shares**") were listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") on July 7, 2005. On October 14, 2011 the Company shares have been delisted from the TSXV and commenced trading on the TSX. The Company currently trades on the TSX under the symbol "MMS". On June 22, 2011 the Shares were listed on the OTCQX under the symbol "MMSDF".

Three Year History

Fiscal Year ended March 2010

On June 3, 2009 the Company exercised its rights to reacquire Minmetals Mining Corporation Limited's ("**MMCL**") and LPD Holding (Australia) Pty Ltd's ("**LPD**") 30% shareholding in MIO.

Macarthur completed the acquisition of the 10% interest in MIO from LPD on August 29, 2009 for the issuance of 1,572,326 Shares. On December 3, 2009 the Company completed the acquisition of the 20% interest in MIO from MMCL for the issuance of 3,144,654 Shares. The Company now holds a 100% interest in MIO and the Macarthur Iron Ore Projects.

Fiscal Year ended March 2011

The Company completed a non-brokered private placement on April 21, 2010 for gross proceeds of C\$9,000,000 consisting of 6,000,000 Shares at a price of C\$1.50 per Share. In connection with the offering the Company paid total commissions of C\$508,725 and issued 339,150 share purchase warrants, each warrant entitling the holder to acquire one Share of the Company at a price of C\$1.80 at any time up to three years from closing the private placement.

On February 24, 2011, the Company completed a brokered private placement of 13,900,000 units at a price of C\$3.60 per unit for gross proceeds of C\$50,040,000. Each unit consisted of one Share and one-half warrant ("**Unit**"). A full warrant entitles the holder of such warrant to purchase a Share at a price of C\$4.50 within 2 years from February 24, 2013. As part of the compensation paid to the syndicate of underwriters in connection with the placement, the underwriters were provided with the option to purchase, within 2 years, an additional 834,000 Units on substantially the same terms.

Fiscal Year ended March 2012

Expansion and Acquisition of Tenements

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km². 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 on the option's first anniversary 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 would add to the Company's existing established mineral resources.

OTCQX

On June 22, 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".

Appointment of Mr Jon Starink as director

Mr Starink was appointed director on June 23, 2011.

Change of name – Internickel Australia Pty Ltd

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

Listing on the Toronto Stock Exchange

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

From Fiscal Year ended March 2012 to June 27, 2012

Appointment of Mr Jeffrey Wall, CBE as director

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

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 *Expansion and Acquisition of Tenements*.

Significant Acquisitions

The Company did not make any significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 during its most recently completed financial year.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

General

Macarthur is currently focused on the exploration and development of its Macarthur Iron Ore Projects, consisting of two distinct mineral projects called:

- the Ularring Hematite Project; and
- the Moonshine Magnetite Project,

located in Western Australia (the “**Macarthur Iron Ore Projects**”)². Although the projects currently sit on adjacent properties, each project is considered distinct as there is a considerable difference in the treatment and infrastructure requirements and anticipated significant additional costs of developing the Moonshine Magnetite Project as compared to the Ularring Hematite Project. The area in with both projects lie is prospective for significant iron-ore mineralization. The Macarthur Iron Ore Projects are located about 450 km east-northeast of the coastal city of Perth, Western Australia. The Macarthur Iron Ore Projects are located on exploration and mining tenements covering 1,160 km². Geologically, it is situated in the Yilgarn region of south-western Western Australia. The Yilgarn region has been, and still is, host to many significant mineral deposits that have been or are being mined for iron ore.

Specialized Skill and Knowledge

Management is composed of a team of individuals who have extensive expertise in the mineral exploration industry and exploration finance and are complemented by a strong board of directors. See *Directors and Officers*.

Key management consists of the following people:

- Alan Phillips, Chairman, President & Chief Executive Officer (“**CEO**”)
- David Taplin, Company Secretary & Chief Financial Officer (“**CFO**”)
- Alan Joseph (“Joe”) Phillips, Chief Operating Officer (“**COO**”)
- David Larsen, General Manager Geology

Alan Phillips, David Taplin and Joe Phillips have been retained on consultancy agreements with an open ended term. David Larsen is retained under an employment contract.

Competitive Conditions

The mineral exploration and mining business is a competitive business. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive mineral properties. The success of the Company will depend not only on its ability to operate and develop its properties but also on its ability to select and acquire suitable properties or prospects for development or mineral exploration.

Environmental Protection

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

² The Macarthur Iron Ore Projects was formerly called the Lake Giles Projects. The Company changed the name to more appropriately reflect its business and the name of its parent entity, Macarthur. The projects themselves still remain the same.

Employees

As at June 27, 2012 the Company had 5 people working on a consulting basis, and 28 employees. As of March 31, 2012, the Company had 6 people working on a consulting basis. The operations of the Company are managed by its directors and officers. The Company engages reputable consulting firms from time to time for all technical and environmental services as required to assist in evaluating its interests and recommending and conducting work programs.

Foreign Operations

The Company is a public Australian corporation. The Company's material asset is its 100% interest in its Macarthur Iron Ore Projects located in Western Australia.

Bankruptcy and Similar Procedures

There are no bankruptcy, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There have not been any voluntary bankruptcy, receivership or similar proceedings by the Company within the three most recently completed financial years or completed or currently proposed for the current financial year.

Reorganizations

In 2009 the Company reacquired the 30% interest in MIO from MMCL and LPD. The Company now holds a 100% interest in MIO and the Macarthur Iron Ore Projects.

Social or Environmental Policies

The Company has social and environmental policies in place that are fundamental to the operations.

Macarthur seeks to continually implement, improve and develop its policies through:

- Awareness and training.
- Internal audits, regular self-assessment against performance.
- Externals audits.
- Relationship and regular liaison with relevant environmental government agencies.
- Involvement and participation in professional networks, forums, industry associations and organizations.
- Support of local and regional business.
- Employment of local people.

RISK FACTORS

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Investors should give careful consideration to all of the information contained in this AIF and, in particular, the following risk factors:

Risks Relating to the Business of the Company

The Company's ability to continue as a going concern

Values attributed to the Company's assets may not be realizable, the Company has no proven history and its ability to continue as a going concern depends upon a number of significant variables. The amounts attributed to the Company's exploration concessions (tenements) in its financial statements represent acquisition and exploration costs and should not be taken to represent realizable value. Further, the Company has no proven history of performance, revenues, earnings or success. As such,

the Company's ability to continue as a going concern is dependent upon the existence of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of its interests and future profitable production or alternatively, upon the Company's ability to dispose of its interests on a profitable basis.

The Company is dependent on key personnel

The Company is dependent on its key personnel whom are not insured by the Company. The Company's development to date has largely depended, and in the future will continue to depend on, the efforts of key management. Loss of any of these people could have a material adverse effect on the Company and its business. In this sense the Company has been, and continues to be, particularly reliant on Alan Phillips, Macarthur's President and CEO, David Taplin, Macarthur's CFO and Company Secretary and Joe Phillips, Macarthur's COO. However, should Messrs. Phillips', Taplin's and Phillips' involvement with the Company be curtailed for any reason in the foreseeable future, such curtailment could have an adverse material impact on the Company and, therefore, the trading price of its Shares. The Company has not obtained "key man" insurance for any of its management or consultants.

The Company does not have a dividend history or policy

The Company does not pay dividends. Payment of dividends on the Company's Shares is within the discretion of the Company's board and will depend upon the Company's future earnings, its capital requirements, financial condition, and other relevant factors. The Company does not currently intend to declare any dividends for the foreseeable future.

Situations may arise where Macarthur's directors and officers have conflicts of interest with Macarthur

Conflicts of interest may arise for the Company's directors and officers, which may not be resolved in favour of the Company, which in turn may adversely affect the Company. See "Directors and Officers" for details of other companies that the Company's officers and directors are involved with. Conflicts of interest affecting the directors and officers of Macarthur will be governed by Macarthur's "Code of Conduct", the Articles (Constitution) of Macarthur, the provisions of the Corporations Act 2001 (C'th) and other applicable laws and relevant stock exchange policies and requirements. In the event that such a conflict of interest arises at a meeting of the directors, a director affected by the conflict must disclose the nature and extent of their interest and abstain from voting for or against matters concerning the matter in respect of which the conflict arises.

Macarthur has no history of mining operations

Macarthur has no history of mining operations, and there is no assurance that it will successfully produce minerals, generate revenue, operate profitably or provide a return on investment in the future. Other factors mentioned in this AIF and in the documents incorporated by reference herein may also prevent Macarthur from successfully operating a mine.

Currency Risk

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

Risk Factors Relating to the Company's Property Interests

One or more titles within the Macarthur Iron Ore Projects cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects

Macarthur cannot guarantee that one or more titles within the Macarthur Iron Ore Projects will not be challenged. Title insurance is generally not available for mineral properties and Macarthur's ability to ensure that it has obtained secure claim to individual mineral properties or exploration rights comprising the Macarthur Iron Ore Projects may be severely constrained. The Macarthur Iron Ore Projects may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Macarthur may not have conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Macarthur being unable to operate on all or part of the Macarthur Iron Ore Projects as permitted or being unable to enforce its rights with respect to all or part of the Macarthur Iron Ore Projects.

Macarthur requires various permits in order to conduct its current and anticipated future operations, and delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that Macarthur has obtained, could have a material adverse impact on Macarthur

There is no guarantee that licenses and permits required by the Company will be obtained, which may result in the Company losing its interest in or being unable to explore or develop the subject property. The Company's ability to explore and exploit the property interests is subject to ongoing approval of local governments. The operations of the Company may require licenses and permits from various governmental authorities. The Company may not be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property.

Macarthur's activities are subject to environmental laws and regulations that may increase Macarthur's costs of doing business and restrict its operations

Environmental regulations are becoming more onerous to comply with and the cost of compliance with environmental regulations and changes in such regulations may reduce the profitability of the Company's operations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with environmental regulations and changes in such regulations may reduce the profitability of the Company's operations.

The Company's properties do not have any Mineral Reserves

None of the properties in which the Company has an interest has any Mineral Reserves. Currently, there are no Mineral Reserves on any of the properties in which the Company has an interest. For information on the Company's Mineral Resources please refer to the section entitled Mineral Projects in this AIF.

The Company's Project Studies

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

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

Infrastructure and Development

There are numerous activities that need to be completed in order to successfully commence production of potential hematite from the Ularring Hematite Project, including, without limitation, negotiating final terms of export capacity at the Port of Esperance, negotiating rail and road haulage contracts, optimizing the mine plan, locating an adequate supply of fresh and saline water (for road and dust suppression), acquisition of the right to establish a rail siding, negotiating contracts for the supply of power, for the sale of hematite and for shipping, updating, renewing and obtaining, as required, all necessary permits including, without limitation, mining and environmental permits, local government road haulage approvals and handling any other infrastructure issues. There is no certainty that the Company will be able to successfully negotiate these contracts, put these matters in place and secure these necessary resources. Most of these activities require significant lead times and the Company will be required to manage and advance these activities concurrently in order to commence production. It is not unusual in developing a resources project to experience unexpected problems and delays in infrastructure delivery and project development. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, and will have a material adverse effect on the Company's business, prospects, financial performance and future results of operations.

Risk Factors Relating to Mining Generally

Mineral exploration is speculative and uncertain

Mining exploration and development is a speculative business and most exploration projects do not result in the discovery of commercially mineable deposits. Exploration for minerals is a speculative venture necessarily involving substantial risk. The expenditures made by the Company described herein may not result in discoveries of commercial quantities of minerals. The failure to find an economic mineral deposit on any of the Company's exploration concessions will have a negative effect on the Company.

Mining operations generally involve a high degree of risk

Mining operations generally involve a high degree of risk and potential liability. Hazards such as unusual or unexpected formations and other conditions are involved in mining. The Company may become subject to liability for pollution, fire, explosions, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The incurrence of any such liabilities may have a material, adverse effect on the Company's financial position.

Changes in the market price of base metals, which in the past have fluctuated widely, affect the future profitability of Macarthur's operations and financial condition

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices have fluctuated widely in recent years. The marketability and

price of minerals which may be acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company.

Mining is a highly competitive industry

Mining is a highly competitive industry. The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of large established mining companies with substantial capabilities and greater financial and technical resources than the Company. The Company may be unable to acquire additional attractive mining properties on terms it considers to be acceptable. The inability of the Company to acquire attractive mining properties would result in difficulties in it obtaining future financing and profitable operations.

Assets Located Outside of Canada

All of the Company's assets are located outside of Canada. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of certain provinces against the portion of the Company's assets located outside of Canada.

Government Policy and Taxation

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

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

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

Additionally, the Australian Government has recently enacted a number of new pieces of legislation, together comprising the "Clean Energy Legislative Package" which will facilitate the implementation of a carbon pricing mechanism including the carbon tax regime. The Clean Energy Legislative Package is being implemented and the carbon pricing mechanism will start on July 1, 2012. The carbon pricing mechanism is expected to cover up to 500 entities operating in Australia which generally includes entities operating large facilities, natural gas suppliers and companies that emit more than 25,000 tonnes of CO₂-e emissions each year. As Macarthur is not a major carbon emitter, similar to the vast majority of Australian businesses, the Company will not have any obligations under the carbon pricing mechanism. However, the new regime may indirectly lead to increased costs.

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

Risk Factors Relating to Additional Funding Requirements

Macarthur will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Macarthur

Adequate funding may not be available, resulting in the possible loss of the Company's interests in its properties. Sufficient funding may not be available to the Company for further exploration and development of its property interests or to fulfill its obligations under applicable agreements. The Company may not be able to obtain adequate financing in the future or the terms of such financing may not be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of properties with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and additional capital may not be available when needed, if at all.

Funding and property commitments will result in dilution to the Company's shareholders

Funding and property commitments will result in dilution to the Company's shareholders. It is likely any additional capital required by the Company, as described above, will be raised through the issuance of additional equity securities which will result in dilution to the Company's existing shareholders. Further, the Company, from time to time, is required to issue Shares to earn its interests in properties. Such property Share issuances will also result in dilution to the Company's existing shareholders.

Substantial expenditures are required for commercial operations

Substantial expenditures are required for commercial operations and if financing for such expenditures is not available on acceptable terms, the Company may not be able to justify commercial operations. If mineable deposits are discovered, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, resources may not be discovered in sufficient quantities to justify commercial operations or the funds required for development may not be obtained at all or on terms acceptable to the Company.

Future contractual obligations

Lack of funding to satisfy contractual obligations may result in the Company's loss of property interests. The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may have its property interests subject to such agreements reduced as a result or even face termination of such agreements. In order to secure ownership of these properties, additional financing will be required. Failure of the Company to make the requisite payments in the prescribed time periods will result in the Company losing its entire interest in the subject property and the Company will no longer be able to conduct certain aspects of its business as described in this AIF. The Company may not have sufficient funds to: (a) make the minimum expenditures to maintain its properties in good standing under Canadian and Australian law; and (b) make the minimum expenditures to earn its interest in such properties. In such event, in respect of any of the properties, the Company may seek to enter into a joint venture or sell the subject property or elect to terminate its option.

Risk Factors Relating to the Securities of the Company

Macarthur's securities are subject to price volatility.

The price of the Company's Shares is volatile. Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for the Shares of the

Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating sales and revenues.

Absence of a liquid trading market for Macarthur's securities.

Shareholders of the Company may be unable to sell significant quantities of Shares into the public trading markets without a significant reduction in the price of their Shares, if at all. The Company may not continue to meet the listing requirements of the Exchange or achieve listing on any other public listing exchange.

MINERAL PROJECTS

The Company's principal asset is its 100% interest in the Macarthur Iron Ore Projects which comprises of two distinct mineral projects:

1. The Ularring Hematite Project: encompassing hematite iron ore, to be marketed as beneficiated iron ore; and
2. The Moonshine Magnetite Project: encompassing magnetite iron ore, to be marketed as a beneficiated concentrate.

Although the Macarthur Iron Ore Projects currently sit on adjacent properties, each project is considered distinct as there is considerable difference in the treatment and infrastructure and processing requirements and anticipated significant additional costs of developing the Moonshine Magnetite Project as compared to the Ularring Hematite Project. The Moonshine Magnetite Project PEA ("**Moonshine PEA**") references CAPEX requirements of \$2,272 m, whereas the Ularring Hematite Project PEA ("**Ularring PEA**") references CAPEX requirements of \$133.7 m.

THE ULARRING HEMATITE PROJECT

The following is a summary of the NI 43-101 Technical Report, Macarthur Minerals Limited: Hematite Mineral Resource, Ularring Hematite Project, Western Australia, filed June 29, 2012 ("**Ularring Hematite Technical Report**"), a full copy of which is available under the Company's profile on SEDAR at www.sedar.com. The Ularring Hematite Technical Report is specifically incorporated by reference herein. Readers are directed to review the Ularring Hematite Technical Report which qualifies the following disclosure. The following summary is not exhaustive. The Ularring Hematite Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The Ularring Hematite Technical Report contains the expression of the professional opinions of "qualified persons" as defined under NI 43-101 based upon information available at the time of preparation of the Ularring Hematite Technical Report. David Williams MAIG of CSA Global Pty Ltd, Alan Dickson FAusIMM (CP) of Alan Dickson & Associates Pty Ltd and Damian Connelly FAusIMM of Mineral Engineering Technical Services Pty Ltd, qualified persons under NI 43-101, have consented to extracts from, or a summary of, the Ularring Hematite Technical Report in the AIF and have reviewed the following disclosure.

The Company released the Ularring PEA on November 21, 2011 based on the current Mineral Resource estimate at that time which was supported by a technical report on January 4, 2012. The Company subsequently announced an updated Mineral Resource estimation on January 25, 2012 (supported by a technical report, lodged on March 9, 2012) and more recently the results of metallurgical testing and a significantly larger Mineral Resource based on a different cut-off grade in June 2012 (supported by the current Ularring Hematite Technical Report that supports the disclosure in this AIF). Although the Ularring PEA remains current in respect of the smaller resource estimate on which it is based the Ularring PEA has not been updated to take into account the updated Mineral Resource estimates made in January or June. Therefore some sections of the Ularring PEA do not reflect the latest Mineral Resource estimate. These are being reviewed as part of the pre-feasibility study which is anticipated to be completed by the end of July.

Project Description & Location

The Ularring Hematite Project is located about 450 km east-northeast of the coastal city of Perth, Western Australia. Macarthur manages contiguous tenements covering a total area of 1,160 km². The Ularring Hematite Project comprises all hematite/goethite mineralisation located within these tenements, including the Mineral Resources from five individual deposits south of the Evanston Menzies Road spread linearly over a 30 km distance running from north to south.

Figure 1 - Location of Ularring Hematite Project in Western Australia



Mineral Tenure

The Ularring Hematite Project area comprises 23 Exploration, 15 Mining and 5 Prospecting Licences which are all held or managed by MIO, a 100% owned subsidiary of Macarthur. In addition Macarthur holds three Miscellaneous Licences which cover possible haulage and services routes to the township of Menzies, located approximately 105 km to east.

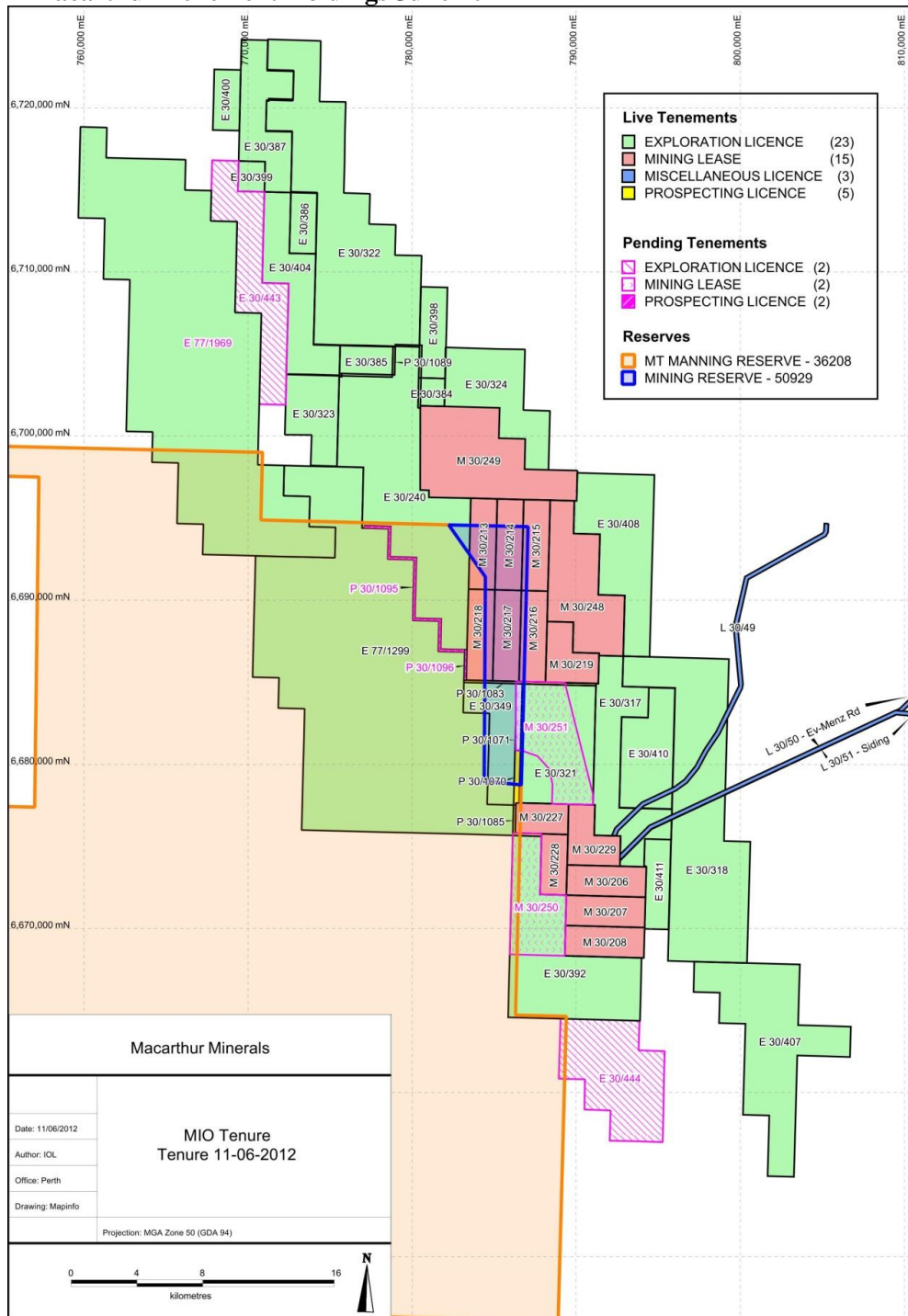
There are presently six additional pending tenement applications, consisting of two exploration licences, two prospecting licences and two mining leases. Tenements are designated as either mining, exploration, prospecting or miscellaneous as itemised in **Figure 2**.

There are no other known agreements (royalties or other encumbrances) relating to any of the tenements.

With the exceptions of two Reserves all of the Macarthur tenements occur on Vacant Crown Land

which is defined as Crown Land not currently being used or reserved for any future purpose. As the registered tenement manager Macarthur has the right to access the land for the purpose of mineral exploration, subject to the conditions of tenure described below.

Figure 2 - Macarthur Tenement Holdings June 2012



Environmental Liabilities

The Ularring Hematite Project does not have any environmental liabilities from previous mining or exploration activities such as the rehabilitation of waste dumps or decommissioning of tailings storage facilities. No area of the site is registered as a contaminated site that requires remediation. The Company has not been fined or prosecuted under any environmental legislation or received any improvement notices for current or past exploration activities from the DMP. There are no heritage

agreements in place as there are no registered native title claimants within the Ularring Hematite Project tenements.

The ESA that formerly existed over Mining Reserve 50929 has recently been removed. This site was listed on the RNE under the *Australian Heritage Council Act 2003* of the Commonwealth. As a result of the expiration or repeal of parts of the *Environment Protection and Biodiversity Conservation Act 1999* and *Australian Heritage Council Act 2003* relating to the RNE, this site is no longer deemed to represent an ESA as declared under the *Environmental Protection (Environmentally Sensitive Areas) Notice 2005*.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Topography, Elevation and Vegetation

The topography of the Ularring Hematite Project area is comprised of low ridges associated with the BIF units, striking in a general northwest - southeast direction, that rise up from the surrounding sandy plains. The range in elevation is approximately 120 m with the highest point at approximately 520 mRL.

Access to Property

The Ularring Hematite Project can be accessed from Kalgoorlie via the sealed Menzies Highway north for 130 kilometres, then west from the town of Menzies for 115 kilometres along the unsealed graded Evanston-Menzies road (**Figure 3**). Alternatively the Ularring Hematite Project can be accessed from Perth, via sealed roads to Southern Cross and Bullfinch, then north and east for 200 km along the Diemals road.

Figure 3 - Location of the project area with local infrastructure and localities.



Climate

The climate at the Ularring Hematite Project is characterised as a semi-arid climate. The mean annual rainfall of 275.7 mm with rain fall mostly in the winter months. The temperature averages over 40°C for 15 days in the summer months, from November to March, while in the winter months, from June to August, the temperature averages a minimum range from 3.9°C to 5.0°C.

Infrastructure

The Ularring Hematite Project is serviced from the city of Kalgoorlie-Boulder, with a population of 28,000 people, which provides services to a large number of operating mines and exploration properties in the region.

At present a pre-feasibility study is being undertaken by Macarthur. A major part of this and subsequent studies will be to identify the availability of sources of power, water, personnel, potential tailings storage areas, potential waste disposal areas, and potential processing plant sites.

History

Property Ownership

Since the late 1960's several exploration companies have held the exploration rights to the Ularring Hematite Project tenements. There have been 3 main phases of exploration; nickel exploration from 1968 to 1972, gold exploration from 1993 to 2004 and more recently iron exploration.

Macarthur Minerals Limited 2005-2006

Macarthur Minerals Limited took over the tenements then known as the Lake Giles Project in late 2005 with the purchase of Internickel Australia Pty Ltd. Macarthur immediately continued with the ongoing exploration program for nickel and gold. In particular anomalies generated by a 2004 helicopter electromagnetic survey were visited and many were mapped and sampled, with emphasis on the search for nickel bearing gossans.

Historical Mineral Resource Estimates & Previous Mining

No known historical mineral resource or reserve estimates prior to 2007 exist for any commodity within the area now covered by Macarthur's tenements.

No mining is known to have been undertaken in the Ularring Hematite Project area or anywhere on Macarthur's tenements to date.

Project Geology, Exploration and Mineral Resource Estimates

The outcropping geology of the Ularring Hematite Project area is comprised of a combination of un-altered silica rich banded BIFs and altered, enriched haematite/goethite BIFs. Weathering has resulted in the leaching of the majority of the silica from the BIFs, thus producing a rock rich in iron and low in silica, near surface. These enriched bands vary from 1 m to 30 m in true thickness and are largely steeply dipping at 70°-90°. The mineralisation extends along a strike extent of 6,800 m (Snark and Drabble Downs), 3,300 m (Banjo / Lost World), 7,100 m (Central) and 2,200 m (Moonshine). BIF strata, containing the Mineral Resources presented in this AIF, have been modelled to a depth of 120m below surface except where closed by drilling.

Over the past four years Macarthur geologists have conducted ground traverses and geologically mapped the Macarthur prospects. The outcropping rock was classified as either BIF or hematite/goethite enriched BIF. The extent of outcrops was surveyed by handheld Garmin GPS devices, with an accuracy of ± 3 metres on the GDA94 grid system. These boundaries were

subsequently digitised in the MapInfo GIS software package. The outcrop mapping has confirmed and improved the definition of the BIF and hematite mineralisation. The location of outcrops and mapped structural information was used in planning the location and orientation of drill holes for Mineral Resource modelling.

A summary of exploration drilling methodology and results, as used to support the Mineral Resource estimates are presented in Section 10 of the Ularring Hematite Technical Report.

Outcrop maps with drill collars for the hematite/goethite project areas are presented in **Figure 4, 5 and 6.**

Figure 4 - Outcrop map for Snark and Drabble Downs, showing drill hole collars as at June 29 2012

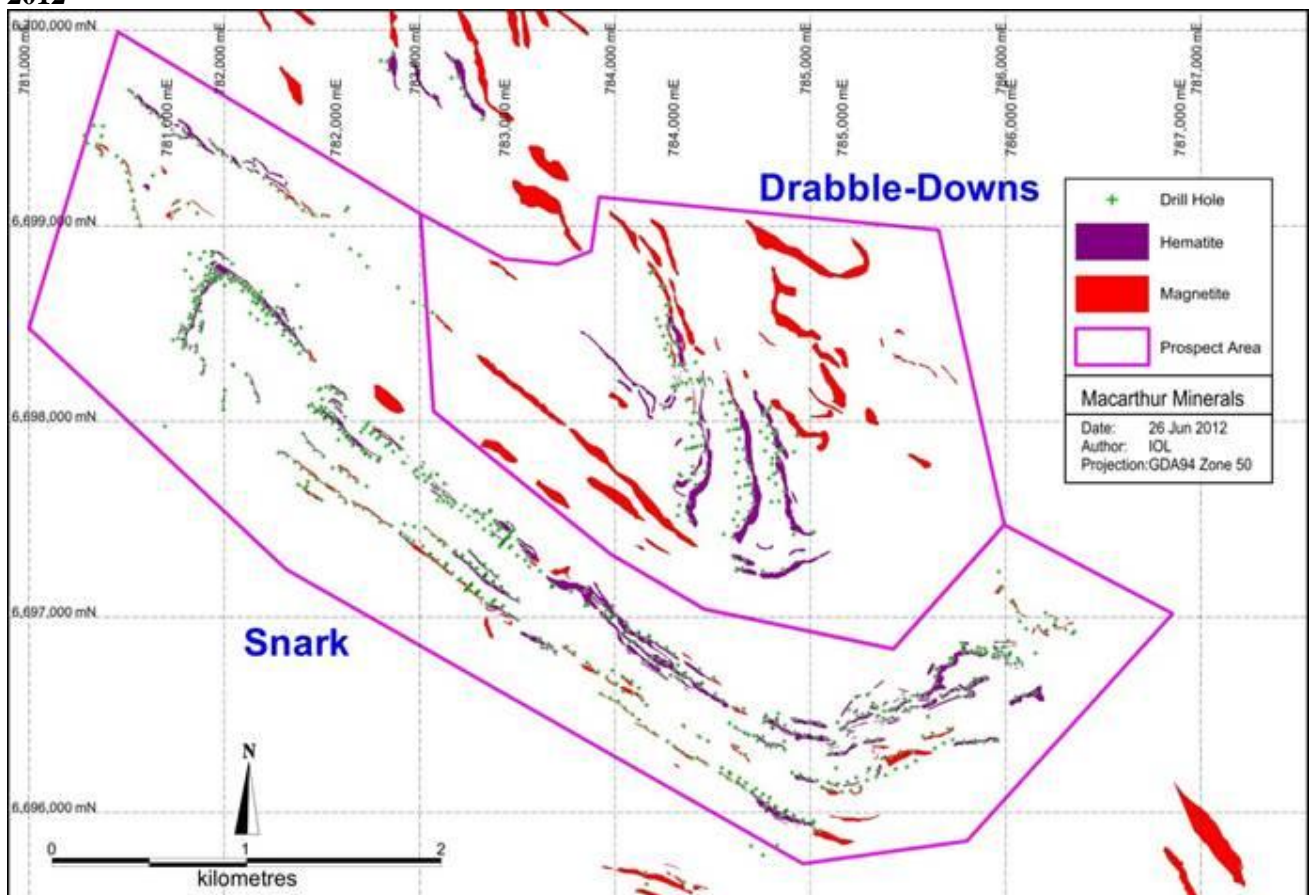


Figure 5 - Outcrop map for Central, showing drill hole collars as at June 29 2012

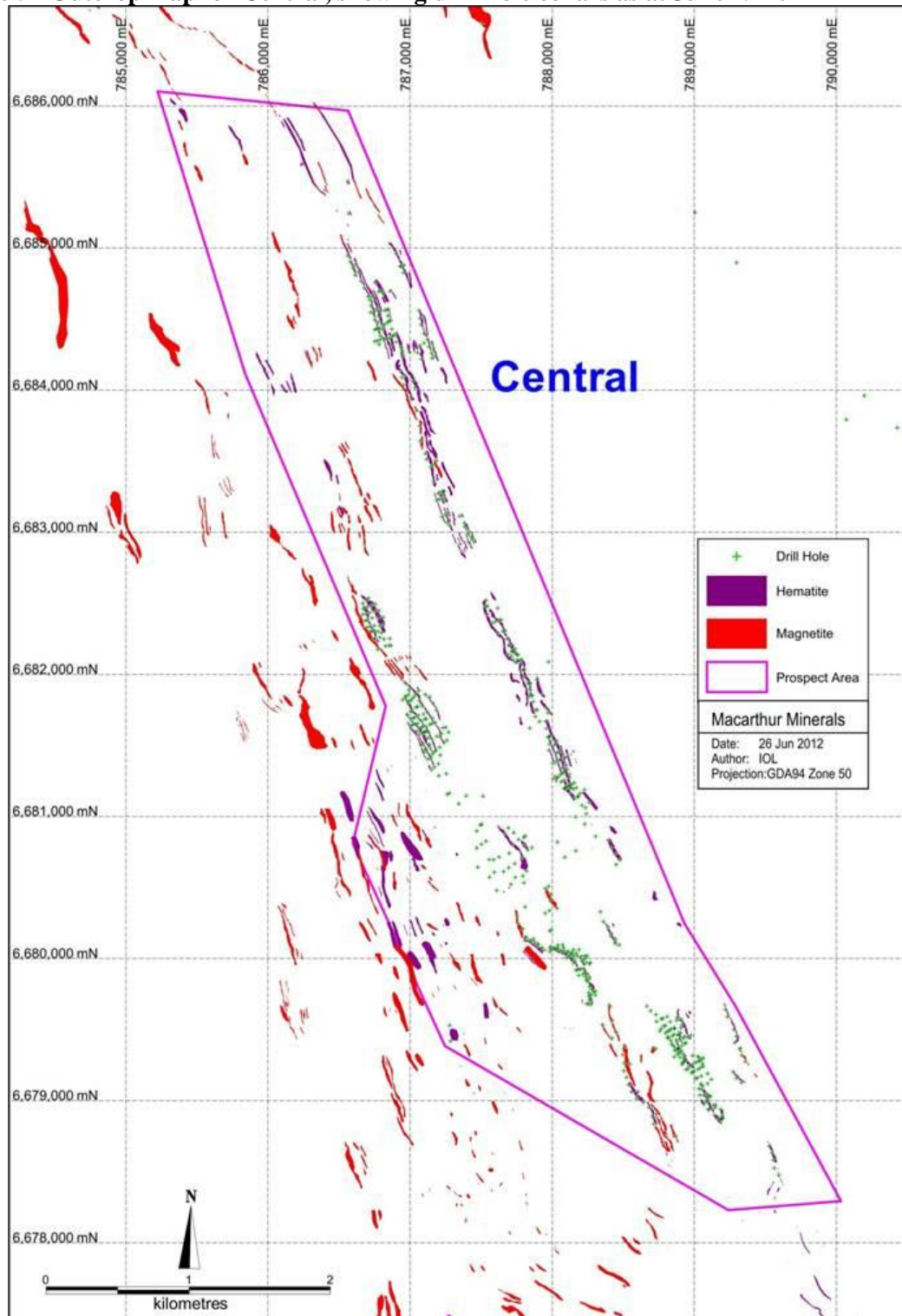
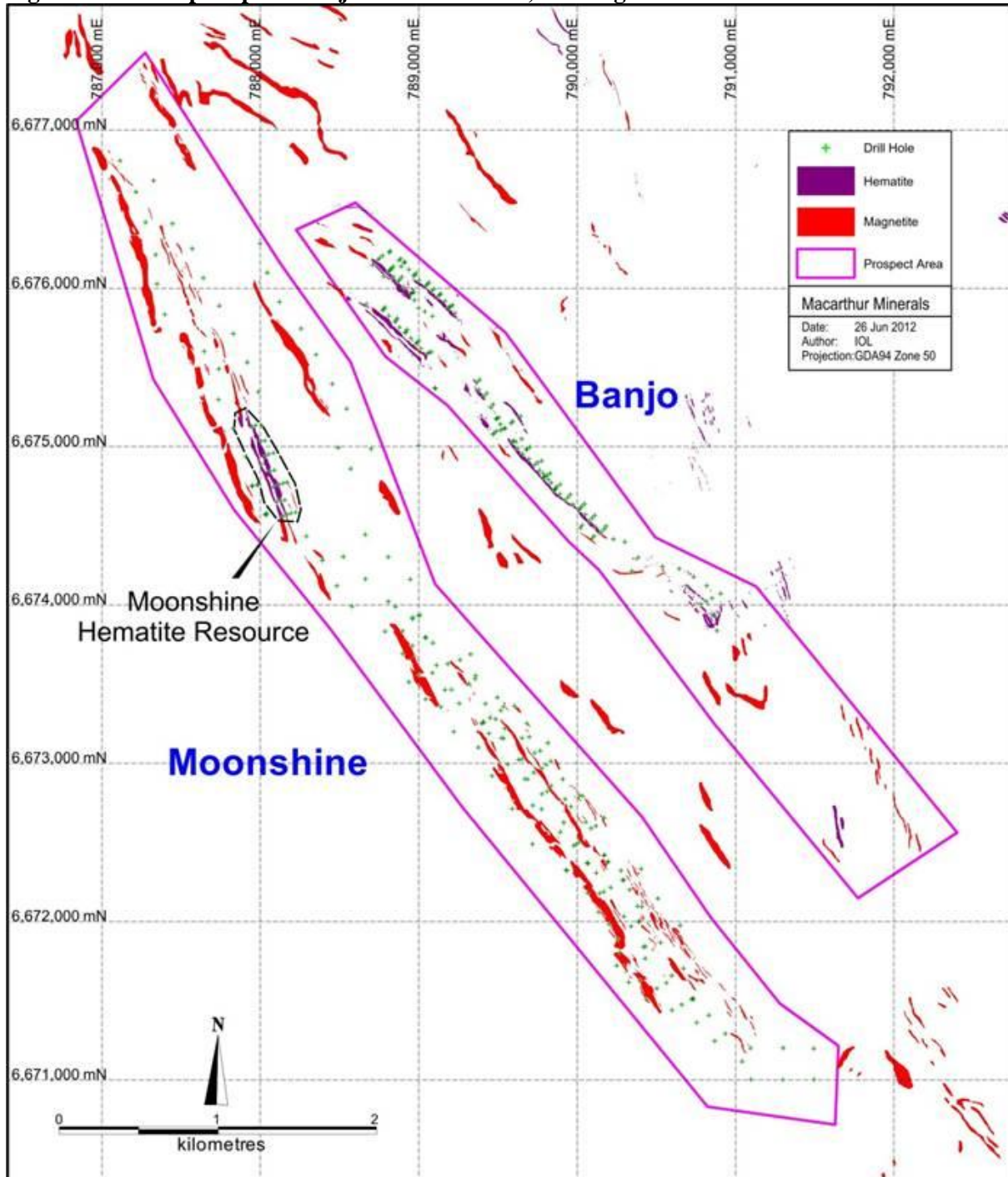


Figure 6 - Outcrop map for Banjo and Moonshine, showing drill hole collars as at June 29 2012



Exploration by way of RC and DDH drilling has occurred through 2011 and complements drill results from previous years to support the current Mineral Resource estimate. The database supporting the Mineral Resource estimate on which this study includes all information collected up until August 31, 2011 (Moonshine), and May 9, 2012 (Snark, Drabble Downs, Central, Banjo and Lost World). As of this date there were 1,626 drill holes (1,588 RC, 38 DDH) loaded in the database for 92,259m. Of this total, 85,557 samples from 1,588 holes were assayed, and verified for use in the Mineral Resource estimate.

The previous Mineral Resource estimate (Technical Report filed March 9, 2012) used a 50% Fe cut-off grade to define Mineral Resource volumes. Phase one metallurgical testing (News Release November 21, 2011) commenced in late 2011 indicated that it is technically possible to recover material with a grade greater than 60% Fe with a recovery of over 63% using conventional gravity

beneficiation from comparatively high grade starting materials. The results of the recently completed second phase of metallurgical testing provided evidence for the process-ability of a range of material types and grades and prompted re-evaluation of the Mineral Resource inventory at a 40% Fe cut-off grade (News Release June 1, 2012).

The Mineral Resource estimate is based upon a set of 3D wireframe solids, encapsulating the host BIF 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 March 9, 2012.

The wireframed envelopes represent the constraining geology and the dip and strike of each envelope attempt to mirror the data from field fact mapping as far as possible. Block models were constructed for Snark and Drabble Downs, Central, Banjo and Lost World, and Moonshine. Parent cell sizes were set for each individual Mineral Resource model, dependent upon the local drill spacing. The sample assayed grades were estimated into the block model using ordinary kriging. Density values were calculated by an algorithm according to the interpolated iron grade.

The Mineral Resource is classified as Indicated and Inferred, as required by NI 43-101 and described in the CIM Definition Standards on Mineral Resources and Mineral Reserves. The classification level is based upon an assessment of geological and mineralisation continuity, quality control results from drilling and assaying, and an analysis of available density information.

Mineral Resource Recommendations

CSA recommend the following actions to increase or maintain the confidence of future Mineral Resource estimates:

- Interpret localised geology to model expected depth of weathering, to differentiate between soft and hard BIF.
- Continue to develop a deposit scale geological model incorporating lithology, mineralisation, weathering and structural features that locally control the occurrence and location of BIF host rock.
- Maintain field geological procedures with respect to drill rig inspections and sampling procedures, vetting the maintenance and cleanliness of sample splitters and sample recovery.
- Monitor the performance of CRM and field duplicates immediately upon receipt of assays.
- Macarthur geologists to compile a QAQC report prior to future Mineral Resource estimates.
- Complete additional drilling in Inferred and un-classified Mineral Resource areas to increase geological confidence of individual mineralised units.

Drilling

Results from drilling completed between 2009 and 2011 were included in this Mineral Resource estimate. Historical drilling prior to 2009 targeted magnetite mineralisation, and is not considered relevant to the Mineral Resource estimate, nor impact upon the delineation of the estimate, and are not discussed further. The database supporting the Mineral Resource estimate on which this study includes all information collected up until August 31, 2011 (Moonshine), and May 9, 2012 (Snark, Drabble Downs, Central, Banjo and Lost World). As of this date there were 1,626 drill holes (1,588 RC, 38 DDH) loaded in the database for 92,259m. Of this total, 85,557 samples from 1,588 holes were assayed, and verified for use in the Mineral Resource estimate.

Table 1 and **Table 2** present the drilling statistics, supporting the Mineral Resource estimate.

Table 1 - Drilling completed at Ularring Hematite Project to May 9 2012

Row Labels	RC Holes Drilled	Metres	Diamond Holes Drilled	Metres
Banjo	149	9,473	2	107
Central	627	36,093.8	7	289
Moonshine	20	1,570	-	-
Snark	662	36,987.1	29	1,333
Drabble Downs	130	6,710	-	-
Grand Total	1,588	90,833.9	38	1,729

Table 2 - Analyses completed at Ularring Hematite Project to May 9 2012

Deposit	RC Holes Drilled	Metres	Metres analysed for XRF Fe suite whole rock only
Banjo	149	9,473	7,514
Central	627	36,093.8	34,811
Moonshine	20	1,570	1,122
Snark	662	36,987.1	35,502
Drabble Downs	130	6,710	6,608
Grand Total	1,588	90,833.9	85,557

All material obtained from the diamond holes were used for the metallurgical test work; therefore no diamond core samples were assayed, but the logged geology was taken into account when modelling the resources.

Macarthur contracted Orbit Drilling Pty Ltd (“**Orbit Drilling**”) to carry out both the RC and diamond drilling. Orbit Drilling are an exploration drilling company based in Perth, Western Australia. Two RC drill rigs were utilised in 2010 and 2011, a Schramm T660 (Volvo 8x4 wheel rig) and a track mounted Schramm T450WS.

Drilling practices are focused on maximizing sample recovery and minimizing sample contamination. At the end of each six metre drill rod, the drilling pauses and compressed air is blown through the rods to flush cuttings from the drill hole, the sample hoses and the cyclone to minimize sample contamination, and to ensure that there are no blockages in the sample stream. The cyclone is regularly inspected and cleaned as necessary. Samples are collected over one metre down-hole intervals and a sub-sample collected in a calico bag by splitting through an industry standard three tier riffle splitter. A total of 75% of the sample passes through the splitter to be captured in a residue bucket, whilst the remaining 25% of the sample is evenly distributed through the primary sample chute and the field duplicate chute. The calico bag sub-samples are labelled with the drill hole number and depth range and placed on top of the remnant bulk sample, which is placed in individual piles on the ground alongside the drill collar. All one metre samples were submitted to the assay laboratory. Sample recovery is judged from the appearance and volume of the primary sample, contained within its’ calico bag, and the remnant bulk sample.

Figure 7 Drill samples laid out prior to collection and dispatch to assay laboratory.



Metallurgical Test Work

The Ularring PEA was based upon metallurgical testwork completed prior to the release of Technical Report dated January 3, 2012.

The scope of the Ularring Hematite Project for the Ularring PEA was limited to the potential DSO product but the beneficiated mineralisation test work indicated that there may be a future opportunity to expand the Ularring Hematite Project to include the low grade mineralisation.

Subsequently two metallurgical test work programs were designed to test the amenability of Ularring hematite material to beneficiation. These programs were undertaken as part of its on-going examination of alternative approaches to the optimum development of the Company's Ularring hematite resources.

Macarthur commissioned an initial metallurgical test work program (Phase 1) in the last quarter of 2011 based on 200 kilograms of sample composited from diamond drill core obtained from the Snark location in order to characterise the response of this material to both conventional gravity beneficiation processes and to magnetic separation process.

The results of this work were regarded as encouraging and suggested that it may be technically feasible to recovery materials grading in excess of 60% Fe at good recovery of Fe to product using conventional gravity beneficiation techniques. The outcome of a single test using magnetic fractionation was also very encouraging, warranting follow-up of magnetic fractionation as an alternative to, or adjunct to, conventional gravity processing.

A follow-up program (Phase 2) 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 material types found at Ularring Hematite Project over a range of material Fe grades and to provide indicative

design information for a robust beneficiation process capable of handling all material types. A secondary objective was to assess the response of the full range of sample types to magnetic separation.

A comprehensive suite of metallurgical tests were conducted on 15 samples which were chosen to represent the extremes of lithology and ranged in Fe grades from as low as 37% Fe and as high as 62% Fe and were obtained from the three project areas comprising the hematite resource with a view to assessing the variability of response to beneficiation of Ularring Hematite Project material as a function of prospect, location, depth and grade.

The test work program was based on RC chip samples obtained during the course of resource definition drilling. Two main beneficiation routes were tested in parallel, being conventional gravity separation and magnetic separation

The results of the second (variability) phase of test work confirmed that all samples could be beneficiated. Products grading over 60% Fe could be produced from 13 of the 15 samples using either gravity separation or magnetic separation or a combination of both.

Generally magnetic separation outperforms gravity separation for the medium to high grade starting materials, whereas gravity appeared to perform better for lower grade starting materials.

Magnetic separation yielded high grade (+60% Fe products) at Fe recoveries to product typically in excess of 75% and often higher. Nine of the fifteen samples produced products with an average Fe grade in excess of 62% Fe, 3.4% SiO₂ and 1.85% Al₂O₃ at an average Fe recovery of in excess of 85%. Four samples also yielded products with an average Fe grade in excess of 60% Fe but at Fe recoveries ranging between 42% and 56%. Two low grade samples were successfully beneficiated but failed to produce high grade concentrates with the results suggesting this was due to inadequate liberation as virtually 100% of these samples reported to the magnetic fraction without upgrading.

Size fraction assay data, Heavy Liquid Separation testwork and the results of the fine and coarse tabling all indicated that liberation of Fe and SiO₂ improve at particle sizes less than 0.355 mm. The results of magnetic fractionation in size ranges below 0.106 mm when compared to magnetic fractionation of the -1.4+0.053 mm size fraction likewise indicate significantly better discrimination at finer size ranges.

Generally coarse and fine size range tabling appeared to provide a better opportunity to selectively recover a high Fe grade product as compared with magnetic separation of the bulk -1.4+0.053 mm size fraction albeit at lower overall recoveries.

The results suggest that conventional gravity separation processes can be successfully applied at size ranges between 2 mm and 0.053 mm and that magnetic fractionation in the size range 0.106 to 0.053 mm size range was very effective in selectively recovering a high grade product. Taken together, these results suggest an approach to beneficiation where the first stages of a beneficiation flowsheet would be comprised of conventional gravity beneficiation processes and that overall recovery of iron into a high Fe grade product would benefit from reprocessing of gravity beneficiation process middlings and tails by way of grinding for improved liberation, followed by magnetic fractionation at the finer size range.

Sample Preparation, Analyses and Security

Sample Preparation and Security

Sample preparation for drill hole samples have followed consistent methodologies since drilling of the Ularring Project commenced in 2009. On completion of each hole the field assistants collect the samples and secure them in polyweave bags using a cable tie labelled with a unique ID, which the lab would check upon receipt as a way of being aware of tampering. The polyweave bags are securely

stored in the Ularring Hematite Project exploration camp compound, where Macarthur personnel are located on a continual basis.

The samples are transported to the assay laboratory depot in Kalgoorlie in a large bulk bag to avoid loss of samples, prior to being dispatched to the assay laboratory in Perth using the Coastal Mid-West freight company.

Drill samples were sent to Amdel – Ultra Trace Assay Laboratories (“**Ultra Trace**”), Perth, and from 01 September 2011, were sent to ALS in Perth. ALS Laboratories offered faster sample turn-around times, and also provided analyses for LOI371 and LOI650, along with LOI1000 also provided by Ultra Trace.

A flow chart demonstrating sample preparation for all Macarthur samples is presented in **Figure 8**. The pulverised residues were analysed by XRF. Both Ultra Trace and ALS maintained sound security for all samples, from receipt of sample to storage of crush and pulp residue (limited storage time). Assay results were emailed to Macarthur and CSA Database Management.

Table 3 - Sample statistics by Assay Laboratory up to May 2012.

Deposit	ALS_PTH	AMDEL _ADL	GENALYSIS	AMDEL _PTH	SGS_PT H	ULTRA TRACE
Banjo	2988	20	-	144	4227	2195
Central	28076	78	-	35	1112	7939
Lost World	21	-	-	-	243	1072
Snark	3981		916			34034
Moonshine	1048	1093		3621	472	2902
Total	36,114	1,191	916	3,800	6,054	48,142

Ultra Trace Laboratories, wholly owned by Bureau Veritas, are independent of Macarthur, and are ISO and NATA Accredited. They are a member of ISO MN-002-02 Chemical Analysis Committee AQIS registered.

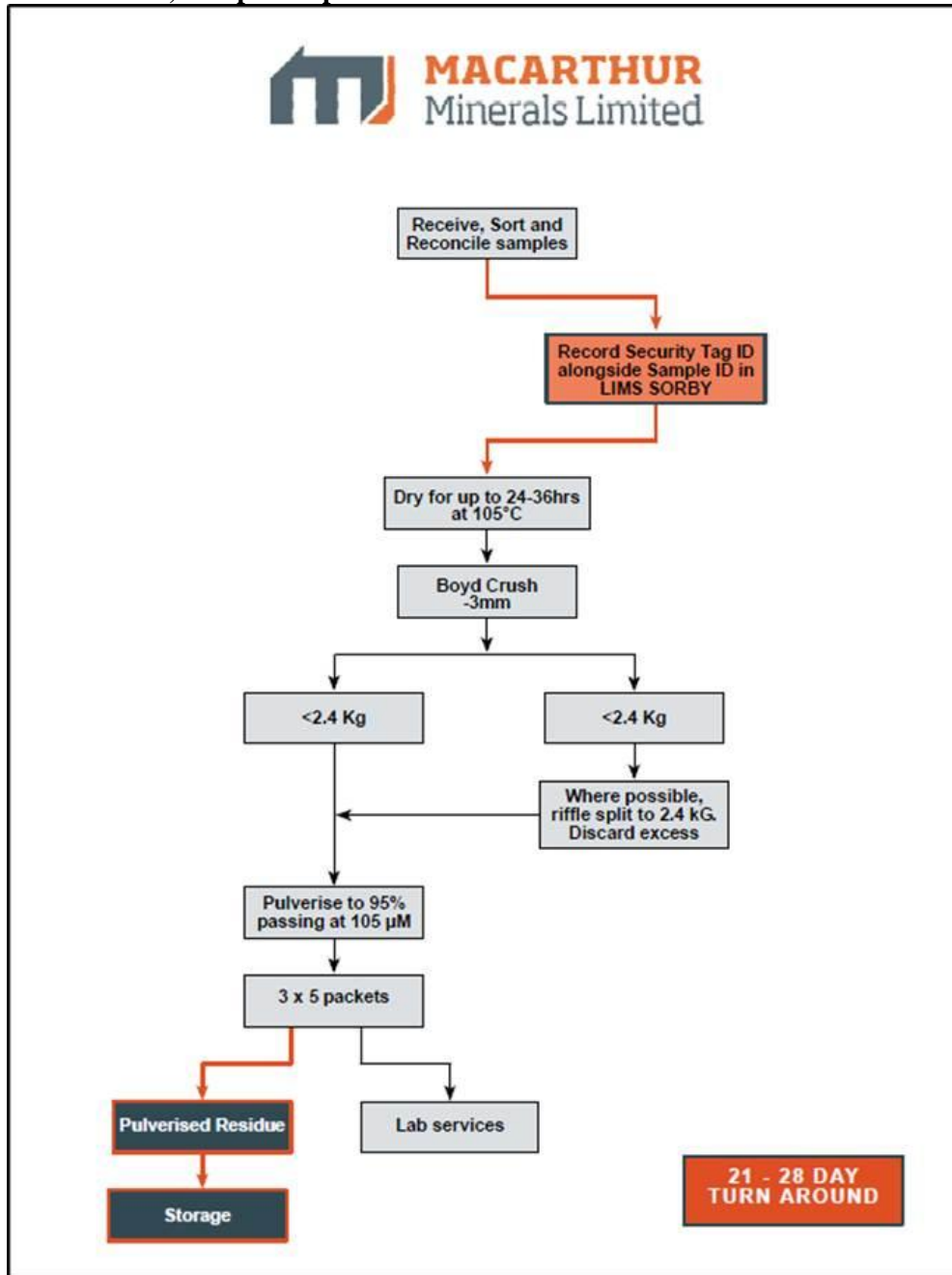
Amdel Laboratories, wholly owned by Bureau Veritas, are independent of Macarthur, and are ISO and NATA Accredited. They are a member of ISO MN-002-02 Chemical Analysis Committee AQIS registered.

Genalysis Laboratory Services, wholly owned by the Intertek Group, are independent of Macarthur, and is accredited by NATA to operate in accordance with ISO/IEC 17025, which includes the management requirements of ISO 9001: 2000.

ALS is accredited with ISO 9001:2008. The ALS Group are independent of Macarthur, and is a wholly owned subsidiary of Campbell Brothers Limited, and is independent of Macarthur.

SGS is accredited with ISO 9001:2008. The SGS Group are independent of Macarthur.

Figure 8 - Flow Chart, Sample Preparation



Quality Assurance and Quality Control – 2011 and 2012 Drilling

Certified Reference Materials

CRMs are packets of rock sample that have been ground to a size consistent with the grind size used in commercial assay laboratories, typically 105µm. A variety of CRM types exist, and Macarthur chose the CRM type that most resembled the rock type that exists at the Ularring Hematite Project. They are certified because the manufacturer of the CRM has independently tested the accuracy of the expected mean grade of the sample through a series of round robin laboratory umpire testing, and therefore “certify” the assay grade.

Macarthur used CRMs sourced from Geostats Pty Ltd, a supplier of reference material based in Perth, Western Australia. Four CRMs were submitted with drill samples through the 2011 and 2012 drill campaigns.

CRMs were inserted at the rate of one CRM every 50 m of sampling, with at least one per hole. The results of the CRM assays are presented in a time sequenced scatter plot, and show the actual assayed grade against the expected grade of the sample (**Table 4**) within acceptable tolerances. Macarthur has nominated a tolerance limit of ± 2 standard deviations; if the assayed CRM falls within these limits then the results of assays from samples submitted for XRF testing with that CRM are deemed to have passed. If the assayed value for the CRM falls outside the tolerance limits, then the assayed CRM is deemed to have failed, which therefore casts doubt on the accuracy of the assays for samples that were submitted with the CRM. In this case Macarthur have the option of re-assaying a batch of samples, to ensure that the suite of assays received from the laboratory are as accurate as possible, when compared to available checks and balances. The graphs also allow the monitoring of any drift in assay trends over time and thus provide information on analytical accuracy.

QAQC results are discussed herein by assay laboratory for Snark, Drabble Downs, Central and Banjo, rather than by deposit. All the deposits with Mineral Resources reported are geologically similar and are part of the same project. Results analysed are for results received from the laboratories up to May 2012. QAQC results for Moonshine are discussed separately.

Table 4 - Certified Reference Materials as used 2010 to 2012, Geostats Pty Ltd

CRM Code	Element	Expected Mean (%)	STDEV
GIOP-45	Fe	59.93	0.128
	Al ₂ O ₃	2.0	0.031
	SiO ₂	4.99	0.045
	P	0.050	0.001
	LOI	6.6	0.069
GIOP-54	Fe	48.05	0.214
	Al ₂ O ₃	5.32	0.061
	SiO ₂	15.78	0.137
	P	0.06	0.002
	LOI	7.96	0.086
GIOP-63	Fe	52.46	0.208
	Al ₂ O ₃	5.14	0.071
	SiO ₂	10.89	0.134
	P	0.05	0.001
	LOI	6.89	0.070
GIOP-64	Fe	56.32	0.217
	Al ₂ O ₃	2.6	0.040
	SiO ₂	8.07	0.099
	P	0.037	0.001
	LOI	5.5	0.058

Mineral Resource Definition

CSA's goethite/hematite Mineral Resource estimate from June 2012 for Banjo-Lost World, Snark, Drabble Downs and Central is presented in **Table 5** and **Table 6**. The Mineral Resource is not believed to be materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors.

Table 5 - Mineral Resources, Ularring Hematite Project. Fe>40%

Category	Tonnes	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI %	S %
Indicated	54,460,000	47.2	0.059	16.9	6.5	7.9	0.16
Inferred	25,990,000	45.4	0.063	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. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 6 - Mineral Resources, by deposit, Ularring Hematite Project. Fe>40%

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI %	S %
Snark	40	Indicated	21,830,000	47.2	0.07	17.5	6.1	7.7	0.15
	40	Inferred	10,960,000	45.2	0.07	21.8	5.1	6.8	0.09
Drabble Downs	40	Indicated	11,070,000	47.2	0.06	16.6	6.4	8.3	0.26
	40	Inferred	360,000	43.6	0.05	24.0	4.8	7.8	0.09
Central	40	Indicated	15,090,000	47.0	0.05	16.2	7.2	8.1	0.12
	40	Inferred	10,190,000	45.3	0.05	20.3	6.3	7.5	0.08
Banjo – Lost World	40	Indicated	6,470,000	47.8	0.06	16.7	6.6	7.4	0.14
	40	Inferred	3,880,000	45.4	0.06	18.7	7.6	7.9	0.09
Moonshine	50	Inferred	600,000	53.0	0.06	13.4	6.7	6.1	0.15

Note: The CSA Mineral Resource was estimated within constraining wireframe solids encapsulating BIF strata. The resource is quoted from blocks above 40Fe % cut-off grade, except Moonshine where resource is quoted from blocks above 50 Fe %. Differences may occur due to rounding. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Ularring PEA was based upon an earlier smaller Mineral Resource estimation and excluded the Moonshine Hematite Inferred Mineral Resource. The Mineral Resource that was the subject of the Ularring PEA is presented in **Table 7**.

Table 7 - Mineral Resources in the Ularring PEA Study, Macarthur Hematite Project. Fe > 50%

Deposit	Category	Tonnes	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI %	S %
Snark	Indicated	7,320,000	55.1	0.07	8.4	4.4	7.7	0.15
	Inferred	4,110,000	55.1	0.07	8.7	4.2	7.6	0.12
Drabble Downs	Indicated	1,310,000	53.5	0.06	8.1	5.4	9.0	0.36
	Inferred	1,380,000	55.9	0.06	5.9	4.6	8.7	0.35
Banjo - Lost World	Inferred	5,500,000	55.7	0.07	8.1	4.7	7.1	0.15
Central	Inferred	4,800,000	55.2	0.06	8.2	4.5	8.0	0.14
Total	Indicated	8,630,000	54.8	0.07	8.3	4.6	7.9	0.19
	Inferred	15,800,000	55.4	0.07	8.1	4.5	7.6	0.16

- *Figures contained have been rounded.*
- *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 quoted from blocks above 50%.*
- *Mineral resources that are not mineral reserves do not have demonstrated economic viability*
- *Excludes Moonshine Hematite resource as located on a separate prospect.*
- *Mineral Resources based upon Technical Report filed March 9th, 2012*

Mining and Processing

The mining and processing aspects of the Ularring Hematite Project have not been adjusted since the release of Ularring PEA in November, 2011 and the technical report prepared in support of the PEA in January 2012. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

Mining of the Ularring Project would be conducted by conventional drill, blast, load and haul mining methods. Ore would then be hauled to the ROM pad for crushing and screening. For drilling and blasting bench heights would be optimised to suit the drill rig. Explosives used in blasting operations would require storage in on-site magazines.

Anticipated mineable pit tonnages are presented in **Table 8**.

Table 8 - Preliminary Mineable Quantities*

Area	Mineable Quantity (Mt)	Grade (% Fe)	Calcined Grade (% CaFe)	Waste (Mt)	Strip Ratio (t:t)
Snark	5.8	55.9	60.5	16.7	2.9:1
Banjo	2.6	56.1	60.3	6.0	2.3:1
Central	2.1	55.7	60.6	7.1	3.4:1
Total	10.5	55.9	60.5	29.8	2.8:1

Note * These figures are conceptual in nature based on a high percentage of inferred resources and so cannot be considered to be reserves. No guarantee can be given that such quantities could be mined.

At mine commencement, production rates, nominally 2 Mtpa of fines product, would be achieved utilising contract mining and an owner operated mobile crushing and screening plant to feed the

potential DSO road train loading bin, with provision for emergency loadout via a mobile stacker to an emergency product stockpile.

The key components including the crushers and screens would typically be skid, track or trailer mounted to allow haulage to site via low loaders for setting onto prepared concrete footings, where required, and to allow moving the plant to a secondary site as the mining operation develops.

Mining Operations

The mining operations aspects of the Ularring Hematite Project have not been adjusted since the release of Ularring PEA. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

The Ularring PEA considered that mining of the Ularring Hematite Project would be conducted by conventional drill, blast, load and haul mining methods. Potential ore would then be hauled to the ROM pad for crushing and then the product will be transported by road and rail to the Port of Esperance for export sale.

For the purpose of the Ularring PEA, the mining at the Ularring Hematite Project would be by open pit and based on a conceptual production rate of 2 Mtpa of potential DSO. A contractor would be engaged to undertake the drill, blast, load and haul to the primary crusher and waste/low grade stockpiles. Sterilisation drilling will be required before waste dump and crusher locations can be firmly established.

For the drilling and blasting, bench heights would be optimised to suit the drill rig. Explosives used in blasting operations will require storage in on-site magazines.

Current indications are that the water table in the region of the mineralisation is at varying depths from 410 mRL to 427 mRL and as such below or close to the limit of the current base of known exploitable mineralisation, thus dewatering will not be required until late in the life of any of the pits. The natural water table in the area requires further investigation when preliminary pit designs have been prepared. There is potential for any water encountered to be reclaimed by pit dewatering for use in dust suppression.

Most of the proposed mining will be above the base of complete oxidation. An assessment of the geotechnical conditions has largely been drawn from examination of exploration drill cores and logs. Rock strength has not yet been tested but has been estimated by observation and simple index testing on cores. Observations of cores, logging data and core photographs indicate that structural geological defects are dominantly planar, with surfaces varying from smooth to rough. Such defects are expected to have low shear strengths. It is inferred that typically three defects would be present, bedding and two joints sets forming a sub-orthogonal system. Random defects may also be encountered. Pit wall stability will be controlled by geological structures and the poor quality (low shear strength) of the country rock mass.

Available data indicate toppling, planar sliding and block/wedge sliding mechanisms will be possible should pit walls be developed at angles too steep for the structural geological conditions. The result of this work indicates the following design parameters:

Face height:	10 m surface to 30 m deep, 15 m below 30 m deep.
Face angle:	55° surface to 30 m deep, 60° below 30 m deep
Berm width:	5 m at 10 m, 20 m and 30 m depths, 7 m at 45 m & 60 m depths
Overall angle:	~ 43.5° at 60 m depth (inter-ramp).

For the pre-feasibility study an allowance must be made for considerable metres of geotechnical drilling to provide data regarding stratigraphic orientation along the strike of the proposed pits.

Port and Infrastructure

The port and infrastructure aspects of the Ularring Hematite Project have not been adjusted since the release of Ularring PEA. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

Logistics

Initial analysis of the logistics options investigated involved a high level cost comparison. Some of the options investigated were dropped from further consideration during this early analysis due to their economic viability. Based on the selection of Port of Esperance the number of proposed routes was reduced to two: a private haul route and a public haul route to a proposed rail siding. Financial analysis in previous study work reduced this to one preferred route.

One aim of the selected haul route was to maximise the use of existing infrastructure from mine site to rail siding. The road route:

- utilises the existing Evanston Menzies Rd to Menzies,
- bypassing the township of Menzies using the existing Intermin Resources haul road, and
- then travels south on the Goldfields Highway to the proposed rail siding.

The overall length of the road route from Snark MOC to the rail siding is about 120 km and from Central MOC to the rail siding is 140 km. The road route would be suitable for up to 120 t payload road trains. For the purpose of this Study it is assumed that 115 tonnes payload road trains would be used based on indicative pricing and information from the Toll Group.

The proposed rail siding is located within tenement Treppo Grande Iron P29/1895 approximately 8.5 km south of Menzies which straddles the Menzies to Kalgoorlie rail line. A front end loader (Cat 988 or equivalent) would transfer the material from the stockpile onto the train. Each loaded wagon would be weighed by a track mounted strain gauge weighbridge on the outward bound track. Once the train was fully loaded, it would await direction from central train control to leave the siding and travel to the port.

The 510 km of rail between Menzies South and Esperance is standard gauge. The rail siding lengths between Kalgoorlie and Esperance have recently been upgraded to allow train lengths of 159 wagons. At 71.2 tonnes per wagon the total tonnage that could be hauled by rail is 11,320 tonnes per consist.

Advice from Brookfield Rail (the rail infrastructure provider) is that timing issues and the need for rail infrastructure upgrades to meet these proposed freight volumes is a little difficult to determine at this stage. Brookfield is currently undertaking demand analysis in the Yilgarn region, focussing on the Yilgarn iron mineralisation projects. Brookfield intends to develop a holistic approach to the rail expansion required to support these projects and to align with the proposed expansion at the Port of Esperance.

Port

The Ularring Hematite Project is centrally located between multiple ports in Western Australia's South West. Early analysis identified that port options had a development timeframe that did not suit this Project. The preferred port is the Port of Esperance operated by Esperance Ports Sea and Land (EPSL).

The Port of Esperance is the deepest port in southern Australia, capable of handling Cape Class

vessels up to 200,000 tonnes and Panamax class vessels up to 75,000 tonnes. The Port of Esperance currently exports 9 Mtpa of iron ore.

The Macarthur News Release of January 24, 2012 reported that on January 19, 2012 the Minister for Transport, Hon. Troy Buswell announced that: "Export capacity at Esperance Port will potentially increase by up to 20 million tonnes per annum in a staged plan, with the State Government today formally committing to expansion of the port".

Macarthur has entered into a legally binding Multi User Iron Ore Facility Access Deed with the Esperance Port Authority, securing a commitment to a 2 Mtpa allocation as part of the proposed expansion of the iron ore export facilities at the Port.

Infrastructure

The Ularring Hematite Project is proposing a staged development with the Snark and Drabble Downs deposits mined first then the mining operations and supporting infrastructure moving south in support of the Central and Banjo-Lost Worlds deposits.

The location proposed for the Snark MOC would be 1 to 2 km south of the Evanston Menzies road and within 2 km of the Snark deposit. An additional MOC has been estimated approximately 2 km from the additional mining areas. Work is required in further studies to validate the MOC locations. Macarthur's capital expenditure required for the Ularring Hematite Project would be minimised through the reduction of Macarthur onsite infrastructure by means of contract mining and contract roadtrain haulage operations. It could be expected that the respective contractors would provide their own maintenance facilities, administration supervision offices, warehouse and store facilities for the duration of the Ularring Hematite Project.

The proposed accommodation camp location is approximately 1.2 km south east of the proposed Snark MOC location and about 1.5 km south of Evanston Menzies road. The same camp could be expanded to provide accommodation for the proposed future magnetite operation.

Expanding the existing exploration camp was reviewed but was considered non-viable as its location would be very close to the Snark deposit, however expansion of the existing exploration camp would be utilised as a temporary solution to accommodate the early and peak construction workforce.

Market Studies and Contracts

The market and material contract aspects of the Ularring Hematite Project have not been adjusted since the release of Ularring PEA. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

The Ularring PEA considered that the Macarthur hematite product would be an all fines potential DSO product. The hematite ore is to be mined initially from the Snark and Drabble Downs deposits, later expanding to the Central and Banjo deposits. Production would be at a rate 2 Mtpa, grading 55.9% iron.

Iron Ore Markets

Iron ore resources, in the form of hematite and magnetite, are used to make iron and steel. 98% of the world iron production is used to make steel, which is, globally, the most commonly used metal. The major growth market for iron ore sinter fines consumed in steel production is China, which should be a core target market for Macarthur. Diversification into other Asian markets is also an opportunity due to their close proximity and being subject to relatively low ocean freight cost.

Iron Ore Market Forecasts

The fines potential DSO product would be sintered before being used in the steel mill's blast furnace. CRU is a well-known and respected international commodity research unit. The CRU forecasts for global consumption and export of sinter fines can be found in the Ularring Hematite Report. Both consumption and export are expected to increase in the near term, with 55% increase in consumption stemming largely from China.

Environmental Assessment

Flora

Desktop Level 1 and Level 2 flora and vegetation surveys have been completed across the entire Project area, including the rail siding. These studies mapped vegetation communities present and identified the presence of conservation significant species.

No DRF species have been identified within the Ularring Hematite Project area. A total of six Priority Flora species have been recorded, all being listed as Priority 3 or Priority 4 species. A targeted survey of the Priority flora species was completed in 2012 to identify the distribution and size of populations within and outside the proposed Project area. The results of the survey found that all species occurred in larger populations outside proposed Project disturbance areas, as well as being identified at numerous other neighbouring BIF ranges, including Mt Manning which is located within the Mount Manning Nature Reserve. Consequently, the Ularring Hematite Project is unlikely to impact on significant populations of these species or impact on their conservation status. No Priority flora species were identified at the rail siding.

No TECs are known to occur in the Ularring Hematite Project area, including at the rail siding. Whilst, eleven PECs have been recorded within and near the greater Macarthur tenement area, only one PEC is actually mapped by the DEC over the Ularring Hematite Project area. However, no detailed information is available on the vegetation assemblages of interest within this PEC and how they relate to vegetation mapping of the Ularring Hematite Project area.

Fauna

Terrestrial

Desktop and Level 1 fauna surveys were completed in 2010 and identified the potential for fauna of conservation significance to occur in the Ularring Hematite Project area. A multi-season Level 2 fauna survey was completed over the Snark deposit, Snark MOC and accommodation camp site in autumn and spring 2011. A Level 1 fauna survey was also completed at the rail siding in spring 2011.

No mammals or reptiles of conservation significance were recorded during the survey, with the exception of one bat species that was putatively identified as a Priority fauna species under the DEC's Priority Fauna List.

One Threatened bird species, the Malleefowl, was recorded within the Ularring Hematite Project area. Two other birds of conservation significance were recorded in the survey area, both of which are listed as Priority fauna species. Fauna listed as Priority fauna have a moderate level of conservation and represent a limited risk to development which could be typically ameliorated through management practices.

Malleefowl are protected under Commonwealth and State legislation. They are listed as Vulnerable under the EPBC and are a Schedule 1 species under the WC. A targeted survey for Malleefowl across portions of the proposed Project area was conducted in 2011 to identify potentially active breeding mounds that may be impacted by the Ularring Hematite Project, and to assess the risk to local Malleefowl populations as a result of the Ularring Hematite Project. To date, only four mounds were

located within the Ularring Hematite Project are that were described as having the potential to be re-used by Malleefowl in subsequent breeding seasons. All other mounds were considered unlikely to be re-used again due to their lack of shape and structure and / or presence of large trees within the centre of the mound.

Further habitat mapping and mound surveys are being conducted during 2012 to enable Macarthur to demonstrate the presence of suitable Malleefowl habitats outside of the proposed Project disturbance areas and aid in the identification of areas to target during future mound survey. However, the proposed Ularring Hematite Project is unlikely to have a significant impact on the local Malleefowl populations as substantial areas of potential habitat occur outside the Ularring Hematite Project area.

Whilst the removal of native vegetation for the Ularring Hematite Project would cause minor impacts on fauna, the vegetation is not considered to be significant or critical habitat for any fauna indigenous to Western Australia.

Short Range Endemics

Surveys for SREs invertebrates were completed in 2011 across the Ularring Hematite Project area. No SREs were confirmed to be present, however, 19 species were identified as either possibly SREs or having a moderate likelihood of being an SRE. In some instances, an accurate assessment of SRE status was difficult as a result of singleton records. However, based on the results of the survey and existing knowledge of surrounding areas, it is considered unlikely that the Ularring Hematite Project will significantly impact on an SRE species based for two reasons. Firstly, when related species with multiple records were found in the disturbance area, they also occurred outside the area of proposed disturbance. Thus, existing distributional data from related species suggests the possible SRE species are not restricted to the proposed disturbance footprint of the Ularring Hematite Project. Secondly, most species were recorded from one of three habitats present across the area, where the maximum area to be disturbed will be <13% of the local range of this habitat. It is considered unlikely that a species will be restricted to such a small proportion of the habitat.

Subterranean Fauna

Subterranean fauna assessments were undertaken throughout the Ularring Hematite Project area in 2011. Pilot and baseline surveys were conducted for both troglofauna and stygofauna which were conducted over multiple seasons.

Seven troglobitic species were identified within the Ularring Hematite Project area. Three species have also been recorded within the Ularring Hematite Project reference sites or from other areas within the Yilgarn, indicating that these species are not limited to the Ularring Hematite Project area. Four species identified within the proposed disturbance area have not been identified elsewhere, however, two of these species were recorded in two separate deposits within the Ularring Hematite Project area, located at least 7 km to 18 km apart. These results provide evidence of interconnectivity between the deposits which occur along a discontinuous 30 km BIF outcrop. Given the potential for dispersal and the limited disturbance of the BIF outcrop (maximum 12 %), minimal impact to the troglofauna community or conservation status of any species would be expected. Moreover, as dewatering is not required, impacts to habitat values through groundwater drawdown and changes to below ground humidity would not be expected to occur beyond the immediate disturbance boundary of the proposed pits.

No stygofauna species were recorded during the sampling conducted by Rockwater in 2011. As such, it is considered unlikely that a significant stygofauna community occurs in the aquifers of the Ularring Hematite Project area. In addition, dewatering of the orebody will not be required as mining will not extend below the water table which will result in minimal impact to any stygofauna community.

Approvals

The main legislation that governs environmental protection at the Federal level is the EPBC Act. It provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places – defined in the EPBC Act as Matters of NES. Matters of NES have been identified within the Ularring Hematite Project area, and as such, the Ularring Hematite Project has been formally referred to the Department of Sustainability, Environment, Water, Populations and Communities to determine whether it requires assessment under the EPBC Act. A decision on the level of assessment is expected by July 11, 2012.

The primary legislation for environmental protection in WA is the Environmental Protection Act 1986 (EP Act). In regards to mining approvals, Projects may require assessment under two separate parts; Part IV and Part V, administered by the EPA and the DEC, respectively. Under Part IV of the Act, Proposals are referred to the EPA for a decision on whether the Ularring Hematite Project has the potential to cause significant impacts on the environment. From the referral document, the EPA publishes a decision on whether the Ularring Hematite Project requires formal assessment and the level of assessment that is required. The Ularring Project was formally referred to the EPA in 2012 and is awaiting a decision on whether it requires assessment under the Act. This decision is expected by mid-July 2012.

Under Part V of the EP, secondary approvals such as Works Approvals and Operating Licences will be required for Prescribed Activities and facilities that result in discharges to the environment. These applications will be submitted upon receiving more detailed information on Project design and infrastructure requirements.

Approval under the Mining Act 1978 is also required for mining projects and is administered by the DMP. Approval under this Act involves the assessment of Mining Proposals and Mine Closure Plans. In addition, if the Ularring Hematite Project is not assessed by the EPA under Part IV of the EP Act, then the DMP are also required to assess Native Vegetation Clearing Permit applications.

Other secondary approvals may be required for the Ularring Hematite Project and are discussed further within the Ularring Hematite Technical Report.

Native Title

There are currently no registered Native Title claims over the Ularring Hematite Project area and no registered Native Title claimant groups in the Ularring Hematite Project area.

A search of the DIA, Aboriginal Heritage Inquiry System confirms that there are no registered heritage sites on any of the tenements within the Ularring Hematite Project area.

Heritage surveys are being conducted in accordance with EPA Guidance Statement No. 41 across all Ularring Hematite Project areas, including both archaeological and ethnographical surveys. To date, four potential archaeological sites have been identified within the Ularring Hematite Project area. Traditional Owner Group representatives would be invited on site to assess the significance of these archaeological sites to assist with the consultation process going forward if disturbance of these sites is proposed.

Macarthur will work towards mutually beneficial outcomes through a commitment to community consultation and ongoing liaison. Macarthur facilitates local direct employment and indirect employment, endeavours to support training and development initiatives related to exploration, future mining and ancillary services. Macarthur respects cultural diversity, connection to country and encourages sustainable business relationships.

Capital Costs

The capital cost aspects of the Ularring Hematite Project have not been adjusted since the release of Ularring PEA. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

The capital expenditure estimate (“CAPEX”) for the Ularring Hematite Project as defined in the Ularring PEA was:

Table 9 - Capital Cost Estimate Summary

	Costs (AU\$m)
Direct	93.5
Indirect	16.8
Contingency	23.4
Total	133.7

This capital estimate covers the mine, mine operations centre, internal roads, plant, camp, haul road and rail siding. No capital component is included for the upgrade to existing rail and port infrastructure as these are paid to the suppliers as operating costs.

Operating Costs

The operating cost aspects of the Ularring Hematite Project have not been adjusted since the release of Ularring PEA. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

Table 10 summarises the operating costs (dry) as prepared for the January 2012 Technical Report:

Table 10 - Operating Cost Estimate Summary

Operation	\$A/t Shipped
Mining	14.1
Processing	2.5
Road Haulage	14.4
Rail Haulage	26.3
Port	8
Indirects	2
Total	67.3

These slightly higher than normal operating costs result from the long haul distances (121 to 137 km road and 510 km rail) and the capital surcharge components for the upgrades to the existing rail and port infrastructure.

Economic Analysis

The economic analysis of the Ularring Hematite Project has not been adjusted since the release of Ularring PEA. The Ularring PEA and the following information has not been updated to take into account the subsequent Mineral Resource estimate and metallurgical test work announced in June 2012 and described in the Ularring Hematite Technical Report.

The outcomes of the financial analysis, based on the Ularring PEA, are outlined in **Table 11** below:

Table 11- Financial Outcomes

Discount Rate	Sales	Pre-tax NPV	IRR	Payback
%pa	Mt	A\$m	%	(Yrs)
8	10.5	248	62	3
10	10.5	227	62	3

Exploration and Development

Macarthur's proposed key milestones for the Ularring Hematite Project include:

- PFS Complete 2012,
- DFS to follow the PFS,
- Environmental Approval/Start construction 2013,
- Commence Mining 2013, and
- First mineralisation on ship 2014.

Preliminary Economic Assessment Assumptions

The Ularring PEA was based on mineral resources that are not mineral reserves and as such cannot demonstrate economic viability.

The Ularring PEA is preliminary in nature and it includes Inferred Mineral 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, and there is no certainty that the Ularring PEA will be realised. The technical and financial evaluations in the Ularring PEA have concluded that, whilst there are challenges in meeting the Ularring Hematite Project's key objectives, there appear to be no fatal flaws that have been identified at this stage. The following assumptions were made in the development of the Ularring PEA:

- for the purposes of the Ularring PEA the minable quantity includes the Indicated and Inferred Resources that are too speculative for reserve estimation ;
- the conversion of the resources to the minable quantity was based on a Whittle optimization process and then adopting a strip ratio based on a typical pit design;
- the Central and Banjo deposits have similar metallurgical and geotechnical parameters as Snark based on the Ularring Hematite Project geologists' assessment that the deposits have similar genesis and structure;
- water of sufficient quality and quantity would be sourced local to the Ularring Hematite Project area;
- the final ROM pads are assumed to be located approximately 2 km from the mining pits;
- the final product is acceptable to the market;
- Intermin Resources would allow Macarthur to use its haul road to bypass the township of Menzies;
- negotiation with Main Roads Western Australia would result in Macarthur being able to construct a new Goldfields Hwy intersection and close the existing Yundagga Rd intersection;
- sufficient storage would be available at the port as a result of the proposed expansion to provide sufficient storage for Macarthur to support export by Cape Class vessels;
- the port expansion project would be completed in time to support the Ularring Hematite Project;
- the capital outlay required to upgrade the existing rail from Menzies to Esperance to support an additional 2 Mtpa would be no more than \$10 million;
- the rail expansion project would be completed in time to support the Ularring Hematite Project;

- the capital outlay required to upgrade the existing Port of Esperance to support an additional 10 Mtpa would be no more than \$185 million; and
- the impact of the MRRT and the Carbon tax has not been taken into account.

THE MOONSHINE MAGNETITE PROJECT

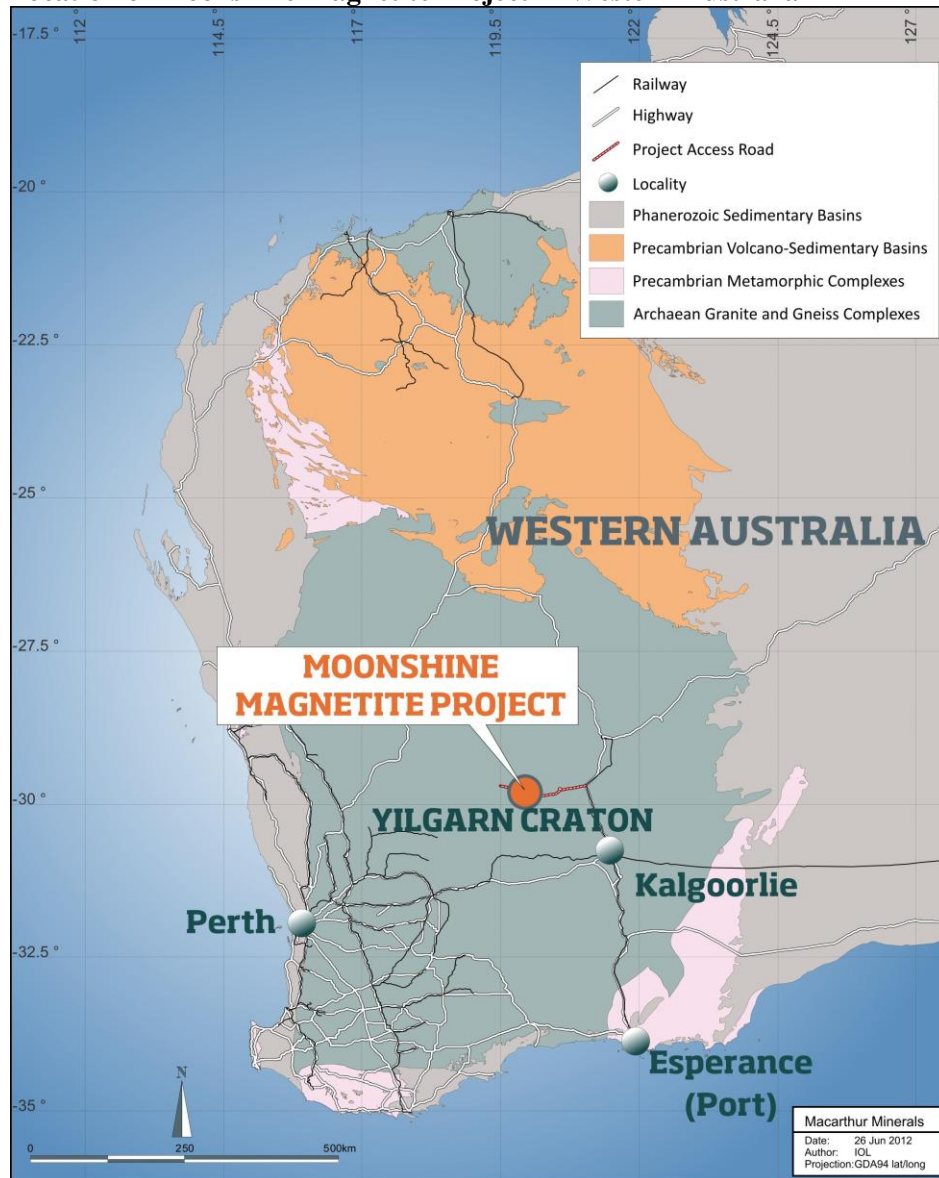
The following is based on the “Lake Giles Iron Ore Project” (the “**Lake Giles Iron Ore Report**”) prepared on behalf of CSA Global Pty Ltd filed December 17, 2009 and “Moonshine and Moonshine North Prospects Lake Giles Iron Project” (the “**Moonshine Report**”) prepared on behalf of Snowden Mining Industry Consultants (“**Snowdens**”) filed March 25, 2011. The Lake Giles Iron Ore Report and the Moonshine Report, are collectively referred to herein as the “**Moonshine Magnetite Technical Reports**”. Full copies of the Moonshine Magnetite Technical Reports are available under the Company’s profile on SEDAR at www.sedar.com. The following disclosures, which are derived from the Moonshine Magnetite Technical Reports, are subject to the assumptions and qualifications contained in the Moonshine Magnetite Technical Reports. David Larsen, a qualified person under NI 43-101, has reviewed the following disclosure.

The Company released an Inferred Mineral Resource estimate for 1,050.7 Mt at 28.3% Fe, on December 1, 2009, supported by a technical report dated December 17, 2009. On February 23, 2010, the Company announced that the Inferred Mineral Resource estimate was increased to 1,117 Mt at 27.8% Fe. This was not considered by the Company to be a material finding and therefore no NI 43-101 technical report was produced in respect to the increase. The Company released the Moonshine PEA on November 21, 2011 based on the Moonshine and Moonshine North deposits only, with an increase in the Inferred Mineral Resource (for those deposits only) to 710.5 Mt at 30.1% Fe.

Project Description & Location

The Moonshine Magnetite Project is located at the same place as the Ularring Hematite Project about 450 km east-northeast of the coastal city of Perth, Western Australia. Macarthur manages contiguous tenements covering a total area of 1,160 km². The Moonshine Magnetite Project comprises all magnetite mineralisation located within these tenements, in particular the magnetite Mineral Resources presently defined at Moonshine, Moonshine North, Sandalwood, Clark Hill South, Clark Hill North and Snark. The conceptual scope for the Moonshine Magnetite Project contained in the Moonshine Magnetite Technical Report is for a 10 Mtpa magnetite concentrate operation starting up within 4 to 5 years and with an operating life of 26 plus years.

Figure 9 - Location of Moonshine Magnetite Project in Western Australia



Mineral Tenure

At present Macarthur manages tenements covering a total area of approximately 1160 km². These consist of 23 contiguous Exploration Licences, 5 Prospecting Licences and 15 Mining Leases which are all controlled by MIO, a 100% owned subsidiary of Macarthur. In addition Macarthur holds three Miscellaneous Licences which cover possible haulage and services routes to the township of Menzies, located approximately 105 km to east.

There are presently six additional pending tenement applications, consisting of two exploration licences, two prospecting licences and two mining leases. Tenements are designated as either mining, exploration, prospecting or miscellaneous as itemised in **Figure 2**.

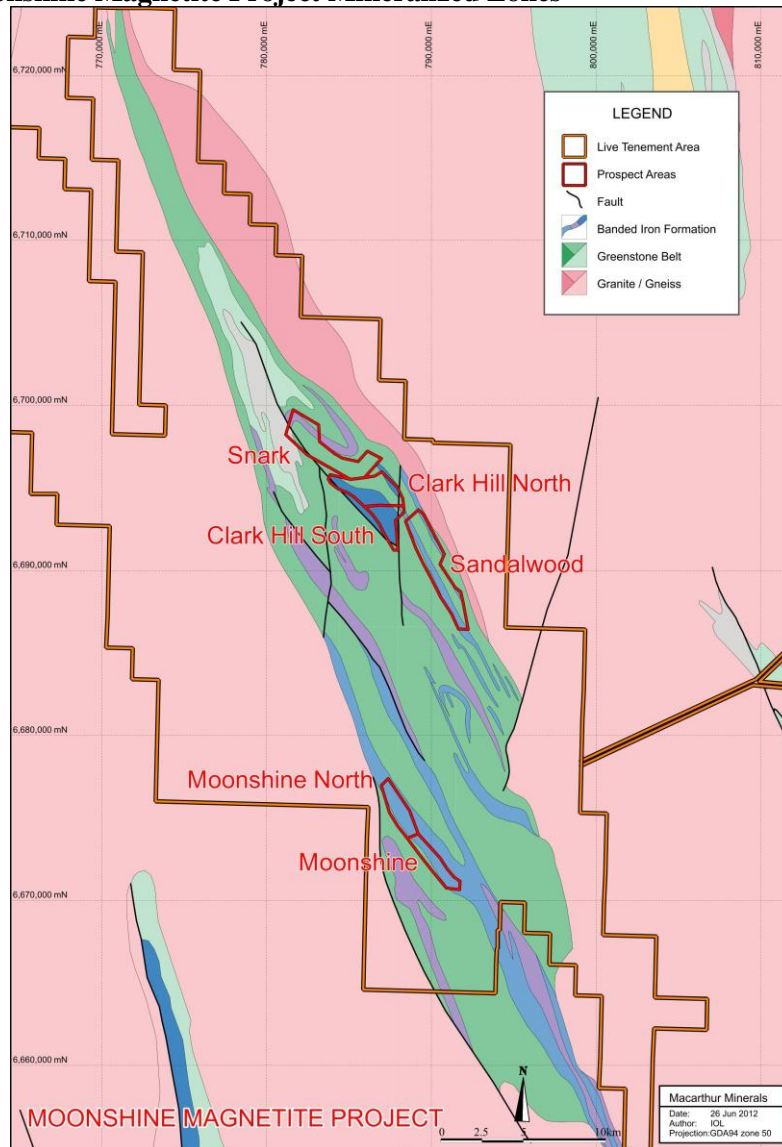
There are no other known agreements (royalties or other encumbrances) relating to any of the tenements.

With the exceptions of two Reserves all of the Macarthur tenements occur on Vacant Crown Land which is defined as Crown Land not currently being used or reserved for any future purpose. As the registered tenement manager Macarthur has the right to access the land for the purpose of mineral exploration, subject to the conditions of tenure described below.

Location of Mineralised Zone and Mineral Resources

Macarthur has focussed its exploration of BIF associated magnetite mineralization at a number of mineralized zones, designated as the Snark, Clark Hill North, Clark Hill South, Sandalwood and Moonshine zones. **Figure 10** the extents of these tenements relative to the mineralized domains currently interpreted for the Moonshine Magnetite Project.

Figure 10 – Moonshine Magnetite Project Mineralized Zones



Environmental Liabilities

The Moonshine Magnetite Project does not have any environmental liabilities from previous mining or exploration activities such as the rehabilitation of waste dumps or decommissioning of tailings storage facilities. No area of the site is registered as a contaminated site that requires remediation. The company has not been fined or prosecuted under any environmental legislation or received any improvement notices for current or past exploration activities from the DMP. There are no heritage agreements in place as there are no registered native title claimants within the Project tenements.

The ESA that formerly existed over Mining Reserve 50929 has recently been removed. This site was listed on the RNE under the *Australian Heritage Council Act 2003* of the Commonwealth. As a result of the expiration or repeal of parts of the *Environment Protection and Biodiversity Conservation Act 1999* and *Australian Heritage Council Act 2003* relating to the RNE, this site is no longer deemed to

represent an ESA as declared under the *Environmental Protection (Environmentally Sensitive Areas) Notice 2005*.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

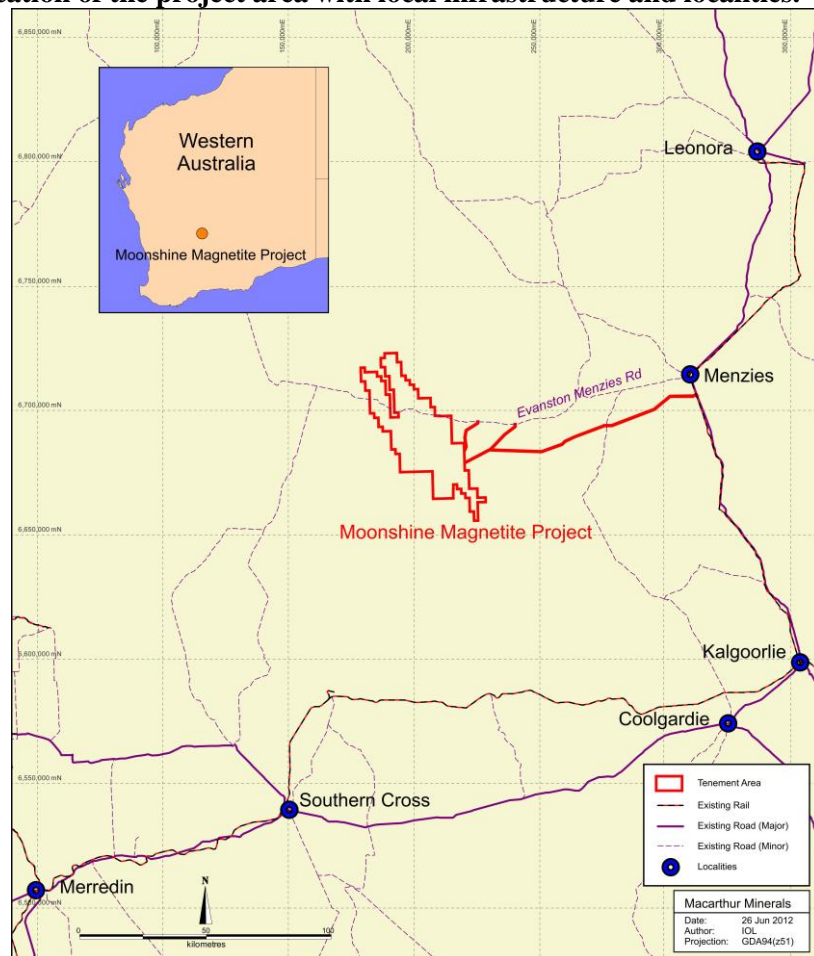
Topography, Elevation and Vegetation

The topography of the Moonshine Magnetite Project area is similar to the Ularring Hematite Project and is comprised of low ridges associated with the BIF units, striking in a general northwest - southeast direction, that rise up from the surrounding sandy plains. The range in elevation is approximately 120m with the highest point at approximately 520mRL. Vegetation of the region is dominated by mulga scrub with local patches of low to medium Eucalyptus woodland and areas of salt tolerant shrub and spinifex.

Access to Property

The Moonshine Magnetite Project can be accessed on the same road as the Ularring Hematite Project from Kalgoorlie via the sealed Menzies Highway north for 130 kilometres, then west from the town of Menzies for 115 kilometres along the unsealed graded Evanston-Menzies road (refer **Figure 11**). The Moonshine Magnetite Project can also be accessed from Perth, via sealed roads to Southern Cross and Bullfinch, then north and east for 200 kilometres along the Diemals road.

Figure 11 - Location of the project area with local infrastructure and localities.



Climate

The climate at the Moonshine Magnetite Project and is characterised as a semi-arid climate. The mean annual rainfall of 275.7 mm with rain fall mostly in the winter months. The temperature averages over 40°C for 15 days in the summer months, from November to March, while in the winter months, from June to August, the temperature averages a minimum range from 3.9°C to 5.0°C.

Infrastructure

The Moonshine Magnetite Project is serviced from the city of Kalgoorlie-Boulder, with a population of 28,000 people, which provides services to a large number of operating mines and exploration properties in the region. Some limited facilities are available in Menzies including fuel, accommodation, and meals. A railway line passes through, and road freight lines deliver to the town.

Subsequent studies will include the identification of the availability of sources of power, water, personnel, potential tailings storage areas, potential waste disposal areas, and potential processing plant sites.

History

Property Ownership

Since the late 1960's several exploration companies have held the exploration rights to the Moonshine Magnetite Project tenements. There have been 3 main phases of exploration; nickel exploration from 1968 to 1972, gold exploration from 1993 to 2004 and more recently iron exploration.

Macarthur Minerals Limited 2005-2006

Macarthur Minerals Limited took over the tenements then known as the Lake Giles Project in late 2005 with the purchase of Internickel Australia Pty Ltd. Macarthur immediately continued with the ongoing exploration program for nickel and gold. In particular anomalies generated by a 2004 helicopter electromagnetic survey were visited and many were mapped and sampled, with emphasis on the search for nickel bearing gossans.

Historical Mineral Resource Estimates & Previous Mining

No known historical mineral resource or reserve estimates prior to 2007 exist for any commodity within the area now covered by Macarthur's tenements.

No mining is known to have been undertaken in the Moonshine Magnetite Project area or anywhere on Macarthur's tenements to date.

Geological Setting

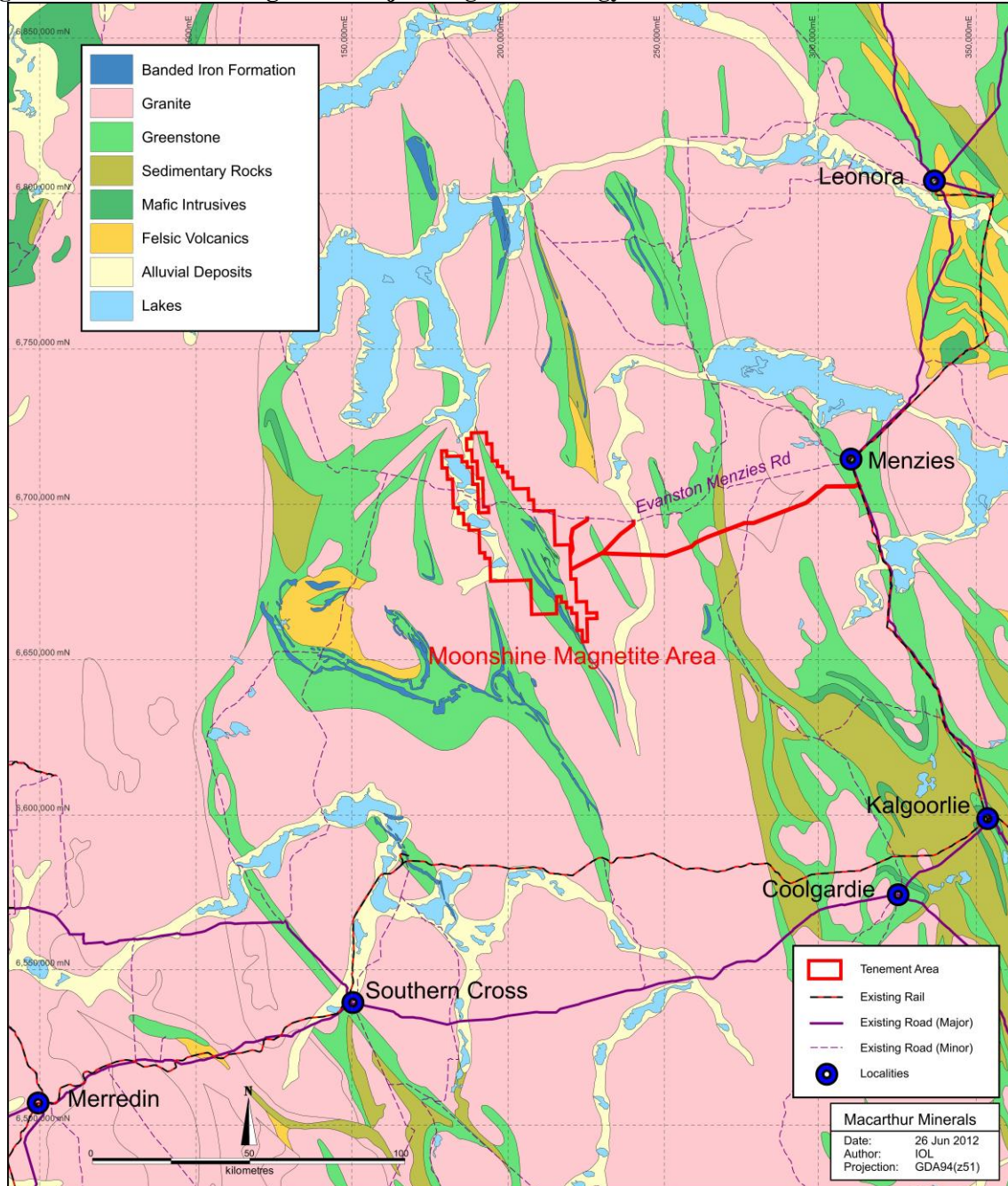
Regional Geology

The Moonshine Magnetite Project area overlies much of the Yerilgee greenstone belt (**Figure 12**) which is up to 60 kilometres thick and located within the Southern Cross Province of the Achaean Yilgarn Craton. The Yilgarn Craton is characterized by lenticular greenstone belts commonly partially enveloped by foliated and gneissic granitoids. The Yerilgee greenstone belt is dominated by mafic volcanic rocks, with subordinate felsic and mafic intrusive rocks, and minor sedimentary and felsic volcanic rocks. The rocks have been metamorphosed to greenschist facies, and subjected to multistage deformation with the development of an early, layer-parallel fabric which was deformed during a period of mainly east west compression coincident with a major period of granitoid intrusion.

Moonshine Magnetite Project Prospect and Local Geology

Margins of the Yerilgee greenstone belt are defined by major north-northwest trending fault zones. Rocks exposed in the Lake Giles area have intensely folded with large synclinal structures on both the eastern and western sides of the belt. Several sinistral fault zones with a north-westerly trend have been mapped in the area, and these structures are interpreted to successively repeat the layered succession. The synclinal folds have north-westerly and north-northwesterly trending, steeply dipping fold axes and, where mapped in detail, plunge to the north at 30 to 60°. Folding appears to be contemporaneous with faulting, and is interpreted to represent drag fold structures.

Figure 12 - Moonshine Magnetite Project Regional Geology



Exploration

Geological Mapping and Sampling

During March 2006 Cooper Geological Services Pty Ltd (“**Cooper**”) (a company independent of Macarthur) was commissioned by Macarthur to map and grab sample six sites where historic sampling showed anomalously high iron values, associated with outcropping oxidized BIF units. These sites included Clark Hill North, Moonshine, Moonshine North, Snark, and Sandalwood. The outcropping geology was mapped at a 1:25,000 scale by Cooper and Macarthur geologists by traversing the outcropping units. The outcrop map was transferred into a digital format and is used to target the iron mineralisation for drilling. The Cooper chip sample programme returned grades between 38.1% Fe to 62.5% Fe with 80% of the 45 samples above 50% Fe. The geological mapping has aided the interpretation of the iron mineralisation and has subsequently increased the confidence in the interpretation.

Reverse Circulation and Diamond Drilling

Between July 2006 and 2010, Macarthur commissioned seven phases of RC drilling and 2 phases of diamond drilling. Since 2006, Macarthur has drilled a total of 517 drill holes for 63,492 m at the Moonshine Magnetite Project. Analytical data available for mineralised portions of the RC holes drilled by Macarthur include DTR tests, which measure the proportion of the sample recoverable by magnetic separation. Material concentrated by the DTR was assayed by XRF for iron and other elements of interest. Assay results from the 8 diamond drill holes (5 in Clark Hill North, 2 in Moonshine and 1 in Moonshine North) have been included in previous resource estimates for Clark Hill North, and in the current resource estimate, for Moonshine and Moonshine North. Density measurements were also collected from the diamond drill holes by water immersion method. Throughout the Moonshine Magnetite Project, the drill hole coverage of the mineralised zones is varies from 100 m to 700 m. All of the drill holes are drilled perpendicular to the strike of the BIF units and dip between -60° and -90°, such that intersections approximate true width of the BIF units.

Mineralization

A number of extensive BIF units have been mapped in the Moonshine Magnetite Project area. The BIF units can be clearly traced from aeromagnetic surveys, and commonly form variably prominent ridges. BIF associated with goethite and hematite alteration of oxidized BIF and deeper fresh rock magnetite with mineralization generally 50 metres in depth.

Oxidised Zone Interpretation

The oxide (weathering) boundary was interpreted as a likely constraint on depth to the top of the magnetite mineralization. Based on logging of weathering, magnetism of drill chips, the DTR % recovery and the calculated % Fe recovered the base of oxidation was interpreted for magnetite areas.

Drilling

Drilling Completed by Macarthur

Macarthur’s drilling to date at the Moonshine Magnetite Project totals 253 RC drill holes and 8 diamond drill holes.

In the Moonshine and Moonshine North prospects, most of the drill holes are drilled perpendicular to strike of the BIF units, intersections approximate the true thickness of the BIF units. In Moonshine, most of the drill holes are -60° to 080 or -60° to 240, with a minor number of drill holes have a dip -90° or -60° to 030. Moonshine North, the azimuths ranges from 240 to 280 but all dip -60 towards the west.

In both prospects the drill hole spacing varies from 50 m to 300 m. RC and diamond drilling completed at the Moonshine Magnetite Project, is summarized in **Table 12**.

Table 12 - Macarthur's Drilling completed at the Moonshine Magnetite Project

Prospect	RC Drilling		Diamond Drilling	
	No. of Holes	Metres	No. of Holes	Metres
Moonshine/Moonshine North	161	34,435.4	3	805.0
Snark	17	3,183.0	-	-
Clark Hill North and South	48	8,166.0	5	1,002.3
Sandalwood	27	5,825.0	-	-
Total	253	51,609.4	8	1,807.3

In addition 17 RC holes were drilled in the Cody's Ridge prospect in 2010.

RC Drilling Procedures

All holes drilled up until February 2003 were drilled by Ausdrill Limited with supervision by Macarthur field personnel. From March 2007, RC and diamond drilling was completed by Orbit Drilling Pty Ltd with supervision by Macarthur field personnel and contractors. Similar field procedures were adopted for all RC drilling phases.

Planned drill hole collar positions were marked by GPS, and if clearing was required to provide a suitable drill site, then planned collar positions were re-marked after clearing. To assist with drill rig alignment, two sighter pegs were placed at appropriate distances from the collar position using a sighter compass. After drilling, all drill hole collars, including all drill holes included in the current Inferred Mineral Resource estimates were surveyed by high accuracy RTKGPS. RTKGPS surveys, which were undertaken by surveyors from Minecomp Pty Ltd are accurate to within 50 millimetres in three dimensions.

After the drill rig set up on each hole, Macarthur staff checked hole inclinations with a clinometer. All drill holes were surveyed by Surtron Technologies Pty Ltd using a down hole gyro on 10 metre intervals. By using the down hole gyro equipment this eliminates the risk of interference from magnetism related with the surround rocks and drilling equipment, therefore making the data extremely accurate and reliable.

Macarthur's field geologists log the RC holes directly into a Microsoft Excel spreadsheet. These spreadsheet files are then reviewed, and summarized by Macarthur geologists and the summary logs entered into Macarthur's drill hole database. The summarizing includes some combination of shorter units into broader zones.

Diamond Drilling Procedures

The first five diamond drill holes were all drilled at Clark Hill North and were geologically logged by contract geologists. The diamond core logging and condition of the core was described as less than acceptable. The DSO Mineral Resource estimate does not incorporate assay data from these diamond drillholes.

The 2010 and 2011 diamond drilling of the six LGDD series holes was managed by Macarthur.

The core was taken for the purpose of metallurgical testwork, and a fillet cut for general assay work. The core drilling was additionally used in the geological interpretation for the corresponding mineral resources.

Sampling and Analysis

Drilling practices were focused on maximising sample recovery and minimising sample contamination. During RC drilling at the end of each six metre drill rod, drilling paused while compressed air was blown through the rods to flush cuttings from the hole, sample hoses and cyclone to minimise sample contamination, and to ensure there were no blockages in the sample stream. The cyclone was regularly inspected and cleaned as necessary. Samples were collected over one metre down-hole intervals.

The five metre composite samples for magnetite assaying were composited by the assay laboratory from the one metre samples on an equal weight basis. Identifying sample numbers were assigned to samples by drill hole and depth. All head grade and DTR analyses were undertaken by a company that is independent of Macarthur, Amdel laboratories. The NATA has accredited Amdel laboratories in accordance with ISO/IEC 17025, which includes the management requirements of ISO9001:2000.

No drilling, sampling or recovery factors were identified that could material impact the accuracy or reliability of results.

Sampling Procedure for Reverse Circulation Drilling

The RC drill programs which provide the sampling data for the current Mineral Resource estimates were supervised by Macarthur's field staff, or contractor field staff. Field procedures were similar for all drilling phases. Drilling practices were focused on maximizing sample recovery and minimizing sample contamination. At the end of each six metre drill rod, drilling paused while compressed air was blown through the rods to flush cuttings from the hole, sample hoses and cyclone to minimize sample contamination, and to ensure there were no blockages in the sample stream. The cyclone was regularly inspected and cleaned as necessary. Samples were collected over one metre down-hole intervals and a sub-sample collected in a calico bag by splitting through a three tier riffle splitter. The calico bag sub-samples were labelled with the drill hole and depth range and placed on top of the remnant bulk sample in labelled plastic bags in rows of 20 alongside the drill collar. The plastic bags were folded to minimize subsequent sample contamination. For drill phases one to three which represent the RC drilling undertaken between July 2006 and February 2007, Macarthur geologists used a sampling spear to take a representative sample from each plastic bag, which were then composited to 5m sample intervals for DTR assaying.

For drill phases four, and subsequent phases, which represent the RC drilling undertaken between September 2007 and March 2011, the individual one metre rifle split calico bag samples were submitted to the assay laboratory. The five metre composite samples for assaying were composited by the assay laboratory from the one metre samples on an equal weight basis. Identifying sample numbers were assigned to samples by drill hole and depth, for example sample LGRC_03_185_190 represents the 180 to 190 metre interval from drill hole LGRC03.

Sampling Recovery

Although Macarthur's RC drilling procedures did not include routine recording of sample recoveries, that sample recovery was generally very good. The reported high sample recoveries are consistent with observations during site visits in August 2007 and July 2008. Inspection on the remaining bagged sample material for a number of drill holes and noted that recovered sample volumes were consistently high. Sample bags were typically well-filled demonstrating the generally high, and consistent sample recovery.

Sampling Procedure for Diamond Core Drilling

Diamond core drilling procedures are documented in Macarthur's Diamond Drilling and Geotechnical Logging Standard Operating Procedures. No diamond core assays were available to be used in the Mineral Resource estimates covered by the Moonshine Magnetite Project Technical Reports.

Diamond and Reverse Circulation Drill Samples

For the Phase One to Three RC drilling, the generally five metre sub-samples were collected by spear sampling of from one metre bulk sample bags. These samples were submitted to either Genalysis (Phase One to Two) or Amdel (Phase Three) for preparation and head grade analysis. All Davis Tube recovery analysis was performed by Amdel laboratories.

For the Phase Four and subsequent RC drilling, the generally five metre assay samples were produced from one metre riffle split samples by the assay laboratory on an equal weight basis. All head grade and Davis Tube recovery analyses were undertaken by Amdel laboratories.

One metre samples are labelled before filling at the drill, collected by Macarthur geologists from the drill site and transported by a Macarthur contractor to the laboratory.

The NATA has accredited both Genalysis and Amdel laboratories in accordance with ISO/IEC 17025, which includes the management requirements of ISO9001:2000.

CSA considers that the sample preparation, security and analytical procedures adopted by Macarthur provide an adequate basis for the Inferred Mineral Resource estimates for modelling and resource estimation.

Drillhole Data Summary

Drilling has been carried out over ten phases. The ninth and tenth (2011) phases were specifically targeted to define the potential DSO lenses of hematite-goethite mineralization identified and mapped in late 2009 and early 2010 and are not relevant to the Moonshine Magnetite Project.

Drillhole data was supplied to CSA and Snowden as a Microsoft Access database. It was exported as comma separated text files (csv format) and imported to Datamine.

The assay tables in the database previously included fields for XRF analyses for the whole rock, plus DTR in weight percent, and separate Davis Tube Head grade and concentrate grade analyses. In 2010 the head grade fields have been consolidated.

A table of laboratory duplicate samples from stages 1-8 and a table of field duplicates from Stage 9 were included.

Macarthur have surveyed drillholes using an Eastman camera, and had ground surveyors pick up all drillhole collars used in the Mineral Resource.

Data Verification, Corrections and Loading

On loading the data a number of text strings and character values were identified and substituted. Most of these were of two classes:

- Below limit of detection analyses expressed as <0.01, <0.020, <0.005 and similar. These were substituted with a numeric value of half the stated limit value.

- Character strings such as -, nd, I.S., L.N.R. and X. These strings were substituted with absent values. Information on the original meanings of these codes was not available.

Drill Sample Collection

The majority of drillholes are RC holes sampled in 1m intervals for their entire length. Intervals considered of interest for possible magnetite mineralization were composited to 5 m sample intervals (varying locally from 2 m to 15 m) for analysis. The composite samples were created for phases One to Three using sample spears into the 1m plastic bags of drill cuttings, and a single sample submitted for analysis. For later drilling phases, a calico sample bag split from each 1 m drill sample using a three tier riffle splitter was submitted to the laboratory, and these 1 m sample bags were then given a preliminary crushing and a 5 m composite created of equal weight from each 1 m bag.

Density Measurements

Macarthur has provided density data and recommendations for potentially beneficiable magnetite BIF.

Early density measurements were based on two data types:

- Pycnometre measurements from RC drill chips.
- Whole diamond core measured by the weight-in-water, weight-in-air method.

The pycnometre (or specific gravity bottle) method of determining density can give the particle density of a powder, to which the usual method of weighing cannot be applied. The powder is added to the pycnometre, which is then weighed, giving the weight of the powder sample. The pycnometre is then filled with a liquid of known density, in which the powder is completely insoluble. The weight of the displaced liquid is then determined, and hence the specific gravity of the powder.

The whole-core method usually involves a square-cut piece of diamond core, but can be done on rough chunks. The sample is weighed in air and weighed again suspended in water, and the specific gravity directly calculated. If the sample is porous or absorbs water it can be coated in wax or spray lacquer or even plastic cling film. For square cut diamond core the length and diameter can be measured with calipers to calculate volume as a cross check.

Macarthur did not provide descriptions of the density methods used, and the density readings provided all came from other deposits in the same area. Density samples were taken from Clark Hill and Snark but not taken at Moonshine.

Analysed densities from the provided data, broken down by drilling campaign and by measurement type. The plotted density against Fe and used the regression line to estimate density of the model cells.

To improve the density data in 2010, Macarthur undertook the following:

- A downhole geophysical logging program, of 2000m over 11 drillholes at Moonshine.
- Density measurements on diamond core taken for metallurgical testing – 40 measurements over 4 holes.
- Surface sampling for density tests – 30 tests.

In mid April 2010 a program of surface sampling was undertaken within the Banjo and Moonshine North prospects. The purpose of this program was to provide samples that could be analysed and their DBD determined, as well as the geochemistry. The reason for getting both the DBD and the chemistry was so that comparisons could be made with the hope of determining a reliable correlation between Fe% and density.

The sampling programme involved the collection of 15 rock samples from Moonshine North (DS_1-15) and 15 from Banjo (DS_16-30). The samples were collected in a way that was deemed to make

the data suitably representative. Sampling locations were selected across the outcrops of the DSO areas so that at least 1 sample was collected for each part of the resources.

The technique used was to select one in situ piece of outcrop which was representative of the specific location and break this off using a hammer, retaining it in one piece. Each sample was given a unique sample name (e.g. DS_1); this was recorded along with a description of the geology of each sample and the co-ordinates of its location.

The locations, measured density and selected analyses of these 30 grab samples are shown in **Table 13**. Note that the average density is 3.50, and average Fe of these samples is 60.6, somewhat higher than the average grade of the deposit.

Table 13 - Density measurements, locations and analyses for surface-collected enriched samples

Sample	GDA Easting	GDA Northing	Density g/cm3	Fe %	SiO2 %	Al2O3%
DS_01	787893	6675135	3.91	63.7	1.49	0.49
DS_02	787987	6675032	3.64	60.6	4.96	1.73
DS_03	788017	6674943	3.53	62.0	4.33	1.22
DS_04	788051	6674834	3.58	62.6	1.77	1.47
DS_05	788102	6674763	3.70	60.1	3.54	.90
DS_06	788117	6674720	3.33	60.2	2.05	1.93
DS_07	788123	6674654	3.73	63.2	1.60	1.25
DS_08	787984	6674923	3.83	64.1	2.63	0.92
DS_09	788049	6674809	2.66	57.6	4.52	1.41
DS_10	788072	6674734	2.89	57.3	4.30	2.55
DS_11	788135	6674555	2.92	51.3	17.00	1.45
DS_16	210833	6675035	3.37	58.1	7.14	2.47
DS_17	211025	6674903	3.69	61.3	6.25	0.49
DS_18	211100	6674827	4.05	61.9	4.40	2.60
DS_19	211175	6674746	3.16	59.6	6.39	1.61
DS_20	211247	6674679	3.37	59.2	4.60	2.53
DS_21	211347	6674619	3.58	58.5	4.88	2.76
DS_22	211395	6674563	3.21	61.0	5.51	1.27
DS_23	210693	6675314	3.62	57.1	7.01	5.28
DS_24	789172	6675885	3.78	61.8	3.06	2.49
DS_25	789040	6676006	3.89	64.2	1.97	0.99
DS_26	788805	6676098	3.96	63.0	2.89	1.75
DS_27	788933	6676040	3.39	59.9	4.96	3.06
DS_28	788945	6675950	3.55	62.2	2.16	1.08
DS_29	788890	6676007	3.36	62.9	2.11	1.71
DS_30	788832	6675755	3.29	62.5	1.92	0.87

In addition, Macarthur arranged for downhole geophysical logging to be carried out on 11 drillholes at Moonshine.

A total of 1916m over the 11 drill holes were logged, which included 1461m logged as BIF, and just 18m of hematite mineralized BIF which was in any case BIF grade not potential DSO.

To support this data a number of samples were tested for DBD from the 2010 diamond drilling program, both for magnetite and hematite. The results from this backs up the data gathered from surface samples and downhole survey work.

QAQC Sample data collection

Macarthur upgraded its QAQC data collection for Stage 9 by collecting field duplicates through the potential DSO mineralized intercepts at a rate of 1 in 20 1m samples. QAQC sample collection prior to Stage 7 was handled by the laboratory, who prepared the 5m composites from 1m samples and took laboratory repeats and tested CRM.

The QAQC data collected indicate that the sampling protocol is adequate to support an Inferred Mineral Resource classification for the potential DSO mineralization. It was recommended that further QAQC work be undertaken to support future upgrades in the mineral resource classification, at a minimum:

- Continue to collect field duplicate samples, paying careful attention to ensure they are correctly labelled to the original sample number.
- Submit a selection of mineralized samples for check assays at an alternate laboratory.
- Add CRM at regular intervals to the sample batches submitted to the laboratory, and obtain the CRM data used by the laboratory to control QAQC in the earlier stage sample compositing and DTR analysis.
- Add a small number of blank samples to the submitted mineralized sample batches.

Overall, the QAQC data up to the end of Stage 9 indicates that the data is sound but testing for laboratory error cannot be carried out without CRM analyses. It is understood that the laboratory has its own CRM testing program, which should be examined for this period to assure these results.

The results of the duplicate samples would indicate the duplicate sample assays have been the same material as the original sample assays, and that the assay values are by and large repeatable with fairly close correlation. The Stage 7 through to 2011 assays are therefore adequately controlled for an Inferred or Indicated Mineral Resource.

Security of Samples

All exploration samples are tagged with an individual security tag which is recorded on being received by the laboratory and returned to Macarthur for cross checking with their dispatch records, so as to ensure no tampering can occur between leaving the drill site and arriving at the laboratory

Mineral Resource Estimates

The Mineral Resources estimates for magnetite discussed in this section are drawn from:

- a) the Lake Giles Iron Ore Report for an Inferred Mineral Resource estimate for 1,050.7Mt at 28.3% Fe; and
- b) the Moonshine Report increasing the Inferred Mineral Resource estimate for Moonshine and Moonshine North from 511Mt at 27.8% Fe to 710Mt at 30.6% Fe.

The 1,050.7Mt at 28.3% Fe reported in the Lake Giles Iron Ore Report was later increased by 66.5Mt due to new geological interpretation and mapping over the 2009 field season. The increase to 1,117Mt at 27.8% Fe was announced in the press release dated February 23, 2010. This was not considered by the Company to be a material finding and therefore no NI 43-101 technical report was produced in respect to the increase.

The aggregate Inferred Mineral Resource estimate for magnetite for the Macarthur Magnetite Project was increased from 1,117Mt at 27.8% Fe to 1,316Mt at 30.1% Fe as a result of the increase identified in the Moonshine Report.

Inferred Mineral Resource Estimate for magnetite in the Lake Giles Iron Ore Report is presented in **Table 14**.

Table 14 - Inferred Mineral Resources Estimate on Magnetite (from the Lake Giles Iron Ore Report)

Area	Tonnes Mt	Head Fe (%)	DTR (%)	Concentrate Mt	Cons Fe (%)	Cons P (%)	Cons SiO ₂ (%)	Cons Al ₂ O ₃ (%)	Cons LOI (%)	Cons S (%)
Snark	26.3	27.5	22.5	5.92	64.3	0.027	9.60	0.15	-2.50	0.27
Clark Hill North	130.0	25.8	33.2	43.16	62.1	0.040	12.50	0.16	-2.58	0.230
Sandlewood	335.0	31.1	33.1	110.88	64.0	0.031	9.64	0.07	-2.77	0.160
Moonshine	510.9	27.8	25.5	130.3	65.7	0.017	6.00	0.09	-2.50	0.442
Clark Hill South	48.5	21.9	20.8	10.1	61.8	0.020	10.70	0.18	-2.20	0.220
Total	1050.7	28.3	28.6	300	64.5	0.025	8.27	0.10	-2.58	0.311

As evidenced in **Table 14**, the Inferred Mineral Resources estimate for the Moonshine deposit was estimated by CSA to be 510.9 Mt at a Fe head grade of 27.8%, reported in accordance with JORC Code (2004). Following further drilling by Macarthur during 2010, Snowden have completed an updated resource estimate for the Moonshine deposit, increasing the total Inferred Mineral Resources estimate for the Moonshine deposit to 710 Mt at a Fe head grade of 30.2%, which is presented in **Table 15**.

Table 15 - Inferred Moonshine and Moonshine North Mineral Resource Estimate summary, at a 30 % Fe cut-off as at January 2011 (from Moonshine Report)

Prospect	Tonnes (MT)	Fe (%)	SiO ₂ (%)	P (%)	Al ₂ O ₃ (%)	S (%)	DTR (%)	LOI (%)
Moonshine	427.1	29.3	42.1	0.05	1.1	0.5	31.3	0.02
Moonshine North	283.4	31.4	22.7	0.04	0.7	0.2	31.6	0.89
Total	710.5	30.2	34.4	0.05	0.9	0.4	31.4	0.36

Mining Operations

Scale of Operation

The Moonshine PEA made the assumption of a weight recovery of 38% from the mined ore. Hence, in order to achieve 10 Mtpa of iron ore concentrate, the amount of ore feed to the magnetite process plant (concentrator) is 26 Mtpa. Additionally, a waste/low grade to ore strip ratio of 3:1 has been assumed for use in the Study from early resource mapping giving a total mining operation of 105 Mtpa.

The Moonshine PEA considered that the options to mine the ore body are:

- Mining shall be conducted by conventional drill, blast, load and haul mining methods
- Ore shall be hauled to the ROM pad for crushing and then ore product conveyed to a concentrate plant. Concentrate product shall then be transported to port, by rail and/or in slurry form via a pipeline, for export sale.

The mining at the Moonshine Magnetite Project would be by open pit and based on conceptual resource size and production rates of 10 Mtpa concentrate. A contractor would be engaged to undertake drill and blast, load and haul to the primary crusher and waste/low grade stockpile.

Ore Processing

The development of the concentration process for the Moonshine Magnetite Project would be influenced by several key elements. These include conservation of water, minimum power consumption, the competent and abrasive nature of the ore, and the presence or otherwise of asbestiform minerals within sections of the mineralisation. Whilst addressing all of these issues the It

is likely that the primary crusher(s) would be located close to the plant operation. While processing plant must also achieve efficient and economic recovery of the contained magnetite.

The product would be stored in a stockpile to supply surge capacity between the mine and the plant. In the HPGR option the ore may be secondary crushed before stockpiling.

Primary milling would be by Autogenous, Semi-Autogenous grinding or by HPGR crushing. Any of these options would be in closed circuit with screening to produce an appropriate size feeding the first stage of wet low intensity magnetic separators (LIMS), known as cobbles. The cobbing stage should reject most of the tailings while maintaining a high level of magnetite recovery. A coarse tails is produced at this stage and, as water is often of major consideration in tailings treatment, a water recovery system should be included. Cobber concentrate would need to be reduced again in size. Either pebble mills or ball mills would be used for this purpose. These would be in closed circuit with cyclones and/or screens. This sizing is usually an intermediate stage and would be within a large range, providing a good start point for the rougher cleaning stage, another set of LIMS drums. This “good” point is defined by a combination of ore testing and equipment choices to balance between the first stage and the final stage.

Economic Analysis

The Moonshine PEA is preliminary in nature and it includes Inferred Mineral 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, and there is no certainty that the Moonshine PEA will be realised. The technical and financial evaluations in the Moonshine PEA have concluded that, whilst there are challenges in meeting the Moonshine Magnetite Project’s key objectives, there appear to be no fatal flaws that have been identified at this stage.

The following are the assumptions relating to the financial model:

- Mining rate of 26.3Mt per annum, producing 10Mt of magnetite iron ore concentrate per annum.
- Project life of 25 years or 710Mt.
- Long term iron ore price of USD 95/t (for 65% Fe). 10% premium added to iron ore price due to high grade magnetite product
- Mass recovery of 38%.
- 68% iron content.
- 5% royalty rate.
- 30% tax rate.
- Operating costs are as outlined in the Moonshine PEA, are subject to a rebate during their first 5 years of production due to heavy investment in port infrastructure. The net effect of this is that for the first 5 years option 2 has an operating cost of \$54.82/t as opposed to \$58.46/t. Similarly option 7 operates at \$54.72/t as opposed to \$59.27/t for the initial 5 years of production.
- Capital costs are as outlined in the Moonshine PEA. Additional to this, there is deferred capital and sustaining capital which is dealt with in the financial model. There is an additional \$74m related to tailings transport and the construction of the second half of the tailings dam which is applied in the financial model after 5 years of waste production. \$34m of sustaining capital is included in the financial model for each year of production.

Moonshine PEA Highlights

Highlights of the Moonshine PEA are:

- Base case project life 26 years.
- Saleable concentrate per annum 10mt.
- Operating costs estimated at A\$52.3/t fob.

- Capital direct cost A\$2,272M.
- NPV @ 10% discount rate A\$2,651M.
- Internal Rate of Return 23%.
- Magnetite concentrate grade 68%.
- Mass recovery 38% and a favorably high magnetite grain liberation size.
- Project NPV @ 10% A\$2,651M.
- No terminal value added to the NPV, which assumes no extension to the plant and/or mine life.
- Total Project costs (direct & indirect, including contingency of A\$ 300M) are estimated at A\$ 2,913M.

Discounted Cash Flow Analysis

A discount cash flow model was used to derive a NPV for the Project. The assumptions used to derive this were:

- Discount rate of 10%.
- Model over project life of 26 years.
- No terminal value has been added to the NPV, reflecting any extension to the plant and/or mine life.

The summary of the Project NPVs for the studied option is below in Table 16.

Table 16 – Moonshine Project NPV

Scenario	NPV A\$m	IRR %	Payback (Nom)
Option 1 – Karara - Oakajee	2,651	23%	3.95
Option 2 – Menzies - Esperance	2,577	24%	3.73
Option 7 – Jaurdi - Bulk Berth 5	2,525	23%	3.77
Option 8 – Jaurdi - James Point	2,626	25%	3.62

Approvals

The environmental approvals process is the critical path for the project. Based on EPA referral criteria the Moonshine Magnetite Project would be referred by DMP to the EPA and would require a formal environmental assessment. A Public Environmental Review level of assessment would be required given the magnitude of the project (extracting >10 Mtpa of material (waste plus ore)). Outback Ecology Pty Ltd has completed desktop studies for flora, fauna (including short range endemics) and subterranean fauna. These desktop studies cover the entire tenement area, including the Moonshine deposit and proposed infrastructure. The first phase of field surveys will follow on from these desktop studies. These field surveys would be used to support the environmental documents and approvals for the Moonshine Magnetite Project.

Exploration and Development

The Company is considering taking more metallurgical samples and conducting further process testwork. The testwork would be focused on confirming the response of the different ore zones within the deposit, and developing a more robust process flow design for the project.

Some engineering work could also be undertaken during this period to further refine some of the logistics and port designs of the Moonshine Magnetite Project in order to ensure that the environmental approvals process stay on track. The environmental surveys for the site area are intended to be covered under the Ularring Hematite Project. However, environmental surveys need to be conducted on other impacted areas such as slurry pipeline routes, water pipeline routes and rail sidings.

The next phase of the Moonshine Magnetite Project's development would be to undertake a PFS. The underlying objectives of the study would be to achieve the following:

- challenge assumptions made within the Moonshine PEA;
- undertake additional field and test work to prove the concepts suggested;
- develop base concepts identified within the scoping study based on the additional data received from field and test programs;
- undertake further detail in design in order to refine the capital and operating estimates;
- reduce areas of risk previously identified;
- initiate consultation in relevant political and public areas; and
- improve investor and market confidence in the Moonshine Magnetite Project's viability.

DIVIDENDS

The Company has not declared nor paid dividends on its Shares. The Company has no present intention of paying dividends on its Shares, as it anticipates that all available funds will be invested to finance the growth of its business.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company's authorized capital consists of an unlimited number of Shares without par value of which 44,830,630 Shares were issued as of March 31, 2012 and 44,830,630 Shares were issued as of June 27, 2012. All of the issued Shares are fully paid and non-assessable.

The shareholders are entitled to one vote for each Share on all matters to be voted on by the shareholders. Each Share is equal to every other Share and all Shares participate equally on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets among our shareholders for the purpose of winding up our affairs after the Company has paid out its liabilities. The shareholders are entitled to receive pro rata such dividends as may be declared by the board of directors out of funds legally available therefore and to receive pro rata the remaining property of the Company upon dissolution. No Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the *Corporations Act 2001 (C'th)* and the Articles of the Company.

Warrants

Warrants issued January 3, 2008

The Company issued a total of 2,000,000 warrants on January 3, 2008 of which 1,500,000 are still outstanding as of June 27, 2012. These warrants provide the holder of each such warrant, the right to purchase a Share any time prior to January 3, 2013 at a price of C\$2.00.

Warrants issued April 28, 2010

The Company issued a total of 339,150 warrants on April 28, 2010 all of which remain outstanding at June 27, 2012. These warrants provide the holder of each such warrant, the right to purchase a Share any time prior to April 28, 2013 at a price of C\$1.80.

Warrants issued February 24, 2011

The Company issued a total of 6,950,000 warrants on February 24, 2011 all of which remain outstanding as at June 27, 2012. These warrants provide the holder of each such warrant, the right to

purchase a Share any time prior to February 24, 2013 at a price of C\$4.50. In the event that the closing sale price of the Company's Shares is greater than C\$6.00 per Share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants on 30 days' notice. The same acceleration provision applies to the warrants as for those issued in the paragraph above.

Warrants issued February 22, 2012

The Company issued a total of 250,000 warrants on February 22, 2012 all of which remain outstanding as at June 27, 2012. These warrants provide the holder of each such warrant, the right to purchase a Share any time prior to February 23, 2014 at a price of C\$3.60. In the event that the closing sale price of the Company's Shares is greater than C\$6.00 per Share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants on 30 days' notice. The same acceleration provision applies to the warrants as for those issued in the paragraph above.

Underwriters' Options

The Company issued an aggregate of 834,000 options to a syndicate of underwriters in connection with the private placement of 13,900,000 Shares on February 24, 2011. Each option entitles the holder thereof to purchase one unit which unit consists of one Share and one-half warrant at a price of C\$3.60 per unit.

Options

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

As at March 31, 2012 there were 3,665,000 stock options outstanding, all of which remain outstanding as at June 27, 2012.

Constraints

There are no constraints imposed on the ownership of Shares to ensure that Macarthur has any required level of Canadian ownership.

MARKET FOR SECURITIES

Trading Price and Volume

The following table provides information as to the high and low prices of the Company's Shares during the financial year ending March 31, 2012 as well as the volume of Shares traded for each month on the TSXV and TSX.

Month	High (C\$)	Low (C\$)	Volume
April, 2011	3.49	2.60	623,137
May, 2011	2.99	2.54	235,650
June, 2011	2.74	2.26	1,844,564
July, 2011	2.75	2.17	734,871
August, 2011	2.24	1.46	1,368,091
September, 2011	2.05	1.11	504,735

Month	High (C\$)	Low (C\$)	Volume
October, 2011	1.48	1.00	4,339,673
November, 2011	1.05	0.96	2,922,059
December, 2011	1.17	0.82	449,163
January, 2012	1.19	0.95	939,815
February, 2012	1.27	0.99	312,727
March, 2012	1.19	0.84	243,395

Prior Sales

There are no securities of the Company that were sold but not listed on the TSXV or TSX during the most recently completed financial year of the Company.

ESCROWED SECURITIES

There are no securities of the Company held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

The following persons are the directors and officers of the Company:

Name & Position ⁽¹⁾	Principal Occupation or Employment during the past 5 years	Period of Service as an Officer or Director
Alan Phillips, ⁽²⁾ Chairman, President, Chief Executive Officer Brisbane, QLD	Director and/or Chairman of ASX, TSX-V, TSX and AIM listed public companies over a period of 30 years; specializing in start-up and turnaround across a broad range of industries, predominately in the mining exploration and and exploration of copper, gold, ethanol and iron ore and technology industries.	October 19, 2005
John Toigo ^{(2) (3) (4)} Independent Director Brisbane, QLD	Managing partner of ClarkeKann Lawyers an Australian based corporate and commercial law firm with offices in both Brisbane and Sydney Over 20 years' experience as a corporate lawyer with particular emphasis on capital raisings, private and public, mergers and acquisitions, and companies and securities legislation, company structuring, corporate governance, corporate finance and complex commercial transactions. Mr. Toigo holds a Bachelor of Laws (Hons) and a Graduate Diploma in Applied Finance and Investment. Mr. Toigo is a member of the Australian Institute of Company Directors, the Queensland Law Society and and the Resources and Energy Law Association.	August 31, 2009
Simon Hickey ^{(2) (3) (4)} Independent Director Albuquerque, NM	CEO of Performance Marketing Solutions Inc., a marketing company since May, 2003. CEO of Clavell Holdings Pty. Ltd., a private investment company, since 2000. 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.	February 22, 2005

Name & Position ⁽¹⁾	Principal Occupation or Employment during the past 5 years	Period of Service as an Officer or Director
Jon Starink ^{(2) (4)} Non-Executive Director Berkshire, United Kingdom	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. He is currently an Executive Director of Gippsland Limited. Mr Starink holds a BSc(Hons1), BChemE(Hons1), MAppIsc and holds the following grades and memberships of professional bodies, FAusIMM, FIEAust, FIChemE, MRACI and MTMS.	June 23, 2011
Jeffrey Wall, CBE ^{(2) (3) (4)} Independent Director Brisbane, QLD	Mr Wall, CBE, is a Public Affairs Consultant During his 40 year profession has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea, a senior advisor to federal and state Ministers in the Federal and Queensland Governments, and the Lord Mayor of Brisbane. He began his working life as a journalist, and has served in administrative roles in rugby league, the Anglican Church, and several charities. He has also consulted to the World Bank, and the Queensland Government, on Papua New Guinea and the South Pacific. 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.	June 15, 2012
David Taplin Chief Financial Officer & Company Secretary Brisbane, QLD	Mr. Taplin has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSXV listed companies and government-owned corporations, with a particular focus on energy and resources. Mr. Taplin has worked extensively in corporate law, corporate governance and corporate finance both in Australia and internationally. He also regularly instructs courses in corporate governance at some of Australia's leading business schools and professional institutions. Mr. Taplin holds an MBA, LLB, GradDipACG and is a solicitor, CPA and Chartered Secretary (FCIS and FCSA).	CFO and Company Secretary since August 31, 2009
Joe Phillips Chief Operating Officer Brisbane, QLD	Mr Phillips has had an extensive 16 year career in public administration with 8 years as the General Manager for Economic Development for the City of Brisbane, followed by a period as a member of the executive of Energex, the Queensland Government owned Electricity Company and completing this career as the executive responsible for the privatization of Queensland Government owned lottery business. Prior to joining the government, he had a successful private sector role in transport and spent 2 years in the United States as a Senior Project Manager for a company commercializing technology for the Princeton University in New Jersey. Educated at the University of Queensland he combines strong project management skill with a discipline in economics and a detailed understanding of the operation of public administrations and the elected governments in Australia.	COO since October 15, 2010

Notes:

1. The information as to place of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.
2. Each director's term of office expires at the next annual general meeting of shareholders of the Company where they can be nominated for re-election.
3. Member of Audit Committee, Mr Hickey is the Chair.
4. Member of Remuneration and Nomination Committee, Mr Toigo is the Chair.

As at March 31, 2012 there were 44,830,630 Shares issued, directors and officers of the Company as a group owned or controlled approximately 1,761,733 Shares of the Company, representing approximately 3.93% of its issued and outstanding Shares.

As of June 27, 2012 there were 44,830,630 Shares issued, directors and officers of the Company as a group own or control approximately 1,761,733 Shares of the Company representing approximately 3.93% of its issued and outstanding Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company, that: (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers of Macarthur are directors, officers and/or shareholders of other private and publicly listed companies, including companies that engage in mineral exploration and development and companies that hold common shares or other securities of Macarthur. To the extent that such other companies may participate in or be affected by ventures involving Macarthur, these directors and officers of Macarthur may have conflicting interests in negotiating, settling and approving the terms of such ventures.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditors. The Audit Committee Charter is attached hereto as Schedule "B".

Audit Committee Composition and Background

The Audit Committee is comprised of Simon Hickey (Chairman), Jeffrey Wall and John Toigo. All three members of the Audit Committee are independent, financially literate, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below:

Simon Hickey, Committee Chairman - Experience as a director of ASX and TSX listed companies in resource sector over 18 years. Also, acted as a corporate adviser in Australia and North America. Holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment. CEO of marketing company Performance Marketing Solutions Inc. since May 2003. From 2000, CEO of private investment company Clavell Holdings Pty Ltd.

Jeffrey Wall, CBE, - Public Affairs Consultant (Jeffrey Wall Public Affairs) and during his 40 year professional has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea, a senior advisor to federal and state Ministers in the Federal and Queensland Governments, and the Lord Mayor of Brisbane. During his professional career he has been a Consultant to the World Bank, and the Queensland Government, on Papua New Guinea and the South Pacific.

John Toigo – Managing partner of ClarkeKann Lawyers, a corporate and commercial law firm with offices in Brisbane and Sydney. Over 20 years' experience as a corporate lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation. Mr Toigo holds a Bachelor of Laws (Honours) and a Graduate Diploma in Applied Finance and Investment.

Reliance on Certain Exemptions

From March 16, 2012 to June 14, 2012, the Company relied on the exemption in 3.5 of NI 52-110 following the resignation of Mr. Jon Starink. Mr. Alan Phillips, an executive director, was appointed to fill the vacancy following a determination by the board that a reliance on this exemption would not materially adversely affect the ability of the Audit Committee to act independently and stratify the requirements of NI 52-110. The reliance ended when Mr. Jeffery Wall, was appointed to the board on June 15, 2012 as an independent director and replaced Mr. Alan Phillips on the Audit Committee. Although Mr. Alan Phillips was appointed to the Audit Committee to fill the vacancy, during the relevant period no Audit Committee meeting was held and as a result he did not participate in any Audit Committee meetings.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the board of directors to review the performance of the Company's external auditors and approve in advance the provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Chairman of the Audit Committee is authorized to approve any non-audit services or additional work which the Chairman deems as necessary and is required to notify the other members of the Audit Committee of such non-audit or additional work.

External Auditor Service Fees

The aggregate fees billed by the Company's current external auditors, Crowe Horwath Melbourne and Davidson & Company LLP, in each of the last two fiscal years are as follows.

	Year Ended March 31, 2012	Year ended March 31, 2011
Audit Fees ⁽¹⁾	\$92,096	\$86,500
Audit-Related Fees ⁽²⁾	\$40,614	\$17,660
Tax Fees ⁽³⁾	-	-
All Other Fees ⁽⁴⁾	\$7,022	\$7,847

Notes:

1. The aggregate fees billed for audit services.
2. The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, which are not included under the heading "Audit Fees".
3. The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
4. The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".

REMUNERATION AND NOMINATION COMMITTEE

The board of directors on July 26, 2011 resolved to form the Remuneration and Nomination Committee. The Remuneration and Nomination Committee Charter is attached hereto as Schedule "C". The Remuneration and Nomination Committee is comprised of John Toigo (Chairman), Simon Hickey, Jon Starink and Jeffrey Wall.

The Remuneration and Nomination Committee, under the supervision of the board:

- has overall responsibility for recommending levels of executive compensation that are competitive and motivating in order to attract, hold and inspire the CEO, CFO and Company Secretary, COO, other senior officers and other key employees and for recommending compensation for directors; and
- has responsibility for monitoring and assessing the functioning of the board, committees of the board and the individual members of the board.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings to which the Company is a party or the Company's properties are the subject to, which are material to the Company and no such proceedings are known to be contemplated.

There are no penalties or sanctions that were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year, nor any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an

investment decision. The Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Company's outstanding voting securities, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the most recently completed financial year that has materially affected or is reasonably expected to materially affect the Company.

PROMOTERS

No person or company has acted as a promoter of the Company or a subsidiary of the Company within the two most recently completed financial years of the Company or during the current financial year.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Davidson & Company LLP, of Vancouver, British Columbia have been the auditors for the Company in Canada since August 15, 1997. Crowe Horwath, Melbourne, Australia have been the Company's auditors in Australia.

The Company's transfer agent is Computershare Investor Services Inc. and registrars for its Shares are:

- **Canada** - Computershare Investor Services Inc, 510 Burrard St, 3rd Floor, Vancouver, British Columbia, V6C 3B9, Canada.
- **Australia** – Computershare Investor Services Pty Ltd, 117 Victoria Street, West End, Brisbane, QLD, 4101, Australia.

MATERIAL CONTRACTS

No material contracts were entered into by the Company other than in the ordinary course of the Company's business of mineral property evaluation, acquisition and divestiture and exploration, including raising the funding therefore, since April 1, 2011 (being the commencement of the Company's most recently completed financial year) that are still in effect.

INTERESTS OF EXPERTS

Names of Experts

The following persons, firms and companies are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by the Company during, or relating to, the Company's most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person, firm or company.

Name	Description
Davidson & Company LLP	The independent auditor of the Company within the meaning of the Rules of Professional Conduct of the Institute of the Chartered Accountants of British Columbia. Provided an auditor's report in respect of the

Name	Description
	Company's consolidated financial statements for the years ended March 31, 2012 and March 31, 2011.
Crowe Horwath, Melbourne	The independent auditor of the Company with the requirements of the <i>Corporations Act 2001 (C'th)</i> . Provided an auditor's report in respect of the Company's Australian Annual Report for the years ended March 31, 2012 and March 31, 2011.
David Larsen, BSc, MAIG	A "Qualified Person" as defined in NI 43-101, who is a full time employee of the Company, collated, reviewed and approved the scientific and technical information in this AIF and news releases dated February 29, 2012 and June 14, 2012.
Andrew Spinks, B.App.Sc, Grad.Dip (Minig), AusIMM	A "Qualified Person" as defined in NI 43-101, who was a consultant to the Company, collated, reviewed and approved the scientific and technical information news releases dated; May 2, 2011, June 16, 2011
David Williams, BSc (Hon), MAIG	A "Qualified Person" as defined in NI 43-101, who is a full time employee of CSA Global Pty Ltd, collated, reviewed and approved the scientific and technical information news releases dated; June 27, 2011, September 21, 2011, November 21, 2011, January 24, 2012, June 14, 2012 and NI43-101 Technical Report dated November 4, 2011, January 4, 2012 and March 9, 2012.
Neville Dowson, BApp Sc (Extractive Metallurgy), AusIMM	A "Qualified Person" as defined in NI 43-101, who is a full employee of Engenium Pty Ltd, collated, reviewed and approved the scientific and technical information news releases dated November 21, 2011 and NI43-101 Technical Report dated January 4, 2012 and March 9, 2012.
Alan Dickson, BSc (Eng), AusIMM	A "Qualified Person" as defined in NI 43-101, who is a full employee of Alan Dickson & Associates Pty Ltd, collated, reviewed and approved the scientific and technical information news releases dated November 21, 2011 and NI43-101 Technical Report dated January 4, 2012 and March 9, 2012.
Damian Edward Gerard Connelly, BApp Sc, AusIMM	A "Qualified Person" as defined in NI 43-101, who is a Director, Principal Engineer of Mineral Engineering Technical Services Pty Ltd, collated, reviewed and approved the scientific and technical information in NI43-101 Technical Report dated June 29, 2012
Jon Starink, BSc (Hons1), BChemE (Hons1), MAppSc, AusIMM, IEAust, IChemE, MRACI and MTMS	A "Qualified Person" as defined in NI 43-101, who is a non-executive director and consultant to the Company collated, reviewed and approved the scientific and technical information news releases dated June 1, 2012.
Chris Allen, BSc (Hons), MBA, MAIG	A "Qualified Person" as defined in NI 43-101, who was

Name	Description
	an employee of CSA prepared the NI43-101 Technical Report entitled "Lake Giles Iron Ore Project Western Australia" dated December 17, 2009 and August 21, 2009.
Michael Andrew, MSc. Geology, Post Grad Dipl. Mineral Geostatistics, a Member of AusIMM	A "Qualified Person" as defined in NI 43-101, who is an employee of Snowdens prepared the technical report entitled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron, Western Australia".
Shane Fieldgate, MSc., Post Grad Dipl. Mineral Exploration and Mining Geology, a member of AIG and AusIMM	A "Qualified Person" as defined in NI 43-101, who is an employee of Snowdens prepared the technical report entitled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron, Western Australia".

Interests of Experts

The Company's Canadian auditors, Davidson & Company LLP, have prepared the audit report attached to the Company's audited consolidated financial statements for the most recent year end for lodgement in Canada. The Company's Canadian auditors have reported that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

The Company's Australian auditors, Crowe Horwath, Melbourne have prepared the audit report attached to the Company's Australian Annual Report for the most recent year end for lodgement in Australia. The Company's Australian auditors have reported that they are independent of the Company in accordance with the requirements of the *Corporations Act 2001 (C'th)*.

None of the other experts listed above, or any "designated professional" of such expert, has any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or any of its associates or affiliates.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Macarthur's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Information Circular dated July 11, 2011. Additional financial information is available in Macarthur's comparative audited consolidated financial statements, together with the auditor's report thereon, and the related Management Discussion and Analysis for its most recently completed fiscal year ended March 31, 2012.

A copy of this AIF, the Information Circular, the Financial Statements and the MD&A, as well as any interim statements from the past fiscal year) may be found on the SEDAR website at www.sedar.com or the Company's website www.macarthurminerals.com.

SCHEDULE “A”

GLOSSARY ON MINING TERMS

The following is a glossary of certain mining terms used in this AIF:

%	Percentage
Al ₂ O ₃	Alumina
AU\$m	Millions of Australian Dollars
BIF	banded iron Formation
C	Celsius
C\$	Canadian dollar
Cat	Caterpillar - equipment manufacturer.
CRM	Certified reference materials
CSA	CSA Global Pty Ltd, author of reports NI 43-101 Technical Report, Macarthur Minerals Limited: Hematite Mineral Resource, Ularring Hematite Project, Western Australia, filed June 29, 2012 and NI 43-101 Technical Report “Lake Giles Iron Ore Project”, filed December 17, 2009.
Datamine	A proprietary computer program to mode, view, analyse and report on survey, geological and mining data.
DBD	Dry bulk density
DDH	Diamond drill core
DEC	Department of Conservation
DFS	Definitive Feasibility Study
DIA	Department of Indigenous Affairs
DMP	Department of Mines and Petroleum
DRF	Declared Rare Flora
DSO	Potential direct shipping ore
DTR	David Tube Recovery
dtph	dry tonnes per hour
EMP	Environmental Management Plan
EP	Environmental Protection Act 1986 (WA)
EPA	Environment Protection Authority
EPBC	Environmental Protection and Biodiversity Conservation(1999)Act
EPSL	Esperance Port Sea and Land (operator of the Port of Esperance)
ESA	Environmentally Sensitive Area
Fe	Iron
GDA94	National co-ordinate system used in this area.
GIS	Geographical Information System
GPS	Global Positioning System
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
Indicated Mineral Resource	That part of Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence

sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

IRR	Internal Rate of Return
JORC	An acronym for Joint Ore Reserve Committee which administered the JORC Code, the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Sets the regulatory enforceable standards for the Code of Practice for Public Reports to the Australian Stock Exchange. The code is endorsed by the Minerals Council of Australia, the Australian Institute of Mining and Metallurgy, and the Australian Institute of Geoscientists.
km ²	Square Kilometres
km	kilometer
LGDD	Lake Giles Diamond Drilling
LOI	Loss of ignition
m	Metre
m ³	Cubic metre
Macarthur	Macarthur Minerals Limited. ACN 103 011 436
Macarthur Iron Ore Projects	Macarthur Iron Ore Projects consist of two separate projects; the Ularring Hematite Project and the Moonshine Magnetite Project.
Mineral Reserve	The term for the economic quantities and grade of valuable materials as strictly applied in compliance with the definition in the National Instrument 43-101.
Mineral Resource	The term for the estimate of the quantities and grad of valuable materials but with no economic considerations as strictly applied in compliance with the definition in the National Instrument 43-101.
Mineralization	The presence of materials of possible economic value or the description of the process by which the concentration of valuable minerals occurs
MIO	Macarthur Iron Ore Pty Ltd ACN 081 705 651 (formerly, Internickel Australia Pty Ltd)
MOC	Mining Operations Centre
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
NATA	National Association of Testing Authorities
NES	National Environmental Significance
NPV	Net Present Value
P	Phosphorus
PEA	Preliminary Economic Assessment
PEC	Priority Ecological Communities
PFS	Preliminary Feasibility Study
QAQC	Quality Assurance Quality Checked
QP	Qualified Person
RC	Reverse Circulation (refer to drilling method)
ROM	Run of Mine, generally referring to stockpiles ahead of crusher.
RNE	Register of National Estates
RTKGPS	Real Time Keeping Global Positioning System
S	Sulphur
SiO ₂	Silica

SRE	Short Range Endemics
TEC	Threatened Ecological Communities
WA	Western Australia
WC	Wildlife Conservation (1950) Act
XRF	X-ray Refraction (analytical method)

SCHEDULE “B”

AUDIT COMMITTEE CHARTER



MACARTHUR MINERALS LIMITED
ACN 103 011 436

AUDIT COMMITTEE CHARTER

(Adopted by the Board of Directors on 16 March 2012)

ARTICLE 1 - PURPOSE

The overall purpose of the Audit Committee (the “Committee”) is to:

- (a) ensure that the management of Macarthur Minerals Limited (the “Company”) has designed and implemented an effective system of internal financial controls for reviewing and reporting on the Company’s financial statements;
- (b) oversee, review and report on the integrity of the Company’s financial disclosure and reporting;
- (c) review the Company’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts; and
- (d) be directly responsible for:
 - (i) the recommendation to the Board of Directors (“Board”) of a firm of external auditors to be proposed for election as the external auditors of the Company,
 - (ii) the oversight of the work of the Company’s external auditors, and
 - (iii) subject to the grant by the shareholders of the authority to do so, if required, recommend to the Board the compensation of the external auditors of the Company.

ARTICLE 2 - COMPOSITION, PROCEDURES AND ORGANIZATION

2.1 Number of Members

The Committee shall be comprised of a minimum of three non-executive members of the Board.

2.2 Member Qualifications

- (a) The Committee member must be a director of the Company
- (b) Every Committee member must be “independent¹” within the meaning of all applicable legal and regulatory requirements (except in the circumstances, and only to the extent, permitted by all applicable legal and regulatory requirements).

¹ Whether a director is “independent” will be determined in accordance with all applicable laws and regulations, including the applicable securities laws of Canada and the United States and the regulations and policies of any stock exchange or quotation system on which the Company’s securities are listed or quoted.

- (c) All of the members of the Committee will be “financially literate²”, at least one member of the Committee will have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).

2.3 Member Appointment and Removal

- (a) The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, or by way of circulating resolution thereafter, will appoint the members of the Committee for the ensuing year.
- (b) The Board may at any time remove or replace any member of the Committee.
- (c) To fill any vacancy in the Committee following the death, disability or resignation of a member, the new appointee may be exempt from the requirement of section 2.2(b), independence, or section 2.2(c), being financially literate, for a period of up to six months or until the next Annual General Meeting whatever is the shorter. Such an appointment is subject to the board determining that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of NI52-110.

2.4 Committee Structure and Operations

(a) *Chair*

Each year, the Board shall appoint one member of the Committee to be the Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board. If in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

Unless the Board has appointed a chair of the Committee, the members of the Committee will elect a chair from among their number.

(b) *Meetings*

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings. However, the Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties.

The Chair or any two members of the Committee may call a meeting.

(c) *Notice*

Notice of the time and place of every meeting shall be given in writing to each Committee member, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company at least one week prior to the time fixed for such meeting.

² An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally compatible to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The external auditor of the Company shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat.

If requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

(d) *Quorum*

The quorum for meetings will be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other. Decisions by the Committee will be by the affirmative vote of a majority of the members of the Committee, or by consent resolutions in writing signed by each member of the Committee.

(e) *Secretary*

The Committee may select an individual to act as secretary for the Committee, who will be either:

- (i) A member of the Committee other than the chair;
- (ii) the Corporate Secretary; or
- (iii) Another individual who is not a member of the management of the Company. or

The Secretary, in conjunction with the Chair shall draft an agenda, which will be circulated at least one week prior to each meeting.

(f) *Records*

Minutes of meetings of the committee shall be recorded and maintained by the Secretary to the Committee and shall be subsequently presented to the committee for review and approval. The minutes of each Committee meeting shall be submitted to the Board for information.

(g) *Attendees*

The Committee will have access to such officers and employees of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The internal accounting staff, any external accounting consultant(s) and the external auditors will have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in, or consultant of, the Company as it deems necessary, and any employee of, or consultant to, the Company may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

The Committee may, in its sole discretion, retain, at the expense of the Company, such legal, financial or other advisors or consultants as it may deem necessary or advisable in order to properly and fully perform its duties and responsibilities hereunder.

(h) *Liaison*

The Company's Chief Financial Officer shall act as management liaison with the Committee.

ARTICLE 3 - DUTIES AND RESPONSIBILITIES

3.1 The overall duties and responsibilities of the Committee will be as follows:

- (a) be directly responsible for:
 - (i) the recommendation to the Board of a firm of external auditors to be proposed for election as the external auditors of the Company,
 - (ii) the oversight of the work of the Company's external auditors, and
 - (iii) subject to the grant by the shareholders of the authority to do so, if required, recommendation to the Board the compensation of the external auditors of the Company;
- (b) to review with the management of the Company (and, in the case of the annual audited statements, with the external auditors) the annual audited consolidated and unaudited consolidated quarterly financial statements, including the notes thereto, to ensure that such statements present fairly the financial position of the Company and the results of its operations and, if appropriate, to recommend to the Board as to the approval of any such financial statements;
- (c) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements;
- (d) to establish and maintain a direct line of communication with the Company's internal accounting staff and any external accounting consultant(s) and assess their performance;
- (e) to undertake the following in relation to risk management:
 - (i) review and evaluate the internal processes for determining and managing key risk areas;
 - (ii) monitor and assess the Company's risk management system and require Management to report major risks at least annually to the Board;
 - (iii) require periodic reports from nominated senior managers:
 - A. confirming the operation of the risk management system including advice that accountable management have confirmed the proper operation of agreed risk mitigation strategies and controls; and
 - B. detailing material risks.
- (f) to ensure that the management of the Company has designed, implemented and is maintaining an effective and appropriate system of internal financial controls; and

- (g) to report regularly to the Board on the fulfilment of its duties and responsibilities including:
 - (i) assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
 - (ii) assessment of the management processes supporting external reporting;
 - (iii) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - (iv) recommendations for the appointment or, if necessary, the removal of the external auditor;
 - (v) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that provision of those services has not compromised the auditor's independence;
 - (vi) assessment of the performance and objectivity of the internal audit function; and
 - (vii) the results of the committee's review of risk management and internal control systems.

3.2 The duties and responsibilities of the Committee as they relate to the external auditors will be as follows:

- (a) to recommend to the Board a firm of external auditors to be proposed by management of the Company to the shareholders for election by the shareholders as the external auditors for the Company, and to verify the independence of such proposed external auditors;
- (b) to review and recommend to the Board the fee, scope and timing of the annual and any other audit performed by the external auditors;
- (c) to review and evaluate the qualifications, performance and independence of the lead partner of the external auditors of the Company;
- (d) to discuss with management of the Company the timing and process for implementing the rotation of the lead audit partner and the reviewing partners of the external auditors of the Company;
- (e) to obtain confirmation from the external auditors of the Company that they will report directly to the Committee;
- (f) to obtain confirmation from the external auditors of the company that they will report in a timely matter to the Committee all critical accounting policies and practices to be used, all alternative accounting policies and practices, the ramifications of each of such accounting policies and practices and the accounting policy and practice preferred by the external auditors of the Company, for the financial information of the Company within

applicable accounting principles which have been discussed with management of the Company and will provide a copy of all material written communications between the external auditors of the Company and management of the Company including, without limitation, any management letter or schedule of unadjusted differences;

- (g) to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Company;
- (h) to review and pre-approve all non-audit services to be provided to the Company (or any of its subsidiaries) by the external auditors;
- (i) review the audit plan of the external auditors prior to the commencement of the audit;
- (j) to review with the external auditors, upon completion of their annual audit:
 - (i) the contents of their report,
 - (ii) the scope and quality of the audit work performed,
 - (iii) the adequacy of the Company's financial and accounting personnel,
 - (iv) the co-operation received from the Company's personnel and any external consultants during the audit,
 - (v) the scope and nature of the internal resources used,
 - (vi) any significant transactions outside of the normal business of the Company,
 - (vii) any significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems, and
 - (viii) the non-audit services provided by the external auditors during the year under audit;
- (k) to discuss with the external auditors not just the acceptability, but also the quality, of the Company's accounting principles; and
- (l) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3.3 The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:

- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal accounting, the use of and services provided by any external accounting consultant(s), insurance, information services and systems and financial controls, management reporting and risk management, and to ensure that the Company maintains:

- (i) the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Company's financial transactions,
 - (ii) effective internal control systems, and
 - (iii) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud;
- (b) establish procedures for:
- (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
 - (ii) the confidential, anonymous submission by employees or any external consultants of the Company of concerns regarding questionable accounting or auditing matters;
- (c) to periodically review this policy and recommend to the Board any changes which the Committee may deem appropriate;
- (d) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company;
- (e) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal accounting staff, by any external accounting consultant(s) or by the external auditors have been implemented;
- (f) assist in the preparation of any internal control report by management, which provides that management of the Company is responsible for establishing and maintaining an adequate control structure and procedures for financial reporting by the Company, assessing the effectiveness of such control structure and procedures, and ensuring that the external auditors of the Company attest to, and report on, the assessment of such control structure and procedures by management of the Company;
- (g) assist the Chief Executive Officer and the Chief Financial Officer of the Company in their assessment of the effectiveness of the Company's internal control over financial reporting and in determining whether there has been any material change in the Company's internal control over financial reporting which has materially affected or could materially affect such internal control subsequent to the date of the evaluation; and
- (h) assist the Chief Executive Officer and the Chief Financial Officer of the Company in identifying and addressing any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial information and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

3.4 The Committee is also charged with the responsibility to:

- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
- (b) review and approve the financial sections of:
 - (i) the annual report to shareholders;
 - (ii) the annual information form (if any);
 - (iii) any quarterly or annual management discussion and analysis;
 - (iv) prospectuses; and
 - (v) other public reports requiring approval by the Board,and report to the Board with respect thereto including, without limitation, as to the approval (or otherwise) thereof by the Board;
- (c) prior to public disclosure review regulatory filings and decisions as they relate to the Company's consolidated annual and interim financial statements, including any press releases with respect thereto;
- (d) ensure that all non-audit services approved by or on behalf of the Committee are disclosed in the periodic reports of the Company;
- (e) ensure that each annual report and, to the extent required by any applicable legal or regulatory requirement, any quarterly report of the Company includes disclosure with respect to all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities which may have a current or future effect on the Company in accordance with all applicable legal and regulatory requirements;
- (f) ensure that all financial statements and other financial information, including pro forma financial information, included in any report filed by the Company with any regulatory authority or contained in any public disclosure or press release of the Company is presented in a manner which does not contain a material misstatement or omission;
- (g) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- (h) review and report on the integrity of the Company's consolidated financial statements;
- (i) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;

- (j) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and
- (k) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board within a reasonable time following each annual general meeting of shareholders.

3.5 The Committee shall have the authority to determine:

- (a) subject to the grant by the shareholders of the authority to do so, if required, the compensation to be received by the external auditors of the Company in connection with all audit services, and non-audit services, to be performed by the auditors;
- (b) the compensation to be received by any legal, financial or other advisors or consultants engaged by the Committee to assist it in performing its duties and responsibilities hereunder; and
- (c) the appropriate funding for the ordinary administrative expenses of the Committee.

The Committee discharges its responsibilities by making recommendations to the Board. The Committee does not have any executive powers to commit the Board or Management to their implementation. The Committee is not responsible for supervising the performance of executives and does not become involved in day-to-day operations, management functions or decision making.

ARTICLE 4 – GENERAL

4.1 The Committee will:

- (a) prepare any report or other disclosure, including any recommendation of the Committee, required by any applicable legal or regulatory requirement to be included in the annual proxy or information circular of the Company;
- (b) review this Charter at least annually and recommend any changes herein to the Board;
- (c) report the activities of the Committee to the Board on a regular basis and make such recommendations thereto as the Committee may deem necessary or appropriate;
- (d) review and recommend to the Board an annual performance evaluation of the Committee, which performance evaluation must compare the performance of the Committee with the requirements of this Charter and be conducted in such manner as the Committee deems appropriate. Such report to the Board may be in such form as the Committee determines, which may include being in the form of an oral report by the chair of the Committee or by another member of the Committee designated by the Committee to make such report; and
- (e) adopt, as it sees fit, any policies and procedures for pre-approval of non-audit services in accordance with all applicable legal and regulatory requirements.

- 4.2 No member of the Committee will receive any compensation from the Company, other than fees for being a director of the Company, or a member of a committee of the Board.
- 4.3 In addition to the foregoing, the Committee will perform such other duties as may be assigned to it by the Board from time to time or as may be required by any applicable stock exchanges, regulatory authorities or legislation.

SCHEDULE “C”

REMUNERATION AND NOMINATION COMMITTEE CHARTER

REMUNERATION AND NOMINATION COMMITTEE CHARTER

(Adopted by the Board of Directors on 16 March 2012)

ARTICLE 1 PURPOSE

The general purpose of the Remuneration and Nomination Committee (the “**Committee**”) is to assist the board of directors (the “**Board**”) of Macarthur Minerals Limited (the “**Company**”) in:

- (a) evaluating, reviewing and recommending all forms of remuneration for the CEO, CFO, COO and other key employees’ (the “**Management**”);
- (b) recommending the annual remuneration budget to the Board;
- (c) recommending compensation for existing directors;
- (d) providing nominations for directors;
- (e) evaluating the collection of tangible and intangible skills, and qualities necessary for an effective board and planning for the succession of the Board;
- (f) reviewing recruitment, retention and termination policies for Management;
- (g) monitoring and assessing the functions of the Board, committees of the Board and individual members of the Board; and
- (h) considering and reviewing diversity and strategies for managing diversity and remuneration by gender within the Company and on the Board.

ARTICLE 2 COMPOSITION, PROCEDURES AND ORGANIZATION

2.1 Number of Members

The Committee shall be comprised of a minimum of three members of the Board.

2.2 Member Qualifications

- (a) Every Committee member must be a director of the Company.
- (b) Every Committee member must be a non-executive director.

- (c) In accordance with the ASX Corporate Governance Council Best Practice Recommendations the majority of members must be independent.
- (d) All members of the Committee shall meet all requirements and guidelines for remuneration committee service as specified in applicable securities and corporate laws and the rules of the Toronto Stock Exchange.

2.3 Member Appointment and Removal

Members of the Committee shall be appointed by the Board for such terms as the Board deems appropriate and shall hold office for such time or until they are removed by the Board or cease to be directors of the Company.

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Committee, and shall be filled by the Board if the membership of the Committee falls below three directors.

2.4 Committee Structure and Operations

(a) Chair

Each year, the Board shall appoint one member of the Committee to be the Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board. If in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

If the Chair of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

(b) Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings. However, the Committee shall meet at least two times per year and as many additional times as the Committee deems necessary to carry out its duties.

The Chair or any two members of the Committee may call a meeting.

(c) Notice

Notice of the time and place of every meeting shall be given in writing to each Committee member, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company at least one week prior to the time fixed for such meeting.

The external auditor of the Company shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat.

If requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

(d) *Quorum*

A majority of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

(e) *Attendees*

The Committee may invite such directors, officers and employees of the Company and advisors as it sees fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of matters relating to the Committee. The Committee shall meet without management present whenever the Committee deems it appropriate.

(f) *Secretary*

The Committee may select an individual to act as secretary for the Committee, who will be either:

- (i) A member of the Committee other than the chair;
- (ii) the Corporate Secretary; or
- (iii) Another individual who is not a member of the management of the Company.

The Secretary, in conjunction with the Chair shall draft an agenda, which will be circulated at least one week prior to each meeting.

(g) *Records*

Minutes of meetings of the Committee shall be recorded and maintained by the Secretary to the Committee and shall be subsequently presented to the Committee for review and approval.

Confidential matters may be recorded in a confidential minute book and not be circulated to the Board.

(h) *Liaison*

The Company's Chief Financial Officer shall act as management liaison with the Committee.

2.5 Reporting to the Board

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held excluding confidential minutes.

2.6 Authority of the Committee

The Committee discharges its responsibilities by making recommendations to the Board. The Committee does not have any executive powers to commit the Board or Management to their implementation. The Committee is not responsible for supervising the performance of executives and does not become involved in day-to-day operations, management functions or decision making.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

The Committee has the authority to engage and compensate any outside advisor that it determines to be necessary or advisable to permit it to carry out its duties. For greater certainty, the Committee has sole authority to retain and terminate any consulting firm to be used to evaluate the Chief Executive Officer or the remuneration of the Chief Executive Officer or any other officers or senior management personnel.

2.7 Committee and Charter Review

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter, in accordance with the process developed by the Board. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines recommended by regulators or the Toronto Stock Exchange and shall recommend changes to the Board thereon.

ARTICLE 3 DUTIES AND RESPONSIBILITIES

3.1 General

The Committee is responsible for reviewing the Company's overall remuneration philosophy.

3.2 CEO remuneration

With respect to remuneration of the CEO, the Committee is responsible for:

- (a) reviewing and approving corporate goals and objectives relevant to CEO remuneration;
- (b) evaluating the CEO's performance in light of those corporate goals and objectives; and
- (c) determining or making recommendations to the Board with respect to the CEO's remuneration level based on this evaluation.

In setting corporate goals and objectives relevant to CEO remuneration, the Committee should consider both short-term and long-term remuneration goals, including analysis of the short and long-term tax, accounting, cash flow and dilution implications of the remuneration package. In determining the long-term incentive component of the remuneration of the CEO, the Committee shall consider the Company's performance and relative shareholder return, the value of similar incentive remuneration given to CEO's at comparable companies and the remuneration given to the CEO in past years.

The Committee shall annually review and assess the competitiveness and appropriateness of the remuneration package of the CEO. In conducting such review, the Committee shall consider:

- (a) the remuneration package of the CEO for the prior year;
- (b) the Committee's evaluation of the performance of the CEO;
- (c) the Company's performance and relative shareholder return, as well as other key measures of performance;
- (d) whether the remuneration package reflects an appropriate balance between salary and incentive remuneration, as well as the mix between short and longer-term incentives to improve performance of the Company;
- (e) the competitiveness of the remuneration package, including the value of similar incentive awards and benefits such as pensions and supplementary executive retirement plans, paid to equivalent officers and positions at comparable companies;
- (f) the impact of the level and form of awards on the Company and its shareholders from a tax, accounting, cash flow and dilution perspective; and

- (g) the awards given to the CEO.

3.3 Remuneration of Management

With respect to remuneration of Management, the Committee is responsible for:

- (a) recommending the process and criteria to be used to evaluate the performance of Management;
- (b) reviewing and approving the performance evaluations of the Company's Management; and
- (c) In consultation with the CEO, the Committee shall oversee the evaluation of Management and shall make recommendations to the Board with respect to the total remuneration package for Management other than the CEO.

The Committee should consider all forms of remuneration when determining the level of remuneration paid to Management, including long-term incentives and benefits. The Committee should also consider information regarding other companies, the nature of the Company's business, the need to obtain qualified individuals, short-term and long-term performance goals and actual performance and shareholder returns and evaluations and remuneration in previous years.

3.4 Remuneration of Directors

The Committee shall, on an annual basis:

- (a) review the adequacy, amount and form of the remuneration to be paid to each director;
- (b) consider whether such remuneration realistically reflects the time commitment, responsibilities and risks of the directors;
- (c) the effectiveness of the Board, each committee and each director in achieving its mandate, and
- (d) make recommendations to the Board thereon.

With assistance of Management, the Committee will monitor trends in compensation of directors and review the Company's compensation policies and plans and make recommendations to the Board.

The Committee also shall make recommendations to the Board on minimum share ownership requirements for directors of the Company.

3.5 Incentive-remuneration Plans

With respect to incentive-remuneration plans, the Committee is responsible reviewing and making recommendations to the Board with respect:

- (a) the adoption and amendment of executive incentive-remuneration plans and all awards under such plans.
- (b) all payments made under the Company's short and long-term incentive plans; and
- (c) any Management change of control contracts, special benefits and any other senior officer financial arrangements or changes thereto.

3.6 Equity-Based Plans

With respect to equity-based plans, the Committee is responsible for periodically reviewing and making recommendations to the Board regarding equity-based remuneration plans that the Company establishes for, or makes available to, its employees and/or consultants, including the designation of those who may participate in such plans, share and option availability under such plans and the administration of share purchases thereunder.

With respect to equity-based plans, the Committee is responsible for reviewing such plans and making recommendations to the Board the number of securities, and the terms thereof, that may be issued under any such plan during any particular period.

In addition, the Committee shall review periodically the extent to which these forms of remuneration are meeting their intended objectives, and shall make recommendations to the Board regarding modifications to more accurately relate such remuneration to employee performance.

The Committee will conduct periodic reviews of the status of any equity-based plans, and submit recommendations for Board consideration and approval with respect to any proposed material amendments to, and any proposed grants (or changes to previous grants) under such plans.

3.7 Disclosure

With respect to disclosure, the Committee is responsible for:

- (a) obtaining advice on and tracking disclosure requirements related to executive remuneration disclosure;
- (b) reviewing executive remuneration disclosure information before the Company publicly discloses this information; and

- (c) in particular, reviewing the “Executive remuneration” and “Indebtedness” sections and preparing the “Report on Executive remuneration” section of the management information circular (or similarly captioned disclosure).

ARTICLE 4 NOMINATION RESPONSIBILITIES

4.1 General Duties

The Committee shall be responsible for:

- (a) annual review of the indemnification policies of the Company and D&O insurance policy, if any;
- (b) establishment and oversight of new director orientation and ongoing education;
- (c) determine the number of independent directors who should sit on the Board;
- (d) reviewing the proportion of women at all levels in the Company and address strategies on Board gender diversity and diversity in general; and
- (e) review of Board succession plans

4.2 Recruitment

With respect to the director recruitment in general, the Committee will be responsible for:

- (a) adopting a formal and transparent process for the selection, appointment and reappointment of directors to the Board to promote investor understanding and confidence in that process;
- (b) analysis of the collection of tangible and intangible skills and qualities necessary for an effective Board given the Company’s current operational and financial condition, the industry in which it operates and the strategic outlook of the Company;
- (c) periodically comparing the tangible and intangible skills and qualities of the existing Board members with the analysis of required skills and identifying opportunities for improvement; and
- (d) recommending, as required, changes to the selection criteria used by the Board to reflect the needs of the Board.

If the Company is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of the Committee.

4.3 Identification of Nominees

With respect to the identification of potential nominees, the Committee will be responsible for:

- (a) identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders;
- (b) defining roles and expectations of Board members; and
- (c) identifying and maintaining a list of potential directors that possess the qualifications established by the Committee.

4.4 Recommendation of Nominees

In making its recommendations to the Board, the Committee will consider:

- (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
- (b) the qualities such as integrity, business judgment, independence, business or professional expertise, international experience, residency and familiarity with geographic regions relevant to the Company's strategic priorities
- (c) the competencies and skills that the Board considers each existing director to possess; and
- (d) the competencies and skills each new nominee will bring to the boardroom.

4.5 Membership Qualifications

With respect to membership qualifications, the Committee is responsible for monitoring director membership to ensure qualifications under applicable laws are maintained.

Every year, the Committee will review the credentials and performance of nominees proposed for election to the Board. In doing so, it will consider director qualifications under applicable laws, regulations and rules, as well as the needs of the Company and the talents already represented on the Board.

4.6 Board & Committee Review

The Committee shall conduct an annual review of the size, composition, mandate and performance of the Board and various committees of the Board, and make recommendations for appointment, removal of directors or adjustment as appropriate.