MACARTHUR MINERALS LIMITED

Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

All amounts are in Australian dollars unless otherwise stated

MACARTHUR Minerals

ACN 103 011 436

Financial Report – March 31, 2012

Contents

This financial report covers the consolidated financial statements for the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. The financial report is presented in the Australian currency.

Its corporate office and principal place of business are detailed on page 9.

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Macarthur Minerals Limited

We have audited the accompanying consolidated financial statements of Macarthur Minerals Limited, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Macarthur Minerals Limited as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

June 27, 2012

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Australian Dollars)
AS AT MARCH 31, 2012

	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS			
Current			
Cash and cash equivalents	$ 26,589,704	$ 48,784,511	$ 1,618,693
Receivables	505,610	496,890	125,454
Security deposits and prepayments	416,799	285,103	398,227
Total current assets	27,512,113	49,566,504	2,142,374
Non-Current			
Plant and equipment (Note 4)	1,100,915	338,290	266,472
Exploration and evaluation assets (Note 6)	44,361,835	24,571,026	16,721,854
Total non-current assets	45,462,750	24,909,316	16,988,326
Total assets	**$ 72,974,863**	**$ 74,475,820**	**$ 19,130,700**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 2,310,612	$ 1,700,284	$ 1,208,500
Employee benefits	80,033	38,854	-
Finance lease obligation (Note 5)	108,180	46,184	33,168
Total current liabilities	2,498,825	1,785,322	1,241,668
Non-Current			
Employee benefits	928	-	-
Finance lease obligation (Note 5)	36,262	140,273	124,180
Total non-current liabilities	37,190	140,273	124,180
Total liabilities	2,536,015	1,925,595	1,365,848
Shareholders' equity			
Contributed equity (Note 7)	86,686,256	86,426,323	29,621,484
Reserves	3,695,288	3,500,632	2,407,949
Deficit	(19,942,696)	(17,376,730)	(14,264,581)
Total shareholders' equity	70,438,848	72,550,225	17,764,852
Total liabilities and shareholders' equity	**$ 72,974,863**	**$ 74,475,820**	**$ 19,130,700**

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)
Contingent liabilities (Note 17)

On behalf of the Board:

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

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

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

		2012		2011
EXPENSES				
Depreciation	$	205,132	$	91,777
Investor relations		158,394		114,201
Office and general		473,201		416,406
Personnel fees		1,732,993		997,227
Professional fees		1,169,880		881,069
Rent and rates		119,872		274,826
Share-based compensation (Note 8)		290,557		622,628
Share registry, filing and listing fees		342,902		35,512
Travel and accommodation		263,376		346,090
Total Administrative Expenses		4,756,307		3,779,736
Loss before other items		(4,756,307)		(3,779,736)
Other items:				
Interest income		2,195,673		501,668
Other income		-		300,815
Impairment of receivable		-		(300,815)
Foreign exchange gain / (loss)		(5,332)		165,919
		2,190,341		667,587
Net loss for the year	$	(2,565,966)	$	(3,112,149)
Deficit, beginning of year		(17,376,730)		(14,264,581)
Deficit, end of year	$	(19,942,696)	$	(17,376,730)
Basic and diluted loss per common share	$	(0.06)	$	(0.10)
Basic and diluted weighted average number of common shares outstanding		44,748,499		31,008,904

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Australian Dollars)
AS AT MARCH 31, 2012

	Number of Shares	Contributed Equity	Deficit	Reserves	Total
Balance at April 1, 2010	23,955,630	$ 29,621,484	$ (14,264,581)	$ 2,407,949	$ 17,764,852
Net loss for the year	-	-	(3,112,149)	-	(3,112,149)
Exercise of options and warrants	815,000	1,440,560	-	-	1,440,560
Exercise of options – allocation of fair value	-	109,501	-	(109,501)	-
Private placements	19,900,000	59,765,858	-	-	59,765,858
Share issuance costs - cash	-	(3,931,524)	-	-	(3,931,524)
Share issuance costs – non-cash	-	(579,556)	-	579,556	-
Share based payment transactions	-	-	-	622,628	622,628
Balance at March 31, 2011	44,670,630	86,426,323	(17,376,730)	3,500,632	72,550,225
Balance at April 1, 2011	44,670,630	86,426,323	(17,376,730)	3,500,632	72,550,225
Net loss for the year	-	-	(2,565,966)	-	(2,565,966)
Exercise of options	150,000	164,032	-	-	164,032
Exercise of options – allocation of fair value	-	95,901	-	(95,901)	-
Share issuance cost – non-cash	-	-	-	-	-
Share based payment transactions	-	-	-	290,557	290,557
Balance at March 31, 2012	44,820,630	$ 86,686,256	$ (19,942,696)	$ 3,695,288	$ 70,438,848

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Australian Dollars)
YEARS ENDED MARCH 31

	2012	2011
OPERATING ACTIVITIES		
Net loss for the year	$ (2,565,966)	$ (3,112,149)
Items not involving cash:		
Depreciation	205,132	91,777
Impairment of receivable	-	300,815
Asset write-off expense	16,030	-
Share-based compensation	290,557	622,628
Changes in non-cash working capital items related to operations		
Accounts payable and accrued liabilities	41,985	(12,579)
Due to related parties	-	(12,225)
Prepayments	(131,696)	113,124
Receivables	(8,720)	(672,251)
Net Cash Used in Operating Activities	(2,152,678)	(2,680,860)
INVESTING ACTIVITIES		
Purchases of plant and equipment	(984,475)	(102,404)
Proceeds of plant and equipment	14,500	-
Deferred exploration expenditure	(19,194,171)	(7,293,730)
Cash flows used in Investing Activities	(20,164,146)	(7,396,134)
FINANCING ACTIVITIES		
Issuance of Common Shares	164,032	61,206,418
Cost of share issues and deposit	-	(3,931,524)
Repayment of capital lease	(42,015)	(32,082)
Cash flows from Financing Activities	122,017	57,242,812
Change in cash during year	(22,194,807)	47,165,818
Cash, beginning of year	48,784,511	1,618,693
Cash, end of year	$ 26,589,704	$ 48,784,511

Supplemental disclosures with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future, which is not assured. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

The Company's cash position at the reporting date is $26,589,704 as available cash and $338,104 as security deposits for environmental bonds and office leases. The Company believes these funds will enable it to meet its obligations and commitments over the coming year as they become due.

The address of the Company's corporate office and principal place of business is Level 20, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. BASIS OF PRESENTATION AND FIRST TIME ADOPTION OF IFRS

The Company commenced reporting under IFRS for reporting period commencing April 1, 2011. The transitional date for the Company of April 1, 2010 required restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

Previously the Company prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") as set in the Handbook of the Canadian Institute of Chartered Accountant ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and required publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

Subject to certain transition elections disclosed in Note 18, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended March 31, 2011 prepared under Canadian GAAP. There were no changes required to the comparatives upon transition to IFRS.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies in Note 3. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at June 27, 2012, the date the board of directors approved the statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates

The preparation of financial statements in conformity with IFRS requires that management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggests the carrying amount exceeds the recoverable amount.

ii) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Tracker Resources Pty Ltd, Hatches Nominees Pty Ltd and Macarthur Iron Ore Pty Ltd (formerly Internickel Australia Pty Ltd) ("MIO"). The subsidiaries are incorporated in Australia and are 100% owned by the Company. All inter-company balances and transactions have been eliminated upon consolidation.

(c) Cash and cash equivalents

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

(d) Mineral exploration, evaluation and development properties

The Company is currently in the exploration and evaluation stage of its Macarthur Iron Ore Projects ("the Project") and applies the following policy in relation to its exploration and evaluation properties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Mineral exploration, evaluation and development properties (cont'd)

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. Should the Company incur pre-exploration costs, these are expensed as incurred.

Once an economically viable project has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mines under construction within mine properties, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

At a future date when the Company transitions from exploration and evaluation activities for the Project to the development stage of the Project, it will apply the following policy.

Development properties

When economically viable projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

(e) Mine properties, plant and equipment

At a future date the Company will apply the following policy when it transitions from the development stage to the production stage of the Project.

Upon completion of mine construction, the assets are transferred into properties, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into the stage of operating in the way intended by management, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable resource development.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Mine properties, plant and equipment (cont'd)

Items of plant and equipment are amortized as follows:

Asset group	Residual value	Estimated useful life	Basis of amortization
Plant and equipment	-	5 – 25 years	Straight line
Office equipment	-	3 – 10 years	Straight line

(f) Leases

Leases that substantially transfer all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

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

Operating lease payments are recognised as an operating expense in the statement of loss on a straight-line basis over the lease term.

(g) Provision for closure and restoration

An obligation to incur closure and restoration costs arises with the retirement of tangible long-lived assets that the Company is required to settle. Such costs arising from the decommissioning of plant, mines and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

For the periods presented, there are no material provisions for closure and restoration.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Functional Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Australian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Australian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

(i) Share based payment transactions

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

The Company recognizes the fair value of all stock option awards and equity settled share units recording a compensation expense for all stock options awarded for remuneration or consideration for services provided using the Black-Scholes option-pricing model to determine the fair value of the options on the date of grant. The Black-Scholes option-pricing model calculates the fair value by taking into account the exercise price, the share price at grant date, the expected life, the volatility of the stock, anticipated dividend rates, risk free rate and estimated forfeitures. The fair value of the options thus calculated is expensed over their vesting period.

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

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

(j) Cash based restricted share units

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Cash based restricted share units (cont'd)

Cash based RSUs are recognized as a compensation expense as they vest and are marked to market. The cost of cash based RSUs are calculated as the average of the daily volume weighted closing price of a common share of the Company on the TSX for the 20 trading days prior to the vesting date and a corresponding compensation expense is recognized to the profit and loss.

(k) Impairment of non-financial assets

Each reporting period the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

(l) Income taxes

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred income taxes are recorded using the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted, or substantively enacted, tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

Mineral Resource Rent Tax

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Income taxes (cont'd)

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

Deferred Tax Balances

Deferred income tax assets have not been recognized as it has not yet become probable that they will be recovered and utilized.

(m) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on profit/ (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive as their conversion would decrease the loss per share from continuing operations.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

(n) Financial assets

Financial assets, other than derivatives, are designated as available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as available-for-sale are measured on initial recognition plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for financial assets that are considered to be impaired in which case the loss is recognized in net income or loss. The Company has not classified any assets as available for sale for any period presented.

Financial assets classified as loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company's accounts receivables are classified as loans and receivables. Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in income or loss. Transaction costs are expensed for assets classified as FVTPL. The Company's cash and cash equivalents are classified as FVTPL.

(o) Receivables

The Company's receivables primarily consist of interest revenue and goods and services tax. Interest income is recognized by applying the effective interest rate. Other receivables are measured at cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, debt component of the convertible notes and revolving credit facility are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in net income or loss.

(q) Segment reporting

The chief operating decision-maker has been identified as the Chief Executive Officer of the Company. The Company has identified one reportable segment (the exploration, mine development and extraction of iron ore). All such concessions and substantially all the capital assets of the Company are situated in the one geographic area in southern Western Australia (known as the Macarthur Iron Ore Projects) as at the reporting date.

(r) Comprehensive income/(loss)

Comprehensive income/ (loss) is defined as the change in equity (net assets) from transactions and other events from non-owner sources.

(s) Financing charges

Financing charges that reflect the cost to obtain new debt financing are expensed as incurred. Financing charges that reflect the cost to obtain new equity financing are deducted from shareholders' equity.

(t) New accounting standards and interpretations

As of April 1, 2013, the Company will be required to adopt the following standards.

Financial Instrument IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39 from April 1, 2013. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. The Company is currently evaluating the impact of IFRS 9 on its financial instruments.

The IASB issued IFRS 12 "Disclosure of Involvement with Other Entities" which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. The Company currently does not expect there to be any changes to the financial statements upon adoption of this section.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) New accounting standards and interpretations

IFRS 13, "Fair Value Measurement", establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. The key features of IFRS 13 include: a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied, fair value would be defined as the 'exit price', and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities. The Company currently does not expect there to be any changes to the financial statements upon adoption of this section.

Amendments to IAS 1, "Presentation of Financial Statements", require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified

Amendments to IFRS 7, "Financial Instruments", require that disclosures are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

(u) Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

(Expressed in Australian Dollars)

4. PLANT AND EQUIPMENT

	March 31, 2012	March 31, 2011	April 1, 2010
Plant and Equipment			
Plant and equipment			
Opening net book value	$ 295,782	$ 218,510	$ 79,229
Additions	830,137	147,091	152,536
Disposals	(23,597)	-	-
Depreciation charge	(153,203)	(70,595)	(13,255)
Transfer from office equipment	-	388	-
Closing net book amount	$ 949,119	$ 295,394	$ 218,510
Cost	1,181,308	397,562	249,923
Accumulated amortization	(232,189)	(102,168)	(31,413)
	$ 949,119	$ 295,394	$ 218,510
Office equipment			
Opening net book value	$ 42,508	$ 47,962	$ 22,151
Additions	168,040	45,730	38,936
Disposals	(6,826)	(28,709)	-
Depreciation charge	(51,926)	(21,182)	(13,125)
Transfer to plant and equipment		(905)	-
Closing net book amount	$ 151,796	$ 42,896	$ 47,962
Cost	229,095	75,546	77,916
Accumulated amortization	(77,299)	(32,650)	(29,954)
	$ 151,796	$ 42,896	$ 47,962
Total Net book amount	**$ 1,100,915**	**$ 338,290**	**$ 266,472**

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

(Expressed in Australian Dollars)

5. FINANCE LEASE COMMITMENTS

The Company entered into finance lease contracts for the purchase of 4 vehicles with a completion date of November 30, 2013. The vehicles are recorded at cost and classified as a depreciable asset. At March 31, 2012 the present value of the lease payments due are $144,442. The total minimum lease payments will be $147,780 and title of the vehicles will transfer to the Company upon payment of $87,039. The amount representing interest over the term of the leases is $3,338.

Future payment obligations are as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Within one year	$ 111,182	53,336
Later than one year but not later than five years	36,598	147,780
	147,780	201,116
Less: interest	(3,338)	(14,659)
Total future principal payments	144,442	186,457
Less: current portion	(108,180)	(46,184)
	$ 36,262	140,273

6. EXPLORATION AND EVALUATION ASSETS

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

Exploration and evaluation expenditure

In order to maintain current rights to tenure to exploration tenements, the Company is required to perform minimum expenditure requirements specified by various governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made and at other times. These obligations are not provided for in the financial statements and are payable:

	Consolidated	
	2012	**2011**
	$	**$**
Not later than one year	2,885,215	1,415,900
Later than one year but not later than five years	10,533,302	7,682,649
	13,418,517	9,098,549

(Expressed in Australian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

	Acquisition Costs	Deferred Exploration Costs	Total
Balance as at April 1, 2010	$ 3,523,886	$ 13,197,968	$16,721,854
Accommodation and camp maintenance	-	246,095	246,095
Drilling	-	2,801,644	2,801,644
Fuel	-	39,748	39,748
Other	-	13,976	13,976
Personnel and Contractors	-	1,380,241	1,380,241
Rent and rates	-	101,760	101,760
Research and reports	-	1,502,799	1,502,799
Sampling and testing	-	1,119,963	1,119,963
Site preparation and earthwork	-	42,234	42,234
Tenement management and outlays	-	226,280	226,280
Vehicle hire	-	374,432	374,432
	-	**7,849,172**	**7,849,172**
Balance as at March 31, 2011	**$ 3,523,886**	**$ 21,047,140**	**$24,571,026**

	Acquisition Costs	Deferred Exploration Costs	Total
Incurred during the period			
Accommodation and camp maintenance	$ -	$ 574,921	$ 574,921
Drilling	-	8,507,923	8,507,923
E30/317 acquisition cost	100,000	-	100,000
Environmental surveys	-	1,235,936	1,235,936
Fuel	-	44,087	44,087
Other	-	329,902	329,902
Personnel and Contractors	-	2,976,718	2,976,718
Rent and rates	-	344,949	344,949
Research and reports	-	1,934,217	1,934,217
Sampling and testing	-	3,028,657	3,028,657
Site preparation and earthwork	-	223,322	223,322
Tenement management and outlays	-	36,657	36,657
Travel	-	342,784	342,784
Vehicle hire	-	110,736	110,736
	100,000	**19,690,809**	**19,790,809**
Balance as at March 31, 2012	**$ 3,623,886**	**$ 40,737,949**	**$44,361,835**

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

The acquisition payment of $100,000 was made in respect of the Company's acquisition of an option to purchase tenement E30/317, refer to Note 15 for further details.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY

Ordinary Shares

Authorized: Unlimited

Rights: Ordinary shares are voting

	Consolidated	
	March 31, 2012	March 31, 2011
Number of authorized ordinary shares on issue:	44,820,630	44,670,630

During the year ended March 31, 2012

On September 23, 2011, 150,000 shares were issued due to stock options being exercised.

Stock options

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

The fair value of all share purchase options is measured and expensed as a share-based compensation expense at grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to contributed surplus, see Note 8.

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

During the year ended March 31, 2012

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

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

On March 28 2012, the Company granted 300,000 incentive options under the Stock Option Plan to Investor Cubed Inc. (“Investor Cubed”) as part of their consulting contract to provide investor relations and shareholder communications and services. The options are exercisable at CAD$1.00 and will vest quarterly over a period of one year and will only be exercisable when the volume weighted average price for the last 20 days of the Company’s shares is at least CAD$2.00.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Stock options (cont'd)

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

	Year ended March 31, 2012		Year ended March 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,995,000	$ 1.79 (CAD $1.79)	1,645,000	$ 1.66 (CAD $1.07)
Granted	1,890,000	$ 2.73 (CAD $2.83)	2,040,000	$ 2.27 (CAD $2.27)
Exercised	(150,000)	$ 1.06 (CAD $1.10)	(315,000)	$ 1.10 (CAD $1.10)
Expired/cancelled	(1,070,000)	$ 2.14 (CAD $2.22)	(375,000)	$ 1.99 (CAD $2.00)
Outstanding, end of year	3,665,000	$ 2.15 (CAD $2.23)	2,995,000	$ 1.79 (CAD $1.79)
Options exercisable, end of year	3,365,000	$ 2.15 (CAD $2.23)	2,995,000	$ 1.79 (CAD $1.79)

Stock options outstanding at March 31, 2012 are as follows:

Number of Options	Exercise Price	Expiry Date
100,000	0.97 (CAD$1.00)	October 19, 2012
100,000	1.16 (CAD$1.20)	November 26, 2012
650,000	1.06 (CAD$1.10)	December 2, 2012
200,000	0.97 (CAD$1.00)	July 31, 2014
575,000	1.93 (CAD$2.00)	May 4, 2013
350,000	3.48 (CAD$3.60)	March 30, 2014
965,000	3.48 (CAD$3.60)	June 9, 2014
425,000	1.93 (CAD$2.00)	December 22, 2014
300,000	0.97 (CAD$1.00)	March 30, 2015

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Warrants

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

	Year ended March 31, 2012		Year ended March 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	8,789,150	$3.96 (CAD $3.97)	2,000,000	$2.27 (CAD $2.00)
Granted	250,000	$3.48 (CAD $3.60)	7,289,150	$4.36 (CAD $4.37)
Exercised	-		(500,000)	$1.99 (CAD $2.00)
Expired	-		-	
Outstanding, end of year	9,039,150	$3.82 (CAD $3.96)	8,789,150	$ 3.96 (CAD 3.97)

Warrants outstanding at March 31, 2012 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	$1.93 (CAD$2.00)	March 1, 2013
339,150	$1.74 (CAD$1.80)	April 28, 2013
6,950,000	$4.34 (CAD$4.50)	February 24, 2013
250,000	$3.48 (CAD$3.60)	February 23, 2014

During the year ended March 2011

(i) 339,150 warrants were granted on April 28, 2010 at an exercise price of CAD$1.80 in connection with the April 2010 placement.

(ii) 6,950,000 warrants were granted on February 24, 2011 at an exercise price of CAD$4.50 in connection with the February 2011 placement.

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

During the year ended March 2012

(i) 250,000 warrants were granted on February 22, 2012 at an exercise price of CAD$3.60 pursuant to an agreement with Macquarie Capital Markets Canada Ltd dated July 7, 2010.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Agents' Options

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

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

There were no agents' options exercised during the year and 834,000 options remain outstanding.

8. SHARE BASED COMPENSATION

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

The above amounts are being expensed at grant date (as they are fully vested) as share based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity and reduced by the options exercised during the period. The weighted average fair value of options granted during the year was $0.17 (2011 - $0.68). Refer to Note 7 for details of options granted during the year.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2012	2011
	Weighted average	*Weighted average*
Risk-free interest rate	1.36%	1.64%
Expected life of options	1.3 years	1.44 years
Annualized volatility	46.21%	44.92%
Dividend rate	0%	0%
Forfeitures	0%	0%

i) 1,165,000 options were issued to directors, officers, employees and consultants on June 10, 2011 at an exercise price of CAD$3.60. They expire on June 9, 2014.

ii) 425,000 options were issued to directors, officers, employees on December 20, 2011 at an exercise price of CAD$2.00. They expire on December 22, 2014.

iii) 300,000 options were issued to a consultant on March 28, 2012 at an exercise price of CAD$1.00 and will vest quarterly over a period of one year. They expire on March 30, 2015.

9. RELATED PARTY TRANSACTIONS

Key Management Personnel

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

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

Non-executive Directors
S Hickey
J Toigo
J Starink

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

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

Other company executives

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

Related party transactions

There were no transactions between the Company and related parties in the wholly owned Group during the year other than remuneration for key management personnel details of which are contained in this note.

The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

Principles used to determine the nature and amount of remuneration

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

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Principles used to determine the nature and amount of remuneration (cont'd)

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

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

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

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

- The term of each consultancy agreement has changed from a three year fixed period to be open ended.
- The Company must provide twelve months' notice for termination without cause. Executives must provide six months' notice.
- Each executive's annual salary was increased proportionately in line with other companies of a comparable size and to reflect each executive's position, skills and experience.
- Each executive is eligible to participate in the cash based Restricted Share Unit ("RSU") Plan which entitles them to receive cash based RSUs.
- The key terms of the executives' cash RSU agreements are:
  - Cash RSUs vest on achievement of certain performance criteria within agreed dates as detailed in the agreements and plan.
  - No value is attributable to cash RSUs until they vest.
  - RSUs cash payment amounts are based on the market value of a common share in the Company on the date that the cash RSU vests. Market value is calculated as the average of the daily volume weighted closing price of a common share of the Company on the TSX for the 20 trading days prior to the vesting date.
  - Cash RSUs vest on termination without cause and change of control.
- Alan S Phillips and Joe Phillips were granted a tranche of additional non-performance based cash RSUs by which, one cash RSU vests on the exercise of every 2.25 options issued previously to Alan S Phillips and Joe Phillips on March 31, 2011 with an exercise price of C$3.60, a vesting price of C$4.25, expiring on March 31, 2014, to represent re-payment for surrendered options as agreed between those executives and the Board.
- Total cash RSU entitlements for executives are:

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

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Principles used to determine the nature and amount of remuneration (cont'd)

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

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

Details of Remuneration

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

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

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

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

2011	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	Retirement Benefits $	Options $	Total $
A S Phillips	240,000	-	-	-	-	55,376	295,376
S Hickey	48,272	-	-	-	-	55,376	103,648
J Toigo	48,000	-	-	-	-	55,376	103,376
P Ziegler	31,000	-	-	-	-	-	31,000
Other Company Executives							
D Taplin	240,000	-	-	-	-	73,835	313,835
A J Phillips	240,000	-	-	-	-	73,835	313,835
Total	847,272	-	-	-	-	313,798	1,161,070

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of relevant Australian accounting standards. A number of these entities transacted with the Group in the reporting period. The terms and conditions of those transactions were no more favourable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

Details of those transactions are set out below:

a) $29,700 (2011: $148,640) was paid or accrued to Strategic Capital Services Pty Ltd ("Strategic Capital"), an entity of which Alan S Phillips, Chairman, President and CEO, was a former director (resigned on July 16, 2010) and his son Joe Phillips, COO, is a director (since 16 July 2010), for rent for offices sub-let to the Company in Brisbane up until June 2011. Accordingly, Alan S Phillips has previously held while a director, and Joe Phillips currently holds as a director, positions in Strategic Capital, that result in them having (or having previously had in the case of Alan S Phillips), significant influence over Strategic Capital for the purposes of IAS 24.

b) $Nil (2011: $26,317) is owed to Strategic Capital, for rent for offices previously sub-let by the Company in Brisbane.

c) $16,690 (2011: $Nil) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.

d) $Nil (2011: $Nil) is owed to ClarkeKann Lawyers, for legal fees.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Other transactions with key management personnel (cont'd)

e) On August 11, 2011, Phillips Exploration Pty Ltd assigned to the Company office equipment and furniture for $27,500.

f) $Nil is owed to Phillips Exploration Pty Ltd for assignment of office equipment and furniture.

g) On December 5, 2011 the Company sold two motor vehicles which were independently valued for $13,200 to Phillips Exploration Pty Ltd, an entity of which Joe Phillips, COO, is a director and Jacqueline Phillips, wife of Alan S Phillips, Chairman, President and CEO, is a director, that result in them having significant influence over Phillips Exploration Pty Ltd for the purposes of IAS 24. The sale was approved by the board and Alan S Phillips did not vote.

h) $Nil is owed by Phillips Exploration Pty Ltd for the sale of the two motor vehicles.

Aggregate amounts of each of the above transactions are:

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

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

10. INCOME TAXES

Income tax recovery varies from the amount that would be computed by applying the combined federal and provincial income tax rate to loss before taxes as follows:

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

(Expressed in Australian Dollars)

10. INCOME TAXES (cont'd)

	Consolidated 2012 $	Consolidated 2011 $
Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable		
Loss from continuing operations before income tax expense	(2,565,966)	(3,112,149)
Tax at Australian tax rate of 30%	(769,790)	(933,645)
Adjustment for items not deductible in calculating taxable income:		
Share based payments	87,167	180,758
Impairment expenses	-	90,155
Other	-	31,151
	(682,623)	(631,581)
Income tax losses and temporary differences not carried forward as deferred tax assets	682,623	631,581
Income tax expense (credit) attributable to profit (loss) from continuing operations	-	-

The Company has non-capital losses of approximately $48,000,000, which may be carried forward and applied against Australian taxable income in future years. These losses have been incurred since 2004.

Deferred tax benefits which may arise as a result of these non-capital losses have not been recognized for fiscal 2012 and 2011, as the directors believe it is more likely than not that these losses will not be recovered.

The Company and its subsidiaries have formed a tax consolidated group for Australian taxation purposes. All entities are therefore taxed as a single entity.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

		2012		2011
Cash paid during the year for interest	$	6,430	$	5,368
Cash paid during the year for income taxes	$	-	$	-

During the year ended March 31, 2012, the Company entered into the following non-cash transactions:

a) Recorded $1,553,228 in deferred exploration expenditures through accounts payable.

b) Recorded $13,812 in plant and equipment through accounts payable.

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

(Expressed in Australian Dollars)

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd)

During the year ended March 31, 2011, the Company entered into the following non-cash transactions:

a) Recorded $956,590 in mineral property expenditures through accounts payable.

b) Reallocated $109,591 from contributed surplus to capital stock upon exercise of 150,000 stock options.

c) Recorded $579,556 in share issue costs in relation to the issuance of options and warrants to finders on agents.

12. SEGMENTED INFORMATION

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

13. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. This amount is as follows:

	Carrying Amount		
	March 31, 2012	March 31, 2011	April 1, 2010
Financial assets			
Cash	$ 26,589,704	$ 48,784,511	$ 1,618,693
Security Deposits	338,104	269,601	153,713
Receivables	505,610	496,890	125,454
	$ 27,433,418	$ 49,551,002	$ 1,897,860

The Company's receivables comprises of interest receivable and taxation payments recoverable from the Australian Government.

The Company's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	Carrying Amount		
	March 31, 2012	March 31, 2011	April 1, 2010
Australia	$ 505,610	$ 496,890	$ 85,299
Canada	-	-	40,155
Total	$ 505,610	$ 496,890	$ 125,454

13. FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

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

Exposure to currency risk

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

	AUD	CAD	AUD	CAD	AUD	CAD
	March 31, 2012		March 31, 2011		April 1, 2010	
Cash and cash equivalents	$ 26,516,510	$ 73,194	$ 47,388,076	$ 1,396,435	$ 1,173,635	$ 445,058
Receivables	505,610	-	496,890	-	105,541	19,913
Security deposits	338,104	-	269,601	-	-	-
	27,360,224	73,194	48,154,567	1,396,435	1,279,176	464,971
Accounts payable and accrued liabilities	2,243,759	66,853	1,461,946	143,086	1,156,275	40,000
Owing to related parties	-	-	-	-	12,225	-
Employee Benefits	80,961	-	134,106	-	-	-
Lease liability	144,442	-	186,457	-	157,348	-
	2,469,162	66,853	1,782,509	143,086	1,325,848	40,000
Net exposure	$ 24,891,062	$6,341	$ 46,372,058	$ 1,253,349	$ (46,672)	$ 424,971

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2012	2011	2012	2011
Canadian dollar (CAD)	0.9640	1.0478	0.9654	0.9973

Sensitivity analysis

As at March 31, 2012, the Company's expenditures are in Australian dollars and Canadian dollars. As at March 31, 2012, the Company has cash of $73,194 (2011 - $1,396,434) Canadian dollars and accounts payable of $66,853 (2011 - $143,086) denominated in Canadian dollars. For each 10% change in the Australian dollar vs. Canadian dollar a $612 gain/loss would arise (2011 - $124,996) on this balance of cash and accounts payable.

(Expressed in Australian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss				Equity			
		100bp increase		100bp decrease		100bp increase		100bp decrease
31 March 2012								
Variable rate instruments	$	267,569	$	(267,569)	$	267,569	$	(267,569)
31 March 2011								
Variable rate instruments	$	474,649	$	(474,649)	$	474,649	$	(474,649)
1 April 2010								
Variable rate instruments	$	16,187	$	(16,187)	$	15,996	$	(15,996)

(Expressed in Australian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	March 31, 2012		March 31, 2011		April 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 26,589,704	$ 26,589,704	$ 48,784,511	$ 48,784,511	$ 1,618,693	$ 1,618,693
Receivables	505,610	505,610	496,890	496,890	125,454	125,454
Deposits	338,104	338,104	269,601	269,601	-	-
Accounts payable and accrued liabilities	(2,310,612)	(2,310,612)	(1,700,284)	(1,700,284)	(1,196,275)	(1,196,275)
Due to related parties	-	-	-	-	(12,225)	(12,225)
Employee Benefits	(80,961)	(80,961)	(38,854)	(38,854)	-	-
Lease liability	(144,442)	(144,442)	(186,457)	(186,457)	(157,348)	(157,348)
	$24,897,403	$24,897,403	$47,625,407	$ 47,625,407	$ 378,299	$ 378,299

The Company has classified its cash as a level 1 financial instrument on the fair value hierarchy. The fair value of all other financial instruments approximate carrying value.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes unissued capital of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

In addition to its exploration and evaluation activities with the Macarthur Iron Ore Projects, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ending March 31, 2012. The Company is not subject to externally imposed capital requirements.

(Expressed in Australian Dollars)

15. COMMITMENTS

Operating lease agreements

At balance sheet date the Company had the following commitments:

	Vehicle leases $	Building leases $	Total $
Within one year	111,182	303,252	414,434
Later than one year but no later than five years	36,598	190,645	227,243
	147,780	493,897	641,677

The Group entered into finance lease contracts for the purchase of 4 vehicles with a completion date of November 30, 2013. The vehicles are recorded at cost and classified as a depreciable asset. Title of the vehicles will transfer to the Company upon payment of $87,039.

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 6 to the Financial Statements for the year ended March 31, 2012.

Option Agreement E30/317

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km^2. The key terms of the option agreement include a 24 month exercise period to conduct further exploration and due diligence, an immediate payment of $100,000 for acquisition cost, a further $200,000 payment on the first anniversary and an expenditure commitment of $500,000 on exploration. The exercise price of the option for purchase of the tenement is $10,000,000. The Company has paid the initial $100,000 for acquisition cost and $200,000 for a further option fee. If the $500,000 of expenditure is not made within the 24 month exercise period, the Company is required to pay the shortfall if it does not exercise the option.

The Company’s decision to exercise the option is dependent on the delineation of commercial quantities of magnetite and hematite iron ore, and ministerial approval, which will add to the Company’s existing established mineral resources.

Apart from the above, the Company has no other material commitments at balance sheet date.

16. SUBSEQUENT EVENTS

Option Agreement E30/317

On June 16, 2012 the Company paid the further option fee of $200,000 on the option’s first anniversary. Refer to Note 15.

Options exercised

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

17. CONTINGENT LIABILITIES

Security Bonds

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

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

First Strategic Development Corporation Ltd (in liquidation)

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

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

18. FIRST TIME ADOPTION OF IFRS

First time adoption exemptions applied

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on our transition date of April 1, 2010, and allows certain exemptions on the transition of IFRS. The elections the Company have chosen to apply and that are considered significant to the Company include:

- IFRS 1 permits first-time adopters to not apply IFRS 2, "Share-based Payments", to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the transition date.
- In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

The Company has adopted IFRS on April 1, 2011 with a transition date of April 1, 2010. Presented below is reconciliation to IFRS of assets, liabilities, equity, and net loss of the Company from those previously reported under Canadian GAAP. There are no material differences between the cash flow statements prepared under IFRS and Canadian GAAP.

(Expressed in Australian Dollars)

18. FIRST TIME ADOPTION OF IFRS (cont'd)

First time adoption exemptions applied (cont'd)

	March 31, 2011	April 1, 2010
Total assets under Canadian GAAP	$74,475,820	$19,130,700
Adjustment required under IFRS	-	-
Total assets under IFRS	$74,475,820	$19,130,700
Total liabilities under Canadian GAAP	$1,925,595	$1,365,848
Adjustment required under IFRS	-	-
Total liabilities under IFRS	$1,925,595	$1,365,848
Total equity under Canadian GAAP	$72,550,225	$17,764,852
Adjustment required under IFRS	-	-
Total equity under IFRS	$72,550,225	$17,764,852

	For the Year Ended March 31, 2011
Comprehensive loss under Canadian GAAP	$(3,112,149)
Adjustment required under IFRS	-
Total net loss under IFRS	$(3,112,149)

Reconciliation of Canadian GAAP to IFRS

(a) Stock-based compensation expense

Under Canadian GAAP, share-based compensation expenses can be calculated based on the straight line method or graded method. Under IFRS, only the graded method is permitted for options which do not vest immediately upon granting.

Historically the Company has issued options to employees, directors and consultants under its Stock Option Plan which vest immediately upon grant date. Accordingly the Company's options are expensed fully at their grant date. This treatment is in compliance with IFRS.

There were no changes required to comparatives upon transition to IFRS.

19. FIRST TIME ADOPTION OF IFRS (cont'd)

First time adoption exemptions applied (cont'd)

(b) Exploration for and Evaluation of Mineral Resources

Under Canadian GAAP the Company capitalizes all exploration and evaluation costs including general and administration costs which are related to the Macarthur Iron Ore Projects. IFRS allows an entity to select an accounting policy to either capitalize or expense exploration and evaluation costs on transition to IFRS. The Company will continue to apply the same policy under IFRS and capitalize its exploration and evaluation expenditure and general and administration overhead costs as long as they relate to the project and are consistently applied.

IFRS limits exploration and evaluation assets up until the point of "development of mineral resources" which for the Company will be determined once its definitive feasibility study is completed and a decision to proceed with development has been approved.

Under IFRS, the exploration and evaluation assets will be classified as such in lieu of the previous classification of "Mineral Properties" under Canadian GAAP. This change in classification name will help to clarify that these assets are intangible assets.

There were no changes required to comparatives upon transition to IFRS.