MACARTHUR
Minerals Limited

ACN 103 011 436

Management Discussion and Analysis
(Form 51-102F1)
For the Year ended March 31, 2012

Information as of June 27, 2012 unless otherwise stated

Note to Reader

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur" or the "Company") for the year ended March 31, 2012 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of June 27, 2012 (unless otherwise stated) and should be read in conjunction with the Company's annual audited financial statements for the year ended March 31, 2012, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the year and the Annual Information Form. The annual audited financial statements for the year ended March 31, 2012 are the Company's first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The transitional date under IFRS for the Company of April 1, 2010 required restatement for comparative purposes of amounts reported by the Company for the year ended 31 March 2011. Previously, the Company prepared its consolidated annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Forward-Looking Information

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

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

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

OVERALL PERFORMANCE

Background

Macarthur Minerals Limited is an Australian public company listed in Canada on the Toronto Stock Exchange ("TSX") (symbol: MMS) and the OTC Market Place, OTCQX International ("OTCQX") (symbol: MMSDF) that is currently focused on the exploration and development of iron ore in Western Australia.

The Macarthur Iron Ore Projects are owned by the Company's wholly owned subsidiary Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO"), formerly named Internickel Australia Pty Ltd ("Internickel") and its subsidiary Hatches Nominees Pty Ltd ("Hatches").

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

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

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

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

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

a) Ularring Hematite Project Deposits

i. Ularring Hematite Project Exploration Activities

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

Table 1 – Drilling at individual deposits

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

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

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

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

OVERALL PERFORMANCE (Cont'd)

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

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

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

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

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

Notes:

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

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

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

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

Key outcomes from the PEA included:

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

The economic highlights of the PEA are:

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

OVERALL PERFORMANCE (Cont'd)

  - a project life of 5 years; and
  - no terminal value added to the NPV, which assumes no extension to the plant and/or mine life.
- The Ularring Hematite Project Internal Rate of Return 62%;
- The Ularring Hematite Project is potentially highly profitable with payback (based on NPV) in 3 years;
- Operating costs estimated at $67/t (rounded);
- Total direct costs estimated at $94 million (rounded); and
- Total costs for the Ularring Hematite Project (direct & indirect, including contingency of $23 million) are estimated at $134 million (rounded).

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

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

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

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

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

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

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

On June 14, 2012 the Company announced a substantial increase in the hematite/goethite Mineral Resource inventory at its Ularring Hematite Project. Independent mining consultancy group CSA was commissioned by Macarthur to generate a new NI43-101 Mineral Resource estimate for the Ularring Hematite Project, presently comprised of five separate deposits being Snark, Drabble Downs, Central, Banjo (previously called Banjo-Lost World) and Moonshine.

The previous Mineral Resource estimate was based upon a nominal 50% Fe cut-off grade. As a consequence of the positive metallurgical test work (News Release June 1, 2012) which demonstrated that the lower grade mineralization in the Ularring Hematite Project is amenable to beneficiation. The Company and CSA have utilized a geological model which encapsulates the Project's banded iron formation strata. The new Mineral Resource estimate has been constrained by the BIF envelope and is reported from all blocks above a 40% Fe cut-off grade and incorporates all of the drill results to date. The exception to this is the Moonshine deposit's Mineral Resource, which was modeled using a 50% Fe envelope and is reported for blocks > 50% Fe. This is discussed in the Technical Report filed March 9, 2012.

OVERALL PERFORMANCE (Cont'd)

Table 3 -Ularring Hematite Project Mineral Resource at June 2012

Category	Tonnes Mt	Fe %	P %	SiO2 %	Al2O3 %	LOI %	S %
Indicated	54.46	47.2	0.06	16.9	6.5	7.9	0.16
Inferred	25.99	45.4	0.06	20.6	6.0	7.2	0.09

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

Table 4 - June 2012 Ularring Hematite Project Mineral Resource by Deposit

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes Mt	Fe %	P %	SiO2 %	Al2O3 %	LOI %	S %
Snark	40	Indicated	21.83	47.2	0.07	17.5	6.1	7.7	0.15
	40	Inferred	10.96	45.2	0.07	21.8	5.1	6.8	0.09
Drabble Downs	40	Indicated	11.07	47.2	0.06	16.6	6.4	8.3	0.26
	40	Inferred	0.36	43.6	0.05	24.0	4.8	7.8	0.09
Central	40	Indicated	15.09	47.0	0.05	16.2	7.2	8.1	0.12
	40	Inferred	10.19	45.3	0.06	20.3	6.3	7.5	0.08
Banjo	40	Indicated	6.47	47.8	0.06	16.7	6.6	7.4	0.14
	40	Inferred	3.88	45.4	0.06	18.7	7.6	7.9	0.09
Moonshine	50	Inferred	0.60	53.0	0.06	13.4	6.7	6.1	0.15

b) Moonshine Magnetite Project Deposits

i. Moonshine Magnetite Project Exploration Activities

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

Table 5 - Moonshine Magnetite Project Mineral Inferred Resource Estimate as at December 2010 at a 15% Davis Tube Recovery ("DTR") cut-off.

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

For the year ended March 31, 2012, 28 RC holes were completed for 7,082.9 m. In addition one diamond hole was drilled for 218 m, including 158 m of RC pre-collar.

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

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

OVERALL PERFORMANCE (Cont'd)

ii. Moonshine Magnetite Project Activities since year end March 31, 2012

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

c) Environmental Activities

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

In addition to exploration activities, environmental work has focused on completing baseline surveys required for State and Federal environmental impact assessments. Work completed included a geochemical analysis of waste rock, indigenous and non-indigenous heritage surveys, and baseline biological surveys of vegetation and flora, terrestrial fauna, subterranean fauna and short range endemic invertebrate fauna. Consultation with various decision making authorities was also commenced in order to direct the focus of outstanding work and identify the most appropriate approval pathway for the project. Work was commenced on referral documentation for formal approval under the *Environmental Protection Act 1986*, *Environment Protection and Biodiversity Conservation Act 1999,* and the *Mining Act 1978.* These major approvals are expected to be delivered in quarter 4, 2012.

d) Iron Ore Export Facilities at the Port of Esperance

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

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

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

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

e) Expansion and Acquisition of Tenements

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km^2. The key terms of the option agreement include a 24 month exercise period to conduct further exploration and due diligence, an immediate payment of $100,000 for acquisition cost, a further $200,000 payment on the first anniversary (and an expenditure commitment of $500,000 on exploration. The exercise price of the option for purchase of the tenement is $10,000,000. The Company has paid the initial $100,000 for acquisition cost and $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 will add to the Company's existing established mineral resources.

On June 16, the Company announced that it had also acquired exploration tenements E30/410 and E30/411 with a total area of 29 km^2.

OVERALL PERFORMANCE (Cont'd)

Corporate Update

a) 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".

b) Issue of Options

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 vested immediately with no vesting conditions. The options were 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 vested immediately with no vesting conditions. 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 ("VWAP") for the last 20 days of the Company's shares is at least CAD$2.00.

c) Appointment of Mr Jon Starink as director

Mr Starink was appointed director on June 23, 2011.

d) Appointment of New Transfer Agent

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

e) 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.

f) 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 have been delisted from the TSX Venture Exchange.

g) Engagement of Investor Relations Group

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

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

h) Issue of Warrants

The Company entered into a contract with Macquarie Capital Markets Canada Ltd ("Macquarie") on July 7, 2010. The Company and Macquarie have since agreed to conclude this contract, and in accordance with the contract, the Company has issued 250,000 warrants with an exercise price of CAD$3.60 and an expiry date of February 23, 2014 to Macquarie. In the event that the closing sale price of the Company's common shares on the TSX is greater than CAD$6.00 per share for a period of 20 consecutive trading days at any time, the Company may accelerate the expiry date of the warrants by giving notice to Macquarie and the warrants then expire within 30 days.

OVERALL PERFORMANCE (Cont'd)

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

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

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

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

Matters subsequent to the end of the financial year

a) Metallurgical Test Work Programs

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

b) Increase in Hematite Resource

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

c) 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 (e) Expansion and Acquisition of Tenements.

d) 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.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(All amounts in Australian dollars)

Selected Financial Information
The following table sets forth selected financial information of the Company for, and as at the end of, each of the last three financial years of the Company up to and including March 31, 2012. This financial information is derived from the audited financial statements of the Company. The Company prepares financial information according to IFRS and all information is reported in Australian dollars.

Australian $	**2012**	**2011**	**2010**
Income from continuing operations	2,195,673	501,668	112,536
Net profit (loss) for the year	(2,565,966)	(3,112,149)	(3,886,078)
Net profit (loss) per share	(0.06)	(0.10)	(0.18)
Total Assets	72,974,863	74,475,820	19,130,700
Total Long-term financial liabilities	37,190	140,273	124,180

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

RESULTS OF OPERATIONS AND FINANCIAL CONDITION (Cont'd)

During the last 3 financial years, the Company has reported operating net losses. The most significant factor affecting operating losses during the last 3 financial years is continuing administrative expenses, which includes personnel fees, professional fees, office and general expenses and share based compensation. Other factors affecting previous losses include write off of deferred tax assets.

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

Exploration Expenses

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

Australian $	Year Ended March 31, 2012	Year Ended March 31, 2011
Expenses	-	-
Capitalized expenses	19,790,809	7,849,172

For the year ended March 31, 2012, the Company expended $19,790,809 on exploration activities compared with $7,849,172 for the year ended March 31, 2011. The largest elements of exploration costs during the 2012 financial year were drilling expenses representing 43%, sampling and testing 15%, personnel and contractors 15% and environmental surveys 6%.

Administrative Expenses

The largest elements of administrative expenses for the year ended March 31, 2012 were personnel fees of $1,732,993, professional fees of $1,169,880 and share based compensation of $290,557. Compared to the corresponding year ended March 31, 2011, total administrative expenses increased by $976,571. This was driven by an increase in personnel fees of $735,766, professional fees of $288,811 and TSX listing fees of $240,529.

Income

Income is mainly comprised of interest income. For the year ended March 31, 2012 the Company earned interest income of $2,195,673. Compared to the corresponding year ended March 31, 2011 interest income increased by $1,694,005 due to an increased cash balance following the Company's capital raising in February 2011. Rent income is no longer received.

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

Income Taxes

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

Net Losses

The net loss for the year ended March 31, 2012 was $2,565,966 and is comprised predominantly of administrative expenses. This represents an 18% decrease on the loss of $3,112,149 reported for the year ended 31 March 2011.

The most significant item contributing to a decrease in operating loss was interest received of $2,195,673.

Change in Financial Position

At March 31, 2012 the Company had net assets of $70,438,848 compared to $72,550,225 at March 31, 2011. The decrease is due to outlays in administrative expense during the year.

The Company's cash balance at March 31, 2012 was $26,589,704 which was a decrease of $22,194,807 from the March 31, 2011 balance. This decrease resulted mainly from capital expenditure and administrative costs.

At March 31, 2012 the Company had net working capital of $25,013,288 compared with net working capital of $47,781,182 at March 31, 2011. The decrease in the net working capital mainly results from a decrease in cash balance of $22,194,807.

RESULTS OF FOURTH QUARTER *(All amounts in Australian dollars)*

Exploration Expenses
Exploration costs for the quarter ended March 31, 2012 were $3,805,557 compared to the previous March quarter of $1,163,914 and due to the Company's expanded program of works.

Administrative Expenses
Administration expenses are as follows:

Australian $	Quarter Ended March 31, 2012	Quarter Ended March 31, 2011
Administration expenses	1,145,863	1,251,701

For the quarter ended March 31, 2012 the Company incurred administrative expenses of $1,145,863 compared to $1,251,701 for the quarter ended March 31, 2011.

The largest elements of administrative expenses for the quarter ended March 31, 2012 were personnel costs of $437,730 and professional fees of $215,719. Compared to the corresponding quarter ended March 31, 2011 total administrative expenses decreased slightly.

Income
Income is mainly comprised of interest income. For the quarter ended March 31, 2012 the Company earned interest income of $418,787. Compared to the corresponding quarter ended March 31, 2011 interest income increased by $153,086, due to an increased cash balance following the capital raising in February 2011.

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

Net Losses
The net loss for the quarter ended March 31, 2012 was $726,275, compared with the net loss for the corresponding quarter ended March 31, 2011 of $1,043,839. The net loss for the quarter ended March 31, 2012 was mainly due to administrative expenses.

MINERAL PROPERTIES

As at June 15, 2012, the Company's 100% owned Macarthur Iron Ore Projects consists of:

Tenement Number	Area (1 sub-block = approx. 3km^2, 1 HA = 0.01km^2)	Grant Date	Expiry Date	Expenditure	Rent Date	Rent
E30/0240	27 SB	23-Oct-00	22-Oct-12	$ 94,000	22-Oct-12	$ 12,245
E30/0317[1]	10 SB	01-Sep-06	31-Aug-13	$ 50,000	31-Aug-12	$ 2,395
E30/0318	26 SB	24-Nov-08	23-Nov-13	$ 39,000	23-Nov-12	$ 4,589
E30/0321	12 SB	08-Aug-07	07-Aug-12	$ 30,000	07-Aug-12	$ 2,874
E30/0322	27 SB	30-Mar-07	29-Mar-17	$ 54,000	29-Mar-13	$ 6,467
E30/0323	5 SB	30-Mar-07	29-Mar-17	$ 30,000	29-Mar-13	$ 1,198
E30/0324	9 SB	30-Mar-07	29-Mar-17	$ 50,000	29-Mar-13	$ 2,156
E30/0349	5 SB	21-Dec-11	20-Dec-16	$ 15,000	20-Dec-12	$ 568
E30/0384	1 SB	16-Feb-10	15-Feb-15	$ 10,000	15-Feb-13	$ 273
E30/0385	2 SB	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-13	$ 353
E30/0386	2 SB	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-13	$ 353
E30/0387	7 SB	16-Feb-10	15-Feb-15	$ 20,000	15-Feb-13	$ 1,236
E30/0392	23 SB	16-Feb-10	15-Feb-15	$ 23,000	15-Feb-13	$ 4,060
E30/0398	3 SB	07-May-10	06-May-15	$ 15,000	06-May-13	$ 530
E30/0399	1 SB	07-May-10	06-May-15	$ 10,000	06-May-13	$ 273
E30/0400	2 SB	07-May-10	06-May-15	$ 15,000	06-May-13	$ 353
E30/0404	8 SB	23-Jun-10	22-Jun-15	$ 20,000	22-Jun-12	$ 908
E30/0407	17 SB	07-Sep-10	06-Sep-15	$ 20,000	06-Sep-12	$ 1,930
E30/0408	12 SB	07-Sep-10	06-Sep-15	$ 20,000	06-Sep-12	$ 1,362
E30/0410	7 SB	15-Sep-10	14-Sep-15	$ 20,000	14-Sep-12	$ 795
E30/0411	3 SB	19-Aug-10	18-Aug-15	$ 15,000	18-Aug-12	$ 341
E77/1299	70 SB	02-May-11	01-May-16	$ 70,000	01-May-13	$ 7,945
E77/1969	62 SB	03-Apr-12	02-Apr-17	$ 62,000	02-Apr-13	$ 7,037
L30/0049	628 HA	24-Aug-11	23-Aug-32	$ -	23-Aug-12	$ 8,352
L30/0050	844 HA	24-Aug-11	23-Aug-32	$ -	23-Aug-12	$ 11,225
L30/0051	2683 HA	28-Dec-11	27-Dec-32	$ -	27-Dec-12	$ 35,684
M30/0206	893 HA	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-12	$ 13,395
M30/0207	892 HA	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-12	$ 13,380
M30/0208	892 HA	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-12	$ 13,380
M30/0213	894 HA	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-12	$ 13,410
M30/0214	894 HA	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-12	$ 13,410
M30/0215	894 HA	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-12	$ 13,410
M30/0216	893 HA	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-12	$ 13,395
M30/0217	893 HA	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-12	$ 13,395
M30/0218	893 HA	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-12	$ 13,395
M30/0219	893 HA	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-12	$ 13,395
M30/0227	595 HA	13-Jun-11	12-Jun-32	$ 59,500	12-Jun-12	$ 8,925
M30/0228	594 HA	02-Jul-07	01-Jul-28	$ 59,450	01-Jul-12	$ 8,910
M30/0229	889 HA	02-Jul-07	01-Jul-28	$ 89,050	01-Jul-12	$ 13,335
M30/0248	2825 HA	22-Feb-12	21-Feb-33	$ 282,500	21-Feb-13	$ 42,375
M30/0249	3821 HA	22-Feb-12	21-Feb-33	$ 382,100	21-Feb-13	$ 57,315
P30/1070	124 HA	21-Dec-11	20-Dec-15	$ 4,960	20-Dec-12	$ 273
P30/1071	124 HA	21-Dec-11	20-Dec-15	$ 4,960	20-Dec-12	$ 273
P30/1083	115 HA	27-Oct-09	26-Oct-13	$ 4,600	26-Oct-12	$ 253

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

RISKS AND UNCERTAINTIES

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

General

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

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

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

The Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the year ended March 31, 2012 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

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

Trends

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

Competitive Conditions

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

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

RISKS AND UNCERTAINTIES (Cont'd)

Environmental Factors and Protection Requirements

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

Mineral Exploration and Development

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

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

Operating Hazards and Risks

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

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

Economics of Developing Mineral Properties

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

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

Estimates of Mineral Reserves and Resources

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

Project Studies

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

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

Commodity Prices

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

Currency Risk

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

Title

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

Infrastructure and Development

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

RISKS AND UNCERTAINTIES (Cont'd)

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

Governmental Regulation

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

Government Policy and Taxation

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

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

The Australian Government passed legislation on March 20, 2012 for the Mineral Resource Rent Tax ("MRRT") which applies to coal and iron ore projects and 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 facilitates the implementation of a carbon pricing mechanism including the carbon tax regime. The Clean Energy Legislative Package is being implemented and the carbon pricing mechanism 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 Legislated Package may adversely impact the financial performance of Macarthur's planned future mining operations.

RISKS AND UNCERTAINTIES (Cont'd)

Management and Directors

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

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

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

Conflicts of Interest

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

Limited Operating History

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at March 31, 2012 the Company's deficit was $19,246,106.

Price Fluctuations: Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration and development companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the financial ended March 31, 2012, the per share price of the Company's shares fluctuated from a low of CAD$0.80 to a high of CAD$3.50. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Issuance: Dilution

As at March 31, 2012, there were 3,665,000 stock options, 9,039,150 warrants and 834,000 agents' options outstanding.

Market Conditions - Global Economy

As reported by the IMF:

After suffering a major setback in 2011, global prospects are gradually strengthening again, but downside risks remain elevated. Improved activity in the United States during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Accordingly, weak recovery will likely resume in the major advanced economies, and activity is expected to remain relatively solid in most emerging and developing economies. However, the recent improvements are very fragile. Policymakers need to continue to implement the fundamental changes required to achieve healthy growth over the medium term. With large output gaps in advanced economies, they must also calibrate policies with a view to supporting still-weak growth over the near term.

Global growth is projected to drop from about 4 % in 2011 to about 3½ % in 2012 because of weak activity during the second half of 2011 and the first half of 2012. For most economies, including the euro area, growth is now expected to be modestly stronger than predicted in the January 2012 World Economic Outlook Update.

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

RISKS AND UNCERTAINTIES (Cont'd)

Market Conditions – Iron Ore
As reported by Haywoods Securities Junior Exploration Report:

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

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

RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions between the Company and related parties in the wholly owned Group during the year other than remuneration for key management personnel details are disclosed below. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

Key Management Personnel

The following persons were key management personnel of Macarthur Minerals Limited during the year ended March 31, 2012.

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

Non-executive Directors
Simon Hickey
John Toigo
Jon Starink

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:

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

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 reviews 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.

RELATED PARTY TRANSACTIONS (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.
- 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.

RELATED PARTY TRANSACTIONS (Cont'd)

Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 9 of the Annual Financial Statements for the year ended March 31, 2012.

Other transactions with key management personnel

A number of key management persons, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of International Accounting Standard 24 – related party disclosures (IAS 234). A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that the entity would have adopted if dealing on arm's length basis.

Details of those transactions are set out below:

a) $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 July 16 2010), for rent for offices sub-let to the Company in Brisbane up until June 2011. Accordingly, Alan S Phillips has previously held while a director, and Joe Phillips currently holds as a director, positions in Strategic Capital, that result in them having (or having previously had in the case of Alan S Phillips), significant influence over Strategic Capital for the purposes of IAS 24.
b) $Nil (2011: $26,317) is owed to Strategic Capital, for rent for offices previously sub-let by the Company in Brisbane.
c) $16,690 (2011: $Nil) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.
d) $Nil (2011: $Nil) is owed to ClarkeKann Lawyers, for legal fees.
e) On 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.

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

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with March 31, 2012. This financial information is derived from the Financial Statements of the Company. Financial information is prepared according to IFRS and is reported in Australian $.

	Jun 30 2010 $	Sept 30 2010 $	Dec 31 2010 $	Mar 31 2011 $	Jun 30 2011 $	Sept 30 2011 $	Dec 31 2011 $	Mar 31 2012 $
Interest and rent Income	85,492	102,374	48,101	265,701	658,309	626,290	492,287	418,787
Net profit/(loss)	(1,304,827)	(245,818)	(677,865)	(883,639)	(790,587)	(304,452)	(774,337)	(696,590)
Net profit/(loss) per share	(0.04)	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)

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

SUMMARY OF QUARTERLY INFORMATION (Cont'd)

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

At March 31, 2012, the Company has net working capital of $25,013,288.

Over the next 4 quarters (12-months), the Company anticipates that quarterly cash expenditure requirements will decrease due to a reduction in the Company's drilling program and transition to development stage.

COMMITMENTS

Lease agreements

At balance sheet date the Company had the following commitments:

	Vehicle leases $	**Building leases $**	**Total $**
Within one year	111,128	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 Company entered into finance lease contracts for the purchase of 4 vehicles with a completion date of November 30, 2013. The vehicles are recorded at cost and classified as a depreciable asset. Title of the vehicles will transfer to the Company upon payment of $87,039.

COMMITMENTS (Cont'd)

Exploration expenditures

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

Option agreement

The Company entered into an option agreement on June 17, 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.

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICIES

Accounting policies are listed in Note 3 to the Annual Financial Statements for the year end March 31, 2012.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR") (Cont'd)

The CEO and CFO have overseen the evaluation of the design and effectiveness of the Company's ICFR based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and concluded that the Company's ICFR was effective as of March 31, 2012.

There were no significant changes that occurred during the year ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The Company has not in any way limited the design of the ICFR and there are no material weaknesses related to its design as at March 31, 2012.

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

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

FINANCIAL INSTRUMENTS

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

The carrying value of cash, sundry receivables, and accounts payable and accrued liabilities and amounts due to related parties approximate their fair market value because of the short-term nature of these instruments. See Note 13 to the Annual Financial Statements for the year end March 31, 2012.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company commenced reporting under International Financial Reporting Standards ("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 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.

For the year ended March 31, 2012 the Company has prepared IFRS consolidated financial statements in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting. The disclosure in Note 18 of the Annual Financial Statements provides IFRS information for the comparative year commencing April 1, 2010.

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet of the Company's 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Cont’d)

- IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets such as property, plant and equipment. IFRS 1 provides an exemption whereby the Company may prospectively capitalize borrowing costs for qualifying assets for which the commencement date is on or after April 1, 2010. The Company has elected this exemption and therefore has not capitalized borrowing costs previously expensed under Canadian GAAP.

- 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.

Refer to Note 3 to the Annual Financial Statements for the year end March 31, 2012 for details on the Company’s significant accounting policies.

OUTSTANDING SHARE DATA AS OF JUNE 27, 2012:

Authorized and issued share capital:

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

As at June 27, 2012 there were 3,665,000 stock options 9,039,150 warrants and 834,000 agents’ options outstanding.

OTHER INFORMATION

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

COMPETENT PERSON’S STATEMENT

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

BY ORDER OF THE BOARD

“*Alan Phillips*”

Alan Phillips
Chairman President and CEO

“*John Toigo*”

John Toigo
Director