MACARTHUR Minerals

Australian Annual Report

Year end 31 March 2014

HIGHLIGHTS

Macarthur faced challenging market conditions for the financial year end 31 March 2014, like most junior resources stocks. Despite such conditions, Macarthur has continued to advance the Ularring Hematite Project ("Project") throughout the past year and has further reduced exploration, permitting, infrastructure and port access risks. This continued focus on de-risking the Project has positioned the Company to be able to quickly advance the Project as the global resource equities market recovers.

Revised Costs Estimates

Based on ongoing work conducted on the Project, Macarthur has and continues to re-evaluate the development of the Project and has revised[1] certain elements of the 2012 Preliminary Feasibility Study ("PFS"), including:

- reducing estimated **operating costs** by **13%** from A$78/tonne ("t") to **A$68/t** shipped free on board ("FOB")
- reducing estimated **capital expenditure** by **14%** from A$262 million ("m") to **A$226 m**
- increasing **Annual production tonnage** from 2 million tonnes per annum ("Mtpa") to **4 Mtpa**

The Project still has:

- strong forecast earnings and high return on investment
- Probable Mineral Reserve of **42.95 Mt** @ 47% Fe
- Low capital expenditure per tonne of production

Macarthur continues to re-evaluate the optimal method for development of the Ularring Hematite Project

[1] see Directors' Report for full details

Significant Environmental Approvals

All environmental approvals granted

All environmental approvals have been obtained based on the Company's proposal to develop an iron ore mine and associated infrastructure at the Project location.

Advanced Engagement of Port Expansion

During 2013, the Esperance Ports Sea and Land (the "EPSL") continued its port expansion process and bids were lodged by two shortlisted consortia to develop the Multi User Iron Ore Facility ("MUIOF").

On 7 May, 2014, the Western Australian Government announced the Yilgarn Esperance Solution ("YES") Limited, as the preferred proponent for the expansion of the MUIOF.

The next steps in the port expansion are for EPSL and YES to reach contractual closure, and then for YES to negotiate contractual agreements with mining companies (including Macarthur) to achieve financial viability.

Macarthur has a memorandum of understanding with Asciano to export 4 Mtpa from the MUIOF, in addition to its existing MUOIF capacity reservation agreement with EPSL for a minimum of 2 Mtpa.

Exploration & Metallurgy

Ularring Hematite Project

Macarthur has sufficient mineral resources to commence production with an **indicated** hematite mineral resources of **54.4 Mt @ 47.2% Fe** and an **inferred** hematite mineral resource of **26 Mt @ 45.4% Fe**.[2]

Moonshine Magnetite Project

The Moonshine Magnetite Project's resource is **1.3 Bt** inferred at an average grade of **30.1% Fe** [2] and is actively seeking a joint development partner.

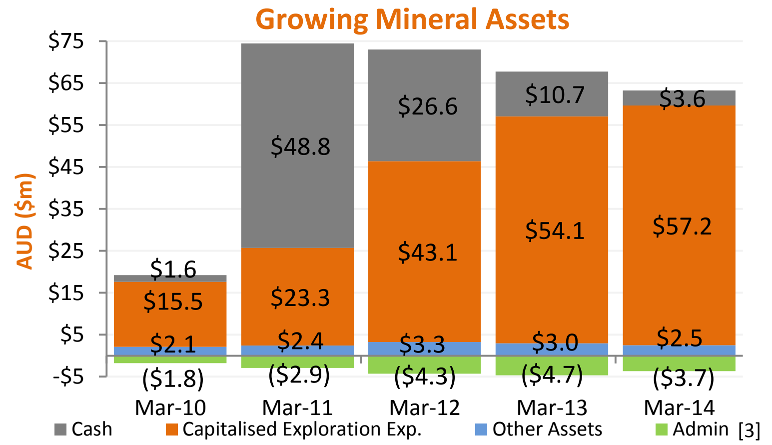
Nickel and Gold

Macarthur completed a preliminary evaluation of the nickel and gold potential on the existing Macarthur tenements and is actively seeking a partner to continue the gold and nickel exploration.

[2] The Directors' Report contains full details of Mineral Reserves and Resources.

Financial

- Macarthur's cash position as at 31 March 2014 was **$3.6 m**.
- The Company's total capitalised exploration assets as at 31 March 2014 were **$57.2 m.**
- Macarthur's transition to development phase will focus on reducing exploration expenditure with increased focus on economic studies to optimise Project value.



[3] Excludes interest receivable and non cash expenses

Moving Forward

Optimisation work completed over the last 12 months has resulted in substantial operational cost savings for the Ularring Hematite Project. An active expression of interest program for core mining services undertaken during 2013 which resulted in price reductions across a range of services and these have been used to determine Macarthur's revised costings. This optimisation work serves to reduce the Project's forecasted FOB costs from A$78/t at the time the PFS was published in 2012 to A$68/t today.

Further ore characterisation work was completed over the last 12 months and this has now been introduced to the Project's geological model. Metallurgical testing in late 2013 identified that the Ularring Ore bodies are well classified into soft/hard material types, which beneficiate using either a gravity and/or magnetic recovery processes.

Macarthur continues to engage with the market in pursuit of strategic partners and investors who are interested in being a part of this exciting Project. Macarthur is well placed to finance development of its Project following selection of YES, to develop the MUIOF at the Port of Esperance. We remain positive on the outlook for continued global growth in iron ore demand and our focus remains upon the delivery of shareholder value driven by production cash flows.

Alan Phillips

Chairman, President and CEO

MACARTHUR Minerals

ACN 103 011 436

Annual Report - Year ended 31 March 2014

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31 March, 2014

Stock Exchange Listing

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

Directors

Alan Phillips – President, Chairman and CEO
John Toigo
Jon Starink
Jeffrey Wall, CBE
Richard Patricio
Simon Hickey, resigned 30 August 2013

Company Secretary

David Taplin

Registered and Head Office

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Canada

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Australian Share Registry

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Your directors present their report together with the financial statements on the consolidated entity (referred to hereafter as the Group) consisting of Macarthur Minerals Limited ACN 103 011 436 and the entities it controlled at the end of, or during, the year ended 31 March, 2014. All dollar amounts are presented in the Australian currency unless stated otherwise.

Directors

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

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
Mr Alan S Phillips Chairman, President and CEO	Mr Phillips was appointed to the board on 19 October, 2005. Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 40 years. Mr Phillips has experience in a broad range of industries, but predominantly in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.
Mr John Toigo Non-Executive Independent Director, Chair of Audit Committee and member of Remuneration and Nomination Committee	Mr Toigo was appointed to the board on 31 August, 2009. Mr Toigo is the managing partner of ClarkeKann Lawyers, an Australian based corporate and commercial law firm with offices in both Brisbane and Sydney. Mr Toigo has over 25 years' experience as a corporate & resources lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation, resource projects, corporate governance, corporate finance and complex commercial transactions. He holds a Bachelor of Laws (Hons) and a Graduate Diploma in Applied Finance and Investment. Mr Toigo is a member of Australian Institute of Company Directors, Queensland Law Society, Law Society of New South Wales, and the Resources and Energy Law Association.
Mr Jon Starink Non-Executive Director	Mr Starink was appointed to the board on 23 June, 2011. Mr Starink has 35 years' experience in the mining industry. He is a Chartered Professional Engineer, a Chartered Scientist and Chartered Chemist. His corporate experience includes board level corporate governance, executive corporate management and administration, corporate finance and strategic business development, technical and financial project audit and evaluation, introductions to capital markets and investment risk management. Mr Starink holds a Bachelor of Science (Hons1), Bachelor of Chemical Engineering (Hons1), Master of Applied Science and holds the following grades and memberships of professional bodies, FAusIMM, FIEAust, FIChemE, MRACI and MTMS.
Mr Richard Patricio Non-Executive Independent Director, Member of Audit Committee and Remuneration and Nomination Committee	Mr Patricio was appointed to the board on 18 September, 2012. Mr Patricio is vice president legal and corporate affairs at Pinetree Capital Ltd ("Pinetree"). Having joined Pinetree in 2005, Mr Patricio is responsible for Pinetree's merger and acquisition activity, corporate transactions, compliance, corporate governance and the administration of Pinetree. Mr Patricio currently holds directorships with several Australian and Canadian based resource companies. Mr Patricio received his law degree from Osgoode Hall, was called to the Ontario bar in 2000 and previously practised law at Oslers LLP in Toronto.

Directors (Cont'd)

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
Mr Jeffrey Wall, CBE Non-Executive Independent Director, Chair of Remuneration and Nomination Committee and Member of Audit Committee	Mr Wall, CBE, was appointed to the board on 15 June, 2012. Mr Wall, CBE, is a political advisor, company director and Chairman of Ferguson Cannon, lawyers. Over the past 40 years he has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea; as a senior advisor to federal and state Ministers in the Federal and Queensland Governments; and as an advisor to the Lord Mayor of Brisbane. He also acted as a consultant to the World Bank and to the Queensland Government on issues relating to Papua New Guinea and the South Pacific. He began his working life as a journalist, and has served in administrative roles in rugby league, the Anglican Church, and several charities. In 1992 he was made an Officer of the Order of the British Empire (OBE) and in 2010 a Commander of the Order of the British Empire (CBE) for services to government and community in Papua New Guinea.
Mr Simon Hickey Former Non-Executive Independent Director, Former Chair of Audit Committee and Former Member of Remuneration and Nomination Committee (resigned 30 August 2013)	Mr Hickey was appointed to the board on 15 February, 2005 and resigned on 30 August 2013. Mr Hickey has experience as a director of ASX and TSX listed companies in the resource sector over 20 years. Over the past 10 years he established several successful private businesses in North America and Australia. Mr Hickey holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment and is a member of the Australian Institute of Company Directors.

Directorships of other Listed Companies

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

Directors	*Company*	*Period of Directorship*
Alan S Phillips	-	-
Simon Hickey	-	-
John Toigo	-	-
Jon Starink	Gippsland Ltd (ASX: GIP)	8 May, 2007 – Current
Jeffrey Wall	-	-
Richard Patricio	Toro Energy Ltd (ASX:	19 Nov, 2013 – Current
	U3O8 Corp (TSX: UWE)	16 Feb, 2010 - Current
	Mega Precious Metals Inc (TSX-V: MGP)	3 Oct, 2005 – Current
	Terreno Resources Corp (TSX-V: TNO)	19 Aug, 2010 – Current
	Energy Fuels Inc (TSX: EFR)	29 Feb, 2013- Current
	Caledonia Mining Corp (TSX: CAL)	15 May, 2013 – Current
	NexGen Energy Ltd (CN:NXE)	12 Dec, 2012 – Current
	Dejour Energy Inc (TSX: DEJ)	15 Sep, 2008 – 21 Sep, 2012
	Mooncor Oil & Gas Corp. (TSX-V: MOO)	28 Jul 2011 - 21 Sep, 2012
	X-Terra Resources Corp. (TSX-V: XT)	23 Jul 2008 - 15 May, 2012
	Titan Uranium Inc. (TSX-V: TUE)	31 Jul 2009 - 29 Feb, 2012
	Santa Maria Petroleum (TSX-V: SMQ)	25 May, 2005 – 4 Jul, 2011

Company Secretary

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

Principal Activities

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 resources in Western Australia.

Macarthur's iron ore projects are owned by its wholly owned subsidiary Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO") and MIO's subsidiary Macarthur Midway Pty Ltd.

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 potential direct shipping and/or beneficiated iron ore; and
2. The Moonshine Magnetite Project: encompassing magnetite iron ore ("magnetite"), to be marketed as a beneficiated magnetite concentrate (together the "Macarthur Iron Ore Projects").

The Macarthur Iron Ore Projects are located on exploration and mining tenements covering approximately 1,127 km^2 (as at 7 May, 2014) located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements, at least 75 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.

The Company is undertaking investigation regarding nickel and gold prospectivity on some tenements but it has not been delineated as a separate project.

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

Dividends

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

Report on Operations and State of Affairs

Operating Results

	Year ended 31 March 2014 $	Year ended 31 March 2013 $
Administration Expenses	**4,075,501**	5,001,534
Interest Income	**269,160**	939,410
Net loss for the year	**3,806,341**	4,062,124

The Group's consolidated loss for the year ended 31 March, 2014 amounted to $3,806,341 after income tax. As an exploration and development company, the Company will continue to report losses until such time as profit is earned from potential production activities.

Report on Operations and State of Affairs (Cont'd)

Operating Results (cont'd)

The loss for the year consists of administrative expenses and share based compensation, and represents a 7% decrease on the prior year's loss of $4,062,124. This decrease is mainly attributable to a reduction in interest income and reduction in personnel and professional fees.

Financial Position

Australian $	Year ended March 31, 2014	Year ended March 31, 2013
Cash and cash equivalents	3,628,858	10,673,169
Exploration and Evaluation assets	58,491,921	55,322,316
Property, Plant and Equipment	683,684	992,788
Total Assets	63,287,845	67,688,947
Accounts payable and accrued liabilities	404,427	991,887
Total Liabilities	515,763	1,262,170
Net Assets	62,772,082	66,426,777
Net Working Capital	3,610,444	10,163,790

At 31 March, 2014 the Company had net assets of $62,772,082 compared to $66,426,777 at 31 March, 2013. The decrease is due to a reduced cash balance as a result of outlays in administrative expenses during the year.

The Company's cash and cash equivalents balance was $3,628,858 at 31 March, 2014 which was a decrease of $7,044,311 from 31 March, 2013. Since 31 March, 2013 the value of exploration and evaluation assets has increased by $3,169,605 and accounts payable and accrued liabilities decreased by $587,460.

Property, plant and equipment was $683,684 at 31 March, 2014 reflecting the depreciated book value of various site and office equipment, including vehicles.

The Company's net working capital at 31 March, 2014 was $3,610,444 compared with net working capital of $10,163,790 at 31 March, 2013. The decrease in the net working capital over the year is due to exploration, evaluation and administrative expenditure.

ULARRING HEMATITE PROJECT ("Project")

A. Mineral Reserve and Resource

The Company announced its maiden release of a Probable Mineral Reserve of 42.95 Mt @ 47% Fe (NI 43-101 Technical Report filed 1 October, 2012, titled "Technical Report, Macarthur Minerals Limited Pre-Feasibility Study Ularring Hematite Project Western Australia" ("2012 PFS")) as set out in Table 1 on 16 August, 2012.

The Project's Mineral Resource, as set out in Table 2 and 3, was announced on 14 June, 2012 (NI 43-101 Technical Report filed 29 June, 2012, titled "NI 43-101 Technical Report, Macarthur Minerals Limited, Hematite Mineral Resource, Ularring Hematite Project, Western Australia").

The Probable Mineral Reserve (as quoted in Table 1) is part of the Mineral Resource (as quoted in Tables 2 and 3) which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors.

Report on Operations and State of Affairs (Cont'd)

Table 1 - Ularring Mineral Reserve Estimate by Deposit, as at 31 July, 2012

Deposit	Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	LOI %	S %
Snark/ Drabble Downs	Probable	26.24	47.0	0.06	15.4	6.4	8.1	0.20
Central	Probable	11.18	46.6	0.05	14.7	7.5	8.3	0.14
Banjo	Probable	5.53	47.5	0.06	15.7	6.4	7.4	0.15
TOTAL	**Probable**	**42.95**	**47.0**	**0.06**	**15.2**	**6.7**	**8.1**	**0.18**

Note: *Mineral Reserves estimated at a cut-off grade of 41% Fe, consistent with metallurgical test work results. The Mineral Reserves constitute 70% of the total Indicated Mineral Resource. Refer to the 2012 PFS for more information.*

Table 2 - Ularring Hematite Project Mineral Resource at June 2012

Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	LOI %	S %
Indicated	54.46	47.2	0.059	16.9	6.5	7.9	0.16
Inferred	25.99	45.4	0.063	20.6	6.0	7.2	0.09

Note*: The mineral resource was estimated within constraining wireframe solids encapsulating BIF strata. The resource is quoted from blocks above 40 Fe % cut-off grade, except Moonshine where resource is quoted from blocks above 50 % Fe. Differences may occur due to rounding. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Refer to the 2012 PFS for more information.*

Table 3 - June 2012 Ularring Hematite Project Mineral Resource by Deposit

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	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	0.05	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

Note: *The Mineral Resource was estimated within constraining wireframe solids encapsulating BIF strata. The resource is quoted from blocks above 40% Fe cut-off grade, except Moonshine where resource is quoted from blocks above 50 Fe %. Differences may occur due to rounding. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Refer to the 2012 PFS for more information.*

B. Exploration Activities

i. Exploration Activities during the period ended 31 March, 2014

1) Drilling

No resource or water exploration drilling was undertaken during or since the period ended during the period ended 31 March, 2014.

2) Soil Sampling

During 2013, the Company had undertaken a soil sampling program on a grid pattern with closer spacing than the earlier soil program. The targeting was based on historical work and results of its regional 1x1 km sampling. The soil sampling program was aimed at investigating gold and nickel anomalies identified in the previous regional work or anomalies indicated by historical sampling. The sampling program reduced the spacing to around 100 m to 200 m between samples depending on the level of detail required.

Report on Operations and State of Affairs (Cont'd)

3) Tenement mapping

In June 2013 the Company also conducted reconnaissance geological mapping of three tenements (E30/399, E30/400, E30/404) by means of 200 m spaced walking traverse patterns covering the entire tenements aimed at determining the prospectively of the tenements. All three tenements are outside the greenstone belt containing the ultramafic/BIF formations and were shown as unprospective by regional geophysics.

C. Development Activities

i. Development Activities during the period ended 31 March, 2014

1) Financing and Investment Activities

Macarthur has been undertaking a process with the assistance of external advisors to secure a strategic investment partner to facilitate the development of the Project. There are a number of opportunities for an investor to make a foundation investment from an equity investment into the Company, earn into the Project, the provision of primary debt, off-take, or mining and processing financing. Any initial working capital investment would enable Macarthur to complete a Feasibility Study ("FS") and contribute to the Project's working capital.

2) Work on Revising Cost Estimates for the Project

On 23 January, 2014 the Company announced an update to the Ularring Hematite Project based upon revised cost estimates, resulting in reduced opex and capex estimates on work undertaken.

Macarthur re-evaluated certain aspects of the development of the Project and as a result parts of the 2012 PFS that have been re-estimated, including:

- reducing the estimated operating cost to $68/tonne shipped free on board ("FOB");
- increasing annual production tonnage from 2 million tonnes per annum ("Mtpa") to 4 Mtpa;
- reducing the estimated capital expenditure from A$262.7m to A$226.4m;
- the development of a dedicated private haul road route for which the Company has secured tenure; and
- a new, larger rail siding site awaiting new tenure to be granted to the Company at Menzies.

Over the course of the period ended 31 March 2014, Macarthur attracted the interest of major contract mining services and logistics companies who have submitted written costings for the provision of core services. This was achieved through a successful Expression of Interest Program ("EOI") for road and rail haulage, processing, core mining, camp operations and water treatment services. The slowdown in the mining and transport services industries in Western Australia during 2013 resulted in anticipated core cost savings in the areas of mining, road and rail transport and enabled the Company to revise certain cost-estimates compared to the 2012 PFS.

Variation of Costs from the 2012 PFS
Table 4 below provides an overview of the outcomes of the 2012 PFS and the variation from Project optimisation during 2013/2014. No new economic assessment has been undertaken beyond the 2012 PFS economic analysis. New reserve estimations and a full economic reassessment will be undertaken as a part of the FS. Consequently, the results and implications of the revisions described below will not be fully understood until a FS has been completed.

Report on Operations and State of Affairs (Cont'd)

Table 4. 2012 PFS and 2013/14 Revised Estimates

Categories	2012 PFS	2013/14 Revised Estimates	Comments
Project pre-tax real Net Present Value ("NPV")8%	A$456 million		No new economic assessment has been undertaken.
Beneficiation	Yes	Yes	Opportunity to simplify the process flow sheet for the processing of selectively mined ore. This would enable the proposed staged approach to the Project's development.
Project Mine Life	13 years	Reduced mine life to account for increased annual production.	The 2012 PFS is based on indicated mineral resources only. The Project also has inferred mineral resources which were not included in the 2012 PFS.
Discounted Project Payback	3 years		
Total revenue	A$3.238 billion		
Operating Costs (FOB) (excluding WA Government royalties and other taxes)	A$78/t	A$68/t	Reduction in transport and mining costs and a simplification of the process circuit have contributed to lower Opex.
Study accuracy	$^{+}/_{-}$ 20 – 25%		
End product grade	60.1% Fe	Target of 58% Fe – 60% Fe	2013 metallurgical testwork has identified an alternative beneficiation process that may vary the end product grade from the reported PFS specification.
Sale Product Tonnes	2 Mtpa	4 Mtpa	
Waste to Ore Ratio (t:t)	1.4:1	1.4:1	Geotechnical review in the FS will focus on reducing this waste to ore ratio.

Operating Costs

Operating costs for the Project are estimated on the basis that mining operations will be carried out by a third party contractor under the Company's supervision of geology, grade control and survey. Processing and transport to the rail siding could be undertaken on a build, own operate and/or transfer ("BOO/T") basis by a third party, while rail haulage to the Port will be contracted by specialist rail haulage companies, and port operations will be undertaken by third party licenced by the Esperance Port Authority ("EPSL"). Under a BOO/T arrangement a third party contractor would build and operate the infrastructure and Macarthur would pay the third party to use it. This removes higher upfront capital costs from commencement of the Project and the third party would receive the benefit over the life of the infrastructure. The additional operating costs are built into the estimated revised per tonne opex numbers.

As previously outlined, Macarthur undertook a successful EOI for core contracting services to refine the Project's cost basis in response to current market conditions and changes to the Project aimed at increased efficiency. A number of potential contractors were engaged to provide proposals for road and rail haulage, processing, core mining, camp operations and water treatment. All costs quoted were based on the assumptions and design criteria of the 2012 PFS, visits to site and contractor experience at similar operations within the region.

Cost savings were achieved across all components of the Project with the most significant savings being realised in road and rail haulage. A geotechnical program is planned to be undertaken as part of an FS with the aim to reduce the strip ratio. As pits are relatively shallow (40 m) and short-lived, there is scope to reduce waste mining and hence reduce mining cost.

The revised average mine operating cost (excluding royalties) is estimated to be $68/tonne to produce 58%-60% Fe saleable product delivered FOB to port ($78/t in 2012). A summary of revised estimated operating costs elements is shown in Table 5 below.

Report on Operations and State of Affairs (Cont'd)

Table 5. Estimated Operating Costs

	2012 PFS $/t shipped FOB	2014 Estimate $/t shipped FOB
Mining	16.11	14.31[1]
Processing	10.64	9.47[2]
Product Transport[3]	46.58	39.51[4]
Overheads	4.81	4.81
Total Estimated Operating Costs	**78.14**	**68.10**

[1] Estimate based on quotation from mining services company
[2] Estimate based on reduced processing costs from revised process flow sheet
[3] Product transport is inclusive of road and rail freight and port handling charges
[4] Estimate based quotation from haulage company (~$0.07 tonne/km) and quotation from rail provider

Capital Cost Estimate
Since the 2012 PFS was published, the Company has examined the construction of a private haul road to reduce haulage costs. The private haul road offers a shorter, more direct route from site to the rail siding and is not subject to design and maintenance criteria imposed on public roads. In addition, the Company has embarked on a test work program to selectively mine and process various ore types in a staged approach to the development of the Project. Both the change in road alignment and processing strategy has resulted in an anticipated reduction in capital costs compared to the 2012 PFS.

The EOI process has highlighted the interest of contractors to provide other services such as mineral processing, water supply infrastructure, site accommodation infrastructure and rail siding development and operation including on a BOO/T basis. Discussions are ongoing and preferred suppliers will be selected in due course.

Capital costs over the life of the Project including sustaining capital expense totalling $52.4 million incurred in years 2021, 2025 and 2027 were estimated in the 2012 PFS and include sustaining capital of $50.7 million for rehabilitation. These cost estimates have reduced due to changes in the Project layout that result in less vegetation clearing and therefore, less rehabilitation is required.

The total revised capital estimated for the Project, as set out in Table 6, is split between the owner's (Macarthur) costs and costs attributable to potential contract service providers under BOO/T arrangements.

The figures below are estimates based upon revised quotations due to the changing market place and do not reflect a new economic analysis that replaces the 2012 PFS. The results and implications of a BOO/T arrangement will not be fully understood until the FS has been completed.

Report on Operations and State of Affairs (Cont'd)

Table 6. Capital Costs

	2012 PFS	2013/2014 Revised Estimates		
Direct Costs	$M	Owner $M	BOO/T* $M	TOTAL $M
Mine (including mobilisation and technical services)	3.4	3.4	-	3.4
Processing plant	66.5	-	49.5	49.5
Tailings storage facility	-	9.1	-	9.1
On-Site infrastructure	20.7	20.7	-	20.7
Off-Site infrastructure	17.4	6.9	10.4	17.3
Product transport and logistics	46.2	23.0	13.7	36.7
Construction facilities	4.0	4.0	-	4.0
General spares and services	3.0	-	3.0	3.0
Subtotal Direct Costs	**161.2**	**67.1**	**76.6**	**143.7**
Sustaining capital over LoM	52.4	30.0	-	30.0
Sub-total Direct Costs over LoM	**213.6**	**97.1**	**76.6**	**173.7**
Other Costs				
Engineering Procurement & Construction Management	16.5	13.5	-	13.5
Owner's costs	5.2	4.2	-	4.2
Contingency	27.4	35.0	-	35.0
Sub-total Other Costs	49.1	52.7	-	52.7
Total Capital Costs	262.7	149.8	76.6	226.4

* The estimates should be considered to be ±20% order of accuracy.
* Potential third party contractor contribution under BOO/T

3) Expansion of Iron Ore Export Facilities at the Port of Esperance

The Western Australian Government has approved an in principle expansion of export capacity at the Port by up to an additional 20 Mtpa by constructing a Multi User Iron Ore Facility ("MUIOF"). An A$120 million road rail transport corridor upgrade from the Esperance town to the Port area has been completed.

During 2013, the EPSL continued its expansion process and bids were lodged by two shortlisted consortia, Qube-Brookfield and the Yilgarn Esperance Solution submitted their Request for Proposal ("RFP") tenders in November 2013. The RFPs indicate what each consortia believe would be a commercially viable model for the MUIOF Project.

An independent panel was established to evaluate the RFPs and recommend a preferred proponent to the EPSL Board followed by Ministerial approval. EPSL will finalise the MUIOF financial and contractual close before the successful proponent commences developing the new facility.

The Port anticipates that work on the new facility will begin in 2014 and be completed in 2015, subject to the successful proponent achieving financial close and project contractual close. Macarthur entered into a Capacity Reservation Deed with EPSL on 6 August 2012 for 2 Mtpa capacity for the MUIOF.

Commencement of Macarthur's proposed mining and export of its hematite product is planned to coincide with completion of the construction of the MUIOF.

As reported in "*Development Activities since the period ended 31 March, 2014*" below, on 7 May, 2014, the Western Australian Government announced the Yilgarn Esperance Solution ("YES") Limited, as the preferred proponent for the expansion of the MUIOF at the Port.

Report on Operations and State of Affairs (Cont'd)

4) Metallurgy & Processing

Since the 2012 PFS was completed, additional drilling, mineralogical studies and logging of ore characteristics has increased the understanding of the Project's geology. This has allowed for more refined discrimination of potential ore types that appear to respond differently through the beneficiation circuit.

Consequently, an alternative flow sheet was developed by a leading independent provider of mineral processing solutions for the processing of selectively mined ore to enable a staged approach to the Project development.

The simplified flow sheet (Stage 1) involving crushing, screening and gravity separation serves to reduce the complexity of the circuit whilst delivering the potential for a reduction in both operating and capital costs. This would allow for selective mining of approximately half the resource with the remainder to be processed through the original circuit (Stage 2).

Additional test work was commissioned in December 2013 to provide an understanding of how various ore groups respond to the Stage 1 flowsheet. Results were obtained in January 2014 and show a positive upgrade for selected material types, consistent with the geological understanding. Work will continue in Q2, 2014 examining material of lower iron content with the results to available towards the end of Q2, 2014.

5) Logistics

Subsequent to the 2012 PFS, a detailed investigation was conducted in 2013 of the benefits of increasing the annual production. However the increased production prevents Macarthur from using the public road to haul to the Menzies rail siding. Consideration of a private haul road identified a cost benefit in larger tonnage road trains and a subsequent capital cost reduction from the 2012 PFS figure of A$11.73/t to A$9.84/t. Based on recent quotations, the capital required for the construction of the haulage road would be reduced from A$32.4 million to A$23 million. Tenure (in the form of a Miscellaneous Licence) has been granted to the Company, securing the 107 km haul road route.

Road haulage along the private haul road would utilise quad road trains with side tip trailers. The ore concentrate will be stockpiled adjacent to the rail siding in 2 x 30 kilotonne stockpiles before being rail transported by standard ore wagons to the Port followed by unloading by rotary car dumper, stockpiling in a covered shed, reclaimed and loaded onto vessels via the No. 3 berth ship loader at the Port.

i. Development Activities since the period ended 31 March, 2014

1) Financing and Investment Activities

Macarthur is continuing a process with the assistance of external advisors to secure a strategic investment partner to facilitate the development of the Project.

2) Feasibility Study Planning

Since the period ended 31 March, 2014 a budget, schedule, and work plans have been developed for the FS. The following activities are ongoing:

- Developing and structuring proposed FS programs for:
    - Further water exploration drilling and pumping
    - Design work for haul road, mine, process plant, camp/s, power, water and rail siding
    - Consolidation drilling and resource update
    - Mine planning and geotechnical studies
    - Sample drilling for process plant bulk test work program
- Metallurgical test work for a simplified circuit and the generation of a bulk sample for marketing and offtake negotiations.
- Rail access negotiations.

Report on Operations and State of Affairs (Cont'd)

3) Expansion of Iron Ore Export Facilities at the Port of Esperance

On 7 May, 2014, the Western Australian Government announced YES Limited, as the preferred proponent for the expansion of the MUIOF at the Port. YES is a consortium led by Asciano, an ASX listed integrated transport and logistics service provider.

The next steps in the MUIOF project are for EPSL and YES to reach contractual closure, and then for YES to negotiate contractual agreements with mining companies to achieve financial viability.

D. Environmental Activities

i. Environmental Activities during the period ended 31 March, 2014

Environmental Impact Assessment work throughout the past year has included completion of a population assessment of the federally classified threatened species, the Malleefowl; soil characterisation studies for waste landform design, habitat assessments for troglofauna and stygofauna; vegetation mapping, and; priority flora mapping.

These studies were utilised in submissions to the WA Environmental Protection Authority and the Commonwealth Department of Sustainability, Population, Water and Communities for mining approval under the *Environmental Protection Act 1986* ("EP Act") and the *Environmental and Biodiversity Conservation Act 1999* ("EPBC Act"). Macarthur has received approval under the EPBC Act and the Ularring Hematite Project is in the current stage of assessment under the EP Act.

On 16 May, 2013 the Chairman of the Environmental Protection Authority recommended that the Ularring Hematite Project may be implemented and the Office of the Environmental Protection Authority issued draft conditions for the Ularring Hematite Project.

On 24 October, 2013 the Western Australian Minster for Environment and Heritage issued the environmental approval based on the Company's proposal to develop an iron ore mine and associated infrastructure at the project location. A number of ongoing compliance conditions are imposed with the approval. The Project is well placed to fulfil these conditions as the Company plans for project execution.

A flora survey commenced for the purpose of constructing a haul road between the mine and rail siding and flora survey work has commenced at the rail siding.

ii. Environmental Activities since the period ended 31 March, 2014

Since the period ended 31 March, 2014, the development of management plans required to meet the conditions set by the Environmental Protection Agency in the approval from the Western Australian Government has commenced.

The Company voluntarily opted to join and was granted permission to participate in the Western Australian Department of Mines and Petroleum's Mining Rehabilitation Fund ("MRF"), which levies companies on actual rehabilitation liability based on land disturbance. It is foreseeable that the Company will be required to pay an annual, non-refundable levy to the MRF once it commences mining operations or when a tenement's rehabilitation liability exceeds a threshold of $50,000.

MOONSHINE MAGNETITE PROJECT

A. Mineral Resource

The Inferred Mineral Resource estimate for the Moonshine Magnetite Project was initially prepared by CSA Global Pty Ltd (NI43-101 Technical Report filed 17 December, 2009, titled "NI43-101 Technical Report on Lake Giles Iron Ore Project: Western Australia") and was updated by Snowden Mining Industry Consultants (NI43-101 Technical Report filed March 25, 2011, titled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron Project, Western Australia, NI43-101 Technical Report – Preliminary Assessment").

Report on Operations and State of Affairs (Cont'd)

Table 7 - Moonshine Magnetite Project Mineral Inferred Resource Estimate

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

***Note**: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.*

B. Exploration Activities

There was no exploration activity during and since the year ended 31 March, 2014.

In 2012 the State Government of Western Australia Exploration Incentive Scheme ("EIS") granted Macarthur $150,000 for its Moonshine Magnetite Project drilling program. During the September 2013 quarter, the Company supplied the drill results to the Western Australian Department of Mines and Petroleum ("DMP") for collation and eventual release to the public record. The EIS is a co-funded government-industry drilling program designed to support drilling activities, to potentially lead to new discoveries. Drilling commenced in November 2012 with three holes to test high grade magnetite mineralisation at the Moonshine deposit. Two holes were completed and one was abandoned due to drilling difficulties, for a total of 632.8 m. The holes have been logged and samples have been analysed.

C. Development Activities

There have been no significant Moonshine Magnetite Project development activities during and since the year ended 31 March, 2014, although the Company continues to seek a 'farm-in' partner for the development of the Moonshine Magnetite Project.

GOLD AND NICKEL EXPLORATION

Prior to acquisition of the Macarthur Iron Ore Projects by Macarthur there were two previous periods of limited exploration activity for nickel over parts of the present tenement package.

The tenements were briefly explored for nickel during the late 1960s nickel boom and were then further explored by several companies for gold in the mid 1990s with only very limited shallow reconnaissance drilling undertaken by these explorers.

Combined with available historical data, new geological, geophysical and geochemical data obtained in the course of Macarthur's extensive geological investigation of the BIF between 2007 and 2013, there is believed to be potential for nickel sulphide and gold mineralisation within the extensive ultramafic rock package hosting the BIFs.

By way of example, the company announced the results for nickel of drilling conducted in 2013 at the Macarthur Iron Ore Projects (Press Release, Update on Macarthur Minerals' Iron Ore Projects News Release, January 14, 2014). Macarthur drilled diamond hole LGDD_054, to test high grade magnetite. This hole was collared in ultramafic and was seen to contain unusual textures and veins of a black mineral thought to be after sulphide. Assaying of the core returned from 4.5 m to 28.0 m (23.5 m) 0.85% nickel ("Ni") and this included 1.03% Ni over an 11.5 m interval from 10.5 m to 22.0 m at an estimated true width of around 8 m. The intersection also shows very low calcium and high magnesium and chromium. The rock is highly weathered and is therefore not conclusive evidence for presence of nickel sulphides, but is encouraging.

Report on Operations and State of Affairs (Cont'd)

The review and evaluation of geochemical and geophysical data has identified significant exploration targets for nickel. These targets include some fifteen areas considered prospective for discovery of sulphide style nickel within the belt of ultramafic rocks. The targets are associated with potentially significant anomalous highly magnetic ultramafic footwall 'bulges', which may represent a thickening and embayment of the komatiite flow into the footwall stratigraphy.

Much of the Macarthur's historical nickel exploration data together with recent observations suggest a favourable environment for the occurrence of nickel sulphide deposits.

Macarthur is seeking a partner to continue the gold and nickel exploration.

TENEMENTS

At 31 March, 2014 the Company held and/or managed 54 contiguous tenements consisting of 18 Mining Leases, 21 Exploration Licences, 7 Prospecting Licences and 8 Miscellaneous Licenses, covering a total area of approximately 1,126.3 km^2. This includes an Exploration Licence E30/317, with an area of 28.5 km^2, of which the Company manages and maintains an option to acquire, pursuant an option agreement dated 16 June, 2011. The 8 Miscellaneous Licences, covering 458.2 km^2, are held for infrastructure purposes such as haul roads, and water exploration licences which do not have associated expenditure commitments.

Five new Miscellaneous Licences were granted to the Company during the year for infrastructure purposes such as haul roads, and water exploration. Six Exploration Licenses was relinquished and statutory partial relinquishments were completed reducing the tenure.

Since 31 March 2014, the Company was granted an additional Miscellaneous License for infrastructure purposes. As 8 May 2014 the Company holds tenure covering approximately 1,127.5km^2.

Report on Corporate Activities

Corporate Activities during the year ended 31 March, 2014

(i) Tracker Resources Pty Ltd de-registered

On 10 May, 2013 the Company resolved to voluntarily deregister Tracker Resources Pty Ltd ("Tracker") (the Company's 100% owned subsidiary). Tracker was inactive, was not carrying on any business, and had no assets and no liabilities. In compliance with s601AA of the Corporations Act 2001, Tracker applied for voluntary deregistration with ASIC for approval. ASIC notified the Company that Tracker was deregistered on 24 July, 2013.

(ii) Hatches Nominees Pty Ltd re-named

On 10 May, 2013, the members of Hatches Nominees Pty Ltd (MIO's 100% owned subsidiary) resolved to change its name to Macarthur Midway Pty Ltd to more appropriately reflect its business and the name of its parent entity, Macarthur Minerals Limited.

(iii) Option E30/317 extended

The Company's option over E30/317, under an Option Agreement entered into 16 June, 2011, was extended for a further 12 months until 16 June, 2014. Under the Option Agreement, the Company is required to keep the tenement in good standing and the option exercise fee remains the same at $10,000,000. The Company intends to extend its option over E30/317 for a further 18 months on the same terms and conditions.

Report on Corporate Activities (Cont'd)

(iv) Annual General Meeting

On 29 August, 2013, the Company held its Annual General Meeting ("AGM"), whereupon all resolutions detailed in the notice of meeting were passed.

Following approval by shareholders at the AGM, the resignation of the Company's Australian Auditor, Crowe Horwath, and the appointment of new auditors, Pilot Partners, was finalised with the Australian Securities and Investment Commission. Davidson and Company continues to act as the Company's Canadian auditor.

(v) Resignation of Director

On 29 August, 2013, the Company announced the resignation of Mr Simon Hickey as a director of the Company, effective 30 August, 2013. Mr Hickey was replaced as Chair of the Audit Committee by Mr John Toigo. Mr Richard Patricio was appointed as a member of the Audit Committee. Mr Jeffrey Wall was appointed as a member of the Remuneration and Nomination Committee and replaced Mr John Toigo as Chair of the Remuneration and Nomination Committee.

(vi) Issue of Options

On 27 September, 2013 pursuant to the Company's Share Compensation Plan, an aggregate of 2,400,000 incentive stock options were granted to executives of the Company. The options are exercisable for a 3 year period at CAD$0.25 per share and have no vesting conditions.

On 19 December, 2013 pursuant to the Company's Employee Share Compensation Plan, 500,000 incentive stock options were granted to an employee of the Company. The options are exercisable for a 3 year period at CAD$0.25 per share and have no vesting conditions.

On 30 January, 2014 pursuant to the Company's share compensation plans 255,000 options were surrendered by various employees and a consultant, and an aggregate of 1,275,000 incentive stock options were granted to non-executive directors, various employees and a consultant. The options granted are exercisable for a 3 year period at CAD$0.30 per share and have no vesting conditions.

(vii) LPD Holdings (Aust) Pty Ltd v. Macarthur Minerals Limited and Ors.

The proceedings brought by LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") against the Company and some of the directors and officers of the Company in the Queensland Supreme Court in July 2012 were dismissed in December 2012 and the Company was awarded costs on an indemnity basis ("Indemnity Costs Order"). LPD and Mayson appealed the Indemnity Costs Order in the Queensland Court of Appeal ("Appeal") and on 11 October 2013 the Appeal was dismissed with costs of the Appeal being awarded to the Company on a standard basis ("Appeal Costs Order"). The Company is currently having the costs payable under the Indemnity Costs Order and the Appeal Costs Orders ("Costs Orders") assessed.

The Company continues to vigorously defend new proceedings that were brought by LPD in November 2012 ("Proceedings"). On 26 November, 2013 the Proceedings were stayed by consent pending payment of the Costs Orders by LPD and Mayson. The Company was also awarded costs on a standard basis up to and including 28 August, 2013 in respect of the Company's strike-out application in the Proceedings. The Company is having those costs assessed.

Additional information in relation to the history of this matter is set out in Note 25 of the Financial Statements.

Corporate Activities since the year ended 31 March, 2014

There has been no corporate activities since the year ended 31 March, 2014

Likely future developments and expected results

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

Environmental Regulations

The Group currently conducts exploration and development activities in Australia. The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and the State of Western Australia. During the year the Group met all reporting requirements under the relevant legislation. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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

Shares under Option

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

Date Option Granted	Expiry Date	Issue Price of Shares (CAD$)	Number under option
27 September 2013	26 September 2016	0.25	2,400,000
19 December 2013	18 December 2016	0.25	500,000
30 January 2014	29 January 2017	0.30	1,275,000
			4,175,000

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

Shares issued on the exercise of options

No ordinary shares of the Company were issued on the exercise of options granted under the Company's Share Compensation Plan during the year ended 31 March, 2014.

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

Shares under Warrant

There are no unissued ordinary shares of the Company under warrant at the date of this report.

Shares issued on the exercise of warrants

No ordinary shares of the Company were issued during the year ended 31 March, 2014 on the exercise of warrants.

Information on Directors

Particulars of directors' interests in shares, options and warrants of the Company, as at the date of this report:

Director	Particulars of directors' interests in shares, options and warrants of the Company: Ordinary Shares	Options	Warrants
A S Phillips	-	800,000	-
S Hickey (resigned 30 August 2013)	493,700	-	-
J Toigo	-	100,000	-
J Starink	-	100,000	-
J Wall, CBE	-	-	-
R Patricio	4,900	100,000	-

Meeting of Directors

The number of meetings of the Company's board of directors held during the year ended 31 March, 2014, and the number of meetings attended by each director were:

	Number of Board Meetings Attended	Number Eligible
A S Phillips	6	6
S Hickey	4	4
J Toigo	6	6
J Starink	6	6
J Wall, CBE	6	6
R Patricio	6	6

The number of meetings of the Company's Audit Committee held during the year ended 31 March, 2014, and the number of meetings attended by each member were:

	Number of Audit Committee Meetings Attended	Number Eligible
S Hickey former Chairman of Audit Committee (resigned 30 August, 2013)	4	4
J Toigo, Chairman of Audit Committee (appointed as Chairman 30 August, 2013)	6	6
J Wall, CBE	6	6
R Patricio (appointed to Audit Committee 30 August 2013)	2	2

The number of meetings of the Company's Remuneration and Nomination Committee ("R&N Committee") held during the year ended 31 March, 2014, and the number of meetings attended by each member were:

	Number of R&N Committee Meetings Attended	Number Eligible
J Toigo (resigned as Chairman of R&N Committee 30 August, 2013)	2	2
S Hickey (resigned on 30 August, 2013)	1	1
J Wall, CBE (appointed Chairman of R&N Committee 30 August, 2013)	1	1
R Patricio	2	2

Insurance and Indemnification of Officers

Insurance Premiums

During the financial year, the Company paid premiums of $70,850 to insure the directors, officers and employees ("D&O Insurance") of the Company and its Australian based controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against persons in their capacity as directors, officers and employees of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnification

The Company has provided an indemnity for each director, Joe Phillips, the COO and David Taplin, the CFO & Company Secretary to the maximum extent permitted by law, against any liability for legal costs incurred in respect of a liability incurred by them, by virtue of their holding office as and acting in the capacity of, an officer of the Company, except where the liability arises out of conduct involving lack of good faith.

Pursuant to an indemnity within the constitution and Deeds of Indemnity entered into with the directors and officers of the Company, the Company is indemnifying the respondent directors and officers for the reasonable legal costs of defending an action against them (subject to certain restrictions, including restrictions contained in the *Corporations Act 2001* (Cth)). The respondent directors have made a claim against the Company's D&O Insurance policy and have instructed independent lawyers to act for them. The insurer has confirmed coverage of defence costs under the policy.

To date the Company has paid $67,097 to cover indemnity costs not covered under the Company's D&O Insurance policy.

Proceedings on behalf of the Company

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

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

Non-audit Services

Details of non-audit services are found in Note 23 of the Financial Statements.

A copy of the Pilot Partners' independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 19.

Auditor

Pilot Partners were appointed auditors during the year in accordance with section 327B of the *Corporations Act 2001 (Cth).*

Signed in accordance with a resolution of directors.

Alan Phillips
Director

Brisbane
16 May, 2014

PILOT PARTNERS
Chartered Accountants

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Auditor's independence declaration

Under section 307C of the *Corporations* Act 2001

Macarthur Minerals Limited

I declare that to the best of my knowledge and belief, during the year ended 31 March 2014, there have been:

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

Pilot Partners

PILOT PARTNERS
Chartered Accountants

DANIEL GILL
Partner

Signed on this 16TH Day of MAY 2014

Financial Report - 31 March, 2014

Contents

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

The financial report was authorised for issue by the directors on 16 May, 2014. The directors have the power to amend and reissue the financial report.

Statement of Comprehensive Loss
For the year ended 31 March, 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
EXPENSES			
Depreciation	6(a)	**(261,795)**	(280,949)
Impairment expense		**-**	(20,312)
Investor relations		**(101,310)**	(192,729)
Office and general expense		**(383,577)**	(458,206)
Personnel costs	6(b)	**(1,620,485)**	(1,949,194)
Professional fees	6(c)	**(1,208,273)**	(1,530,542)
Rent		**(127,071)**	(127,018)
Share based compensation	6(b)	**(151,646)**	(50,053)
Share Registry, filing and listing fees		**(145,138)**	(140,190)
Travel and accommodation		**(76,206)**	(252,341)
Total administrative expenses		**(4,075,501)**	(5,001,534)
REVENUE			
Interest Income	6(d)	**269,160**	939,410
Net loss before income tax		**(3,806,341)**	(4,062,124)
Income tax expense	7	**-**	-
Net loss for the year		**(3,806,341)**	(4,062,124)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year from continuing operations		**(3,806,341)**	(4,062,124)
Basic loss per ordinary share	8	**(0.08)**	(0.09)
Diluted loss per ordinary share	8	**(0.08)**	(0.09)

The accompanying notes form part of these financial statements.

Statement of Financial Position
As at 31 March, 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**3,628,858**	10,673,169
Other receivables	10	**71,659**	221,318
Security deposits and prepayments	11	**411,723**	479,356
Total Current Assets		**4,112,240**	11,373,843
Non-current Assets			
Property, plant and equipment	12	**683,684**	992,788
Exploration and evaluation assets	13	**58,491,921**	55,322,316
Total Non-current Assets		**59,175,605**	56,315,104
TOTAL ASSETS		**63,287,845**	67,688,947
LIABILITIES			
Current liabilities			
Trade and other payables	14	**404,427**	991,887
Employee benefits	15	**93,731**	170,838
Financial Liabilities	16	**3,638**	47,328
Total Current Liabilities		**501,796**	1,210,053
Non-current Liabilities			
Employee benefits	15	**2,169**	2,553
Financial Liabilities	16	**11,798**	49,564
Total Non-current Liabilities		**13,967**	52,117
TOTAL LIABILITIES		**515,763**	1,262,170
NET ASSETS		**62,772,082**	66,426,777
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	17(a)	**87,483,365**	87,483,365
Accumulated losses		**(35,053,027)**	(31,246,686)
Reserves	17(b)	**10,341,744**	10,190,098
Parent interests		**62,772,082**	66,426,777
Non-controlling interests		**-**	-
TOTAL EQUITY		**62,772,082**	66,426,777

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 March, 2014

Consolidated	Contributed Equity $	Reserves $	Accumulated Losses $	Total $	Non-controlling Interests $	Total Equity $
Balance 1 April, 2012	87,483,365	10,140,045	(27,184,562)	70,438,848	-	70,438,848
Profit (Loss) for the year	-	-	(4,062,124)	(4,062,124)	-	(4,062,124)
Total other comprehensive income for the year	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Share- based compensation	-	50,053	-	50,053	-	50,053
Contributions for options exercised	-	-	-	-	-	-
Allocation of fair value on exercise of options	-	-	-	-	-	-
Re-transfer of prior year lapsed options	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-
		50,053	(4,062,124)	(4,012,071)	-	(4,012,071)
Balance at 31 March, 2013	**87,483,365**	**10,190,098**	**(31,246,686)**	**66,426,777**	**-**	**66,426,777**

Consolidated	Contributed Equity $	Reserves $	Accumulated Losses $	Total $	Non-controlling Interests $	Total Equity $
Balance 1 April, 2013	87,483,365	10,190,098	(31,246,686)	66,426,777	-	66,426,777
Profit (Loss) for the year	-	-	(3,806,341)	(3,806,341)	-	(3,806,341)
Total other comprehensive income for the year	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Share- based compensation	-	151,646	-	151,646	-	151,646
Share-based payment transactions	-	-	-	-	-	-
	-	151,646	(3,806,341)	(3,654,695)	-	(3,654,695)
Balance at 31 March, 2014	**87,483,365**	**10,341,744**	**(35,053,027)**	**62,772,082**	**-**	**62,772,082**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the year ended 31 March, 2014

	Notes	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		**(3,486,459)**	(4,448,655)
Interest received		**236,640**	843,794
Interest paid		**(9,123)**	(5,315)
Transfer from/(to) security deposits		**69,484**	(69,000)
Net cash flows used in operating activities	9	**(3,189,458)**	(3,679,176)
Cash flows from investing activities			
Plant and equipment purchases		**54,993**	(179,138)
Plant and equipment proceeds		**-**	-
Exploration and evaluation additions		**(3,828,390)**	(12,010,671)
Net cash flows used in investing activities		**(3,773,397)**	(12,189,809)
Cash flows from financing activities			
Proceeds from share issues		**-**	-
Share issue and placement costs		**-**	-
Receipt/(Repayment) of borrowings		**(81,456)**	(47,550)
Proceeds from/(payments to) related parties		**-**	-
Net cash flows from financing activities		**(81,456)**	(47,550)
Net decrease/increase in cash and cash equivalents		**(7,044,311)**	(15,916,535)
Cash and cash equivalents at beginning of period		**10,673,169**	26,589,704
Cash and cash equivalents at end of period	9	**3,628,858**	10,673,169

The accompanying notes form part of these financial statements.

Note 1: Nature and Continuance of Operations

Macarthur is an Australian public company listed in Canada on the Toronto Stock Exchange (symbol: MMS) and the OTC Market Place, OTCQX International (symbol: MMSDF) that is currently focused on the exploration and development of iron ore projects 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"), and its subsidiary Macarthur Midway Pty Ltd.

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

The Company maintains its corporate head office and principal place of business at Level 20, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

Note 2: Summary of Significant Accounting Policies

Material financial accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. Refer to Note 21 for details of subsidiaries.

a) *Basis of preparation*

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

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

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

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

b) *Going concern*

This financial report has been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

During the year the consolidated entity incurred a net loss of $3,806,341 and had a net decrease in cash and cash equivalents of $7,044,311.

The Company's continuing operations are dependent upon its ability to raise either additional equity capital or other funding, project financing or generate cash flow from operations in the future, which could include the realisation through sale of part or all of the exploration asset, none of which is assured. This depends upon the realisation of economic, operating and trading assumptions about future events and actions, which may not necessarily occur, and the successful implementation of management plans to commercialise its mining projects through development or sale and to manage the consolidated entity's affairs to meet its commitments until this takes place.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the consolidated entity will continue as a going concern and therefore whether it will realise its capitalised exploration costs of $58,491,921 and other assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

Note 2: Summary of Significant Accounting Policies (cont'd)

b) Going concern (cont'd)

Furthermore, the recoverability of the consolidated entity's carrying value of capitalised exploration costs of $58,491,921 is ultimately dependent upon the successful commercialisation of the consolidated entity's exploration asset through development or sale so as to generate cash flows sufficient to recover the exploration asset. If the consolidated entity is not successful in commercialising the exploration asset through development or sale, then the realisable value of the exploration asset may be significantly less than its carrying value.

The directors have considered these factors and believe that they have a reasonable expectation that the consolidated entity will be successful in implementing its plans so as to continue in operation for the foreseeable future. For these reasons they continue to adopt the going concern assumption in preparing the financial statements.

The Preliminary Feasibility Study ("PFS") details direct capital expenditure (upfront) of $173.7M for the Ularring Hematite Project and the Preliminary Economic Assessment ("PEA") details $2.27Bn direct capital expenditure for the Moonshine Magnetite Project.

This financial report does 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, financing or generate cash from operations in the future.

The Company's cash and cash equivalent position at reporting date is $3,610,858 and $337,620 as security deposits for environmental bonds, corporate credit cards and office leases. The Company believes these funds will enable it to meet its obligations and commitments for the foreseeable future.

c) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporates the assets, liabilities and results of all subsidiaries controlled by the Company as at 31 March, 2014 refer to Note 21 for details on subsidiaries.

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

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

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

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

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

Note 2: Summary of Significant Accounting Policies (cont'd)

c) Principles of consolidation (cont'd)

(ii) Business combinations

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

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

All acquisition-related costs are expensed as incurred to the statement of comprehensive income.

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

d) Mineral exploration, evaluation and development properties

The Company is currently in the exploration and evaluation stage of its Macarthur Iron Ore Projects and applies the following policies.

(i) Exploration and evaluation properties

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

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

Exploration and evaluation expenditure which no longer satisfies the above policy are impaired and expensed to the Statement of Comprehensive Loss. Exploration and evaluation expenditure for each area of interest or mineral resource is carried forward, but only to the extent to which its recoupment out of revenue to be derived from the relevant area of interest or mineral resource, or from sale of that area of interest, is reasonably assured.

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

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

Note 2: Summary of Significant Accounting Policies (cont'd)

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

(ii) Development properties

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

Expenditures related to construction are capitalized as mines under construction.

(iii) Mines properties, plant and equipment

When the Company transitions from the development stage to the production stage, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Upon completion of mine construction, the assets are transferred into properties, plant and equipment or mine properties. 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.

Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

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

e) Property, plant and equipment

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

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

Depreciation in assets is calculated as follows:

Plant & Equipment	5% to 33.33% Prime Cost Method 22.5% Diminishing Value Method
Office Equipment	10% to 33.33% Prime Cost Method 37.5% Diminishing Value Method
Motor Vehicles	20% to 25% Prime Cost Method

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 2(g) for details of impairment).

Note 2: Summary of Significant Accounting Policies (cont'd)

e) Property, plant and equipment (cont'd)

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

f) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

g) Financial Instruments

(i) Recognition

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

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

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

(ii) Subsequent measurement

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

Amortised cost is calculated as:

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

Note 2: Summary of Significant Accounting Policies (cont'd)

g) Financial Instruments (cont'd)

(ii) Subsequent measurement (cont'd)

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

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

(iii) Financial assets at fair value through profit or loss

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

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

(iv) Loans and receivables

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

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

The Company's receivables primarily consist of interest revenue and goods and services tax receivable from the Government.

(v) Financial liabilities

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

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

(vi) Fair value estimation

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

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

Note 2: Summary of Significant Accounting Policies (cont'd)

g) Financial Instruments (cont'd)

(vii) Impairment

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

(viii) De-recognition

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

h) Cash and cash equivalents

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

i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions and balances

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

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

j) 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.

Note 2: Summary of Significant Accounting Policies (cont'd)

k) Trade and other payables

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

l) Leases

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

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

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

m) Provisions

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

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

n) Employee benefits

(i) Wages and salaries, annual leave and superannuation

Liabilities for salaries, including annual leave and superannuation, expected to be settled within 12 months of the reporting date are recognised as Current Employee Benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long term employee benefits

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

(iii) Share based compensation

Share based compensation benefits are provided to employees, directors, officers and consultants via the Company's Employee Share Compensation Plan and Consultant Share Compensation Plan ("Share Compensation Plans"). The Company is authorised to grant options, award equity restricted share units or bonus shares or issue common shares pursuant to the Share Compensation Plans, refer to Note 19.

Note 2: Summary of Significant Accounting Policies (cont'd)

(iii) Share based compensation (cont'd)

The fair value of stock options and equity settled share units awarded under the Company's Share Compensation Plans are measured and expensed as 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 amount is recorded to reserves.

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

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The entity revises its estimate of the number of options that are expected to vest, at each reporting date. The share based compensation 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 reserves.

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

(iv) Cash based Restricted Share Units ("Cash Based RSUs")

The Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and Company Secretary 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 Based RSUs vest on achievement of certain performance criteria within agreed dates as detailed in the agreements and plan and are approved by the Remuneration and Nomination Committee.

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

o) 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.

The provision is recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Future restoration and closure costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The provision is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

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

Note 2: Summary of Significant Accounting Policies (cont'd)

p) Goods and services tax

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

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

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

q) Income tax

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 tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Deferred Tax Balances

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

(ii) Tax consolidation legislation

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

Note 2: Summary of Significant Accounting Policies (cont'd)

q) Income tax (cont'd)

(iii) Minerals Resource Rent Tax

The Australian Government passed legislation on 19 March 2012 for the Minerals Resource Rent Tax ("MRRT") which applies to coal and iron ore projects and was implemented from 1 July, 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.

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. A bill which has the effect of repealing the MRRT, was passed in the lower house of Parliament in November 2013. The bill failed to pass the senate on 25 March 2014. The bill could be resubmitted in 3 months' time.

r) Contributed equity

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

s) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive if their exercise price exceeds the average market price of ordinary shares during the period. However where their conversion would decrease the loss per share from continuing operations, then this calculation is treated as anti-dilutive.

t) Revenue recognition

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

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

Revenue is recognised for the major business activities as Interest Income. Interest income is recognised on a time proportion basis using the effective interest method.

Note 2: Summary of Significant Accounting Policies (cont'd)

u) Critical accounting estimates

The preparation of the financial report in conformity with IFRS requires that management make judgements, estimates and assumptions that affect the reported amounts in the financial report and disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and best available current information, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The Groups tenements are held in Western Australia's Yilgarn Region and are all geographically connected. As such the directors have determined that all tenements belong to one determined area of interest. As such the carrying value of the exploration and evaluations expenditure and any potential impairments are considered across all tenements as one area of interest. Refer to note 13 and 25 for further information. The directors are of the continued belief that such exploration and evaluation expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $58,491,921. The PFS for the Ularring Hematite Project and the PEA for the Moonshine Magnetite Project, which are independent expert reports were announced in August 2012 and February 2011 respectively and contained positive project evaluations.

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

- Long term iron ore price of USD $99/t FOB
- Long term AUD/USD exchange rate of 0.84
- Transport costs of AUD $46.58 /FOB t
- Mining costs of AUD$16.11 / FOB t
- Potential ore mining rate of 2 Mt per annum
- Project life of 13 years

(j) Recognition of Government Grants
AASB 120: Accounting for Government Grants and Disclosure of Government Assistance. AASB 120 allows an entity the option to recognise Government Grants using the capital approach. Grants from the Australian Government are recognised at their fair value and are recognised in the Statement of Financial Position. During the year ended 31 March, 2014, the Company received funds for a co-funded drilling program grant (EIS Exploration Incentive Scheme grant) lodged for the Year ended 31 March, 2013, which was recognized as capital. There are no unfulfilled conditions or other contingencies attached to these grants.

Share-based payment transactions

The Group measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument. The fair value of equity-settled transactions is determined using the Black-Scholes options-pricing model as measured on the grant date. 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 for market based vesting conditions. During the reporting period the amount of $151,646 has been shown as stock based compensation expenditure in the statement of comprehensive income.

(i) Deferred tax assets

The Company considers whether the realisation of deferred tax assets is probable in determining whether or not to recognise these deferred tax assets.

Note 2: Summary of Significant Accounting Policies (cont'd)

v) Adoption of New and Revised Accounting Standards

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

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

w) Early Adoption of Accounting Standards

The Group has not elected to early adopt any new or revised Australian Accounting Standards and Interpretations during the year ended 31 March, 2014.

x) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for annual reporting periods beginning on or after 1 January, 2013. The Group has decided against early adoption of these standards.

New standards and amendments that are considered to be relevant to the Group's operations and consolidated financial statements are summarised below and are not expected to have a significant impact on the financial statements of the Group.

AASB 9: Financial Instruments includes revised requirements for the classification and measurement, and recognition and de-recognition, of financial instruments. AASB 9 allows an entity the option to recognise financial liabilities at fair value through the income statement. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit out of earnings and recognise the change in other comprehensive income. AASB 9 is effective from 1 January, 2015. Early adoption is permitted and the standard is applied retrospectively.

Interpretation 21: This Interpretation states that the liability to pay a levy is recognised when the activity that triggers the payment of the levy occurs, as identified by the relevant legislation. Subsequent to year end, the Group voluntarily opted to join and was granted permission to participate in the Western Australian Department of Mines and Petroleum's Mining Rehabilitation Fund ("MRF"), which levies companies on actual rehabilitation liability based on land disturbance. It is foreseeable that the Group will be required to pay an annual, non-refundable levy to the MRF once it commences mining operations or when a tenement's rehabilitation liability exceeds a threshold of $50,000. No liability is recognized in the accounts until an obligating event has occurred.

Note 3: Parent Information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	2014 $	2013 $
ASSETS		
Current Assets	**3,778,869**	10,510,864
Total Assets	**58,074,741**	61,709,692
LIABILITIES		
Current Liabilities	**279,662**	446,846
Total Liabilities	**281,831**	449,399
EQUITY		
Issued Capital	**87,483,365**	87,483,365
Retained Earnings	**(32,717,310)**	(29,098,281)
Reserves		
Foreign Exchange Translation Reserve	**258,972**	258,972
Option reserve	**2,767,883**	2,616,237
TOTAL EQUITY	**57,792,910**	61,260,293
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(loss) for the year	**(3,619,029)**	(3,718,654)
Total comprehensive income	**(3,619,029)**	(3,718,654)

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

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

Contingent liabilities of the parent entity

Contingent liabilities exist in relation to proceedings involving LPD Holdings (Aust) Pty Ltd ("LPD") and First Strategic Development Corporation Limited (in liquidation) ("FSDC"), the details of which are contained in Note 25.

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

At 31 March, 2014, Macarthur Minerals Limited has not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: Nil).

Note 4: Financial risk management

Financial risk factors

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Note 4: Financial risk management (cont'd)

a) Credit risk

The Group's primary exposure to credit risk is on its cash and cash equivalents and taxes receivable. The Group limits its exposure to credit risk by maintaining its financial liquid assets with high-credit quality financial institutions. Receivables are primarily interest receivable and goods and services tax due from the Australian Taxation Office.

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

Exposure to credit risk

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

	Consolidated Carrying Amount	
	2014	2013
	$	$
CONSOLIDATED		
Financial assets		
Cash and cash equivalents	**3,628,858**	10,673,169
Other receivables	**71,659**	221,318
Security Deposits	**337,620**	407,104
	4,038,137	11,301,591

The Group's maximum exposure to credit risk at the reporting date was $3,628,858 (2013: $10,673,169) for cash and cash equivalents, $71,659 (2013: $221,318) for other receivables and $337,620 (2013: $407,104) for security deposits.

The Group's receivables include interest receivable and current outstanding taxation payments recoverable from the Australian Government.

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

	Consolidated Carrying Amount	
	2014	2013
	$	$
Australia	**71,659**	542,445
Canada	**-**	-
Less impairment of receivables	**-**	(321,127)
	71,659	221,318

b) Liquidity risk

The Group's objective is to raise sufficient funds from equity and/or debt to finance its development and exploration activities until its operations become profitable.

The Group manages its liquidity risk by planning and budgeting its operational and growth requirements. The Group monitors its forecast cash flows and ensures funds are in place to meet its operational needs in the short to medium term.

Note 4: Financial risk management (cont'd)

b) Liquidity risk (cont'd)

The Group 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 or development. 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 through equity and/or debt, or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance development of mineral properties, further acquisitions, undertake exploration 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 its 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 as it progresses to the development stage. 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 future expenditure.

The Company believes that it has sufficient funds to meet its obligations for the foreseeable future.

Exposure to liquidity risk

The below table analyses the Group's non-derivative financial liabilities into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

As at 31 March 2014	**Less than 3 months $**	**Between 3 months and 1 year $**	**Between 1 year and 3 years $**
Trade Payables	**275,538**	**-**	**-**
Finance Lease Liabilities	**910**	**2,728**	**11,798**
As at 31 March 2013			
Trade Payables	735,143	-	-
Finance Lease Liabilities	6,590	40,738	49,564

c) Interest rate risk

The Company's cash equivalents are highly liquid and earn interest at market rates in short term fixed term deposits and variable chequing accounts. Due to the short term nature of these financial instruments, fluctuations in market interest rates do not have a significant impact on the fair values of these financial instruments.

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

	Consolidated Carrying Amount 2014 $	**2013 $**
Interest-bearing financial instruments		
Financial assets	**3,887,754**	11,003,556

Note 4: Financial risk management (cont'd)

c) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates on the above interest-bearing financial instruments 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 2013.

	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
31 March, 2014				
Interest-bearing financial instruments	**38,878**	**(38,878)**	**38,878**	**(38,878)**
31 March, 2013				
Interest-bearing financial instruments	110,036	(110,036)	110,036	(110,036)

d) Foreign currency risk

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

Exposure to currency risk

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

	AUD $	CAD $	AUD $	CAD $
	2014		2013	
Cash and cash equivalents	**3,550,587**	**78,271**	10,596,568	76,601
Receivables	**71,659**	**-**	221,318	-
Security Deposits	**337,620**	**-**	407,104	-
	3,959,866	**78,271**	11,224,990	76,601
Trade and other payables	**389,271**	**15,156**	971,871	20,016
Employee Benefits	**95,900**	**-**	173,391	-
Lease liability	**15,436**	**-**	96,892	-
	500,607	**15,156**	1,242,154	20,016
Net exposure	**3,459,259**	**63,115**	9,982,836	56,585

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2014 $	2013 $	2014 $	2013 $
Canadian dollar (CAD$)	**0.9825**	1.0327	**1.0250**	1.0589

Note 4: Financial risk management (cont'd)

d) Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Australian dollar against the Canadian dollar at 31 March, 2014 on the above net exposure to Canadian cash and trade payables would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Consolidated	
	Equity	**Profit or loss**
	$	**$**
31 March, 2014		
CAD$	**(6,469)**	**6,469**
31 March, 2013		
CAD$	(5,340)	5,340

A 10% weakening of the Australian dollar against the Canadian dollar at 31 March, 2014 would have had the equal but opposite effect on the Canadian dollars above to the amounts shown above, on the basis that all other variables remain constant.

e) Commodity price risk

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

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

Note 5: 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 do 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, conduct studies 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 ended 31 March, 2014. The Company is not subject to externally imposed capital requirements.

Note 6: Revenue and expenses

		Consolidated 2014 $	Consolidated 2013 $
a)	***Depreciation, amortisation and foreign exchange differences included in income statement***		
	Depreciation and amortisation	**261,795**	280,949
b)	***Employee benefits expense***		
	Personnel costs	**1,620,485**	1,949,194
	Share based compensation	**151,646**	50,053
c)	***Professional fees include legal costs for the following matters:***		
	- LPD	**308,704**	421,080
	- FSDC	**568,711**	395,267
d)	***Finance Revenue***		
	Bank interest income	**269,160**	939,410

For details on the LPD and FSDC matters refer to Note 25.

Note 7: Income tax

		Consolidated 2014 $	Consolidated 2013 $
a)	***Income tax equivalent expense***		
	Current tax expense	**-**	-
	Deferred tax expense	**-**	-
	Income tax expense (credit) attributable to profit (loss) from continuing operations	**-**	-
b)	***Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable***		
	Profit (loss) from continuing operations before income tax expense	**(3,806,341)**	(4,062,124)
	Tax at Australian tax rate of 30%	**(1,141,902)**	(1,218,637)
	Adjustment for items not deductible in calculating taxable income:		
	Share based payments	**45,494**	15,016
	Impairment expenses	**-**	6,094
	Other	**3,993**	6,408
	Write off deferred tax amount	**-**	-
	Income not assessable in current year	**-**	-
		(1,092,415)	(1,191,119)
	Income tax losses and temporary differences not carried forward as deferred tax assets	**1,092,415**	1,191,119
	Income tax expense (credit) attributable to profit (loss) from continuing operations	**-**	-

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Note 7: Income tax (cont'd)

c) Tax consolidation

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

d) Tax losses

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

	Tax losses from operations	Tax losses on capital raising expenses	Total
	$	$	$
2014			
Tax losses	65,369,549	5,079,868	**70,449,417**
Potential benefit	19,610,865	1,523,960	**21,134,825**
2013			
Tax losses	58,394,386	5,079,868	**63,474,254**
Potential benefit	17,518,315	1,523,960	**19,042,275**

Note 8: Earnings per share

Basic earnings per share is calculated by dividing net (loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential options and warrants. Refer to the accounting policy in Note 2(s)(ii).

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

	Consolidated	
	2014	2013
	$	$
Net (loss) for the year	**(3,806,341)**	(4,062,124)
		Number
Weighted average number of ordinary shares for basic earnings per share	**44,820,630**	44,820,630
Weighted average number of ordinary shares for diluted earnings per share	**44,820,630**	44,820,630

The Company's outstanding options and warrants that did not have a dilutive effect at 31 March, 2014 were 4,175,000 options. The exercise price of these options exceeded the average market price of ordinary shares during the year of CAD$0.20. There were no options or warrants that had a dilutive effect as at 31 March, 2014.

Note 9: Cash and cash equivalents

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	**3,099,249**	1,815,182
Short term deposits earn interest at negotiated fixed rates	**529,609**	8,857,987
	3,628,858	10,673,169

The fair value of cash and cash equivalents is $3,628,858 (2013: $10,673,169).

		Consolidated 2014 $	Consolidated 2013 $
a)	***Reconciliation of cash*** For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 March:		
	Cash at bank and in hand	**3,628,858**	10,673,169
b)	***Reconciliation of net loss after income tax to the net cash flows from operations***		
	Net (Loss)	**(3,806,341)**	(4,062,124)
	Adjustments for:		
	Asset write-off expense	**(15,712)**	642
	Depreciation and amortisation	**261,795**	280,949
	Impairment expense	**-**	20,312
	Share based payments	**151,646**	50,053
	Changes in Assets and Liabilities		
	(Increase)/Decrease in receivables	**470,784**	229,158
	(Increase)/Decrease in deferred tax assets	**-**	-
	(Increase)/Decrease in other operating assets	**67,633**	(62,557)
	Increase/(Decrease) in payables	**(319,263)**	(135,609)
	Net cash from operating activities	**(3,189,458)**	(3,679,176)

Note 10: Other Receivables

	Consolidated 2014 $	Consolidated 2013 $
Other receivables	**71,659**	542,445
Less: Impairment	**-**	(321,127)
	71,659	221,318

Note 11: Other Assets

	Consolidated 2014 $	Consolidated 2013 $
Prepayments	**74,103**	72,252
Security deposits (i)	**337,620**	407,104
	411,723	479,356

(i) Security deposits of $337,620 (2013: $407,104) are comprised of guarantees in place for the Department of Mines and Petroleum of $10,000 (2013: $227,000) for exploration and mining leases for compliance with environmental conditions, and security deposits of $187,620 (2013: $180,104) for office leasing arrangements. There is also $140,000 used as security for corporate credit cards.

Note 12: Property, plant and equipment

Consolidated	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended 31 March, 2013				
Opening net book value	573,091	376,028	151,796	**1,100,915**
Additions	84,073	-	88,908	**172,981**
Disposals	-	-	(159)	**(159)**
Depreciation charge	(76,533)	(107,907)	(96,509)	**(280,949)**
Transfer	(56,682)	-	56,682	**-**
Closing net book amount	523,949	268,121	200,718	**992,788**
At 31 March, 2013				
Cost or fair value	686,153	510,637	378,368	**1,575,158**
Accumulated depreciation	(162,204)	(242,516)	(177,650)	**(582,370)**
Net book amount	523,949	268,121	200,718	**992,788**
Year ended 31 March, 2014				
Opening net book value	523,949	268,121	200,718	**992,788**
Additions	34,068	-	9,603	**43,671**
Disposals	(63,056)	(27,924)	-	**(90,980)**
Depreciation charge	(67,318)	(92,379)	(102,098)	**(261,795)**
Transfer	(1,694)	-	1,694	**-**
Closing net book amount	425,949	147,818	109,917	**683,684**
At 31 March, 2014				
Cost or fair value	653,582	408,351	391,553	**1,453,486**
Accumulated depreciation	(227,633)	(260,533)	(281,636)	**(769,802)**
Net book amount	425,949	147,818	109,917	**683,684**

Note 13: Exploration and evaluation assets

	Consolidated 2014 $	2013 $
Costs carried forward in respect of areas of interest in:		
Exploration and/or evaluation	**57,228,931**	54,059,326
Cost		
Balance at beginning of year (including goodwill)	**55,322,316**	44,361,835
Acquisition of exploration and evaluation assets	**-**	200,000
Disposals of exploration and evaluation assets		-
Exploration and evaluation assets capitalised	**3,169,605**	10,760,481
Balance at end of year (including goodwill)	**58,491,921**	55,322,316

Note 14: Trade and other payables

	Consolidated 2014 $	2013 $
Trade creditors	**275,538**	735,143
Other creditors and accruals	**128,889**	256,744
	404,427	991,887

Note 15: Employee Benefits

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

	Consolidated	
	2014 $	2013 $
Current		
- Short term employee obligations	**93,731**	170,838
Non-current:		
- Long service leave entitlements	**2,169**	2,553
	95,900	173,391

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled before 31 March, 2015. These obligations arise from accrued annual leave and superannuation entitlements at the reporting date.

Note 16: Financial Liabilities

	Note	Consolidated	
		2014 $	2013 $
Financial lease on vehicles			
Current liability net amount owing		**3,638**	47,328
Non-current liability net amount owing		**11,798**	49,564
Present value of minimum lease payments		**15,436**	96,892

The Group entered into a finance lease contract for the purchase of one vehicle with a completion date of February 2016 (extended from February 2013). The vehicle is recorded at cost and classified as depreciable assets. The present value of the lease payments due including their residual payout is $15,436 (2013: $96,892). Title of the vehicle will transfer to the Company upon residual payment of $8,463 at the completion of the lease term.

Note 17: Contributed equity and reserves

a) Ordinary Shares

The Company has authorised ordinary shares with no par value. All issued shares are fully paid and are equally ranked with voting rights.

	Consolidated	
	2014 $	2013 $
Ordinary shares		
Issued and fully paid	**87,483,365**	87,483,365
	Number	**Number**
Number of shares on issue	**44,820,630**	44,820,630

There were no shares issued during the year for share options being exercised.

Note 17: Contributed equity and reserves (cont'd)

b) Reserves

Consolidated	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Dilution Gain Reserve $	Total $
As at 1 April, 2012	258,972	2,566,184	7,314,889	10,140,045
Transfer of fair value of options exercised	-	-	-	-
Transfer of lapsed options from prior year's share capital	-	-	-	-
Cost of share based payments	-	50,053	-	50,053
As at 31 March, 2013	**258,972**	**2,616,237**	**7,314,889**	**10,190,098**
As at 1 April, 2013	258,972	2,616,237	7,314,889	10,190,098
Transfer of fair value of options exercised	-	-	-	-
Transfer of lapsed options from prior year's share capital	-	-	-	-
Cost of share based payments	-	151,646	-	151,646
As at 31 March, 2014	**258,972**	**2,767,883**	**7,314,889**	**10,341,744**

c) Nature and purpose of reserves

Foreign Currency Translation Reserve

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

The functional currency for subsequent years is Australian dollars.

Share-based payment reserve

The Company has issued stock options to on specified terms. The cost of these stock options is measured by reference to their fair value at the date at which they are granted and expensed over the vesting period. The fair value is determined using the Black-Scholes method.

Note 18: Share Compensation Plans

The Company, in accordance with its Share Compensation Plans and the policies of the TSX, is authorised to grant options, award equity restricted share units ("Equity RSUs") or bonus shares or issue common shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 10% of issued and outstanding ordinary shares. Further, there exists a limit of 5% of issued and outstanding ordinary shares that can be issued under the Company's Employee Share Compensation Plan in accordance with the Australian *Corporations Act 2001* and policy of the Australian Securities and Investments Commission, subject to certain exemptions.

Both of the Company's Share Compensation Plans have been approved until September 15, 2015 by the shareholders and took effect from 29 August, 2012, replacing the Company's previous Stock Option Plan.

Note 18: Share Compensation Plans (cont'd)

The exercise price of the options is fixed by the Board at no lesser than the fair market value of the shares on the grant date, subject to all applicable regulatory requirements. Options under the Share Compensation Plans can be granted for a maximum term of 5 years and may be subject to vesting criteria as determined by the Board.

The fair value of all issued options is measured and expensed as share-based compensation at the grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves (see Note 20). For further detail on the accounting treatment of share options refer to Note 2 accounting policies.

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

Note 19: Options and Warrants

a) Options

During the year ended 31 March, 2014

(i) On 27 September, 2013 pursuant to the Company's Consultant Share Compensation Plan, an aggregate of 2,400,000 incentive stock options were granted to executives of the Company. The options are exercisable for a 3 year period at CAD$0.25 per share and have no vesting conditions.

(ii) On 19 December, 2013 pursuant to the Company's Employee Share Compensation Plan, 500,000 incentive stock options were granted to an employee of the Company. The options are exercisable for a 3 year period at CAD$0.25 per share and have no vesting conditions.

(iii) On 30 January, 2014 pursuant to the Company's Share Compensation Plans 255,000 options were surrendered by various employees and a consultant, and an aggregate of 1,275,000 incentive stock options were granted to non-executive directors, various employees and a consultant. The options granted are exercisable for a 3 year period at CAD$0.30 per share and have no vesting conditions.

The Company did not award Equity RSUs or issue bonus shares or allow purchase under a share purchase scheme for common shares under the Share Compensation Plans during the period.

During the year ended 31 March, 2013

(i) On 22 January, 2013 the Company granted 100,000 incentive options under the Consultant Share Compensation Plan to Investor Cubed Inc. ("Investor Cubed") as part of their consulting contract to provide investor relations and shareholder communications and services. The options will vest bi-monthly in three tranches as follows:

  (a) the first 33,300 options vesting on 22 March, 2013, with an exercise price of CAD$0.65 per common share;
  (b) the second 33,300 options vesting on 22 May, 2013, with an exercise price of CAD$0.75 per common share; and
  (c) the final 33,400 options vesting on 22 July, 2013, with an exercise price of CAD$0.85 per common share.

  The options have a term of three years from the grant date however, following the expiry of the consulting contract, all unvested options were cancelled.

(ii) On or about 22 March, 2013 Non-Executive Directors and Executives of the Company surrendered 1,640,000 options.

The Company did not award Equity RSUs or issue bonus shares or allow purchase under a share purchase scheme for common shares under the Share Compensation Plans during the period.

Note 19: Options and Warrants (cont'd)

a) Options (cont'd)

Share Compensation Plans

Share option transactions issued under the Company's Share Compensation Plans and the number of share options outstanding and their related weighted average exercise prices are summarised below:

	2014		2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**845,000**	**$ 2.12 (CAD $2.25)**	3,665,000	$ 2.15 (CAD $2.23)
Granted	**4,175,000**	**$0.26 (CAD $0.27)**	100,000	$ 0.71 (CAD $0.75)
Exercised	**-**	**-**	-	-
Forfeited	**(305,000)**	**$2.02 (CAD $2.07)**	(1,770,000)	$ 2.71 (CAD $2.88)
Expired	**(540,000)**	**$1.83 (CAD $1.88)**	(1,150,000)	$ 1.01 (CAD $1.07)
Outstanding, end of period	**4,175,000**	**$0.26 (CAD $0.27)**	845,000	$ 2.12 (CAD $2.25)
Options exercisable, end of period	**4,175,000**	**$0.26 (CAD $0.27)**	778,300	$ 2.24 (CAD $2.38)

Share options under the Company's Share Compensation Plans outstanding at 31 March, 2014 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
2,400,000	$0.24 (CAD$0.25)	26 September, 2016
500,000	$0.24 (CAD$0.25)	18 December, 2016
1,275,000	$0.29 (CAD$0.30)	29 January, 2017

The range of exercise prices for options outstanding at 31 March, 2014 is CAD$0.25 to CAD$0.30.

The weighted average remaining contractual life for the share options as at 31 March, 2014 is 2.62 years.

Note 19: Options and Warrants (cont'd)

a) Options (cont'd)

Agents' Options

Options that were issued to underwriters as commission in connection with the Company's private placements are summarised below.

	2014		2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**-**	**-**	834,000	$3.48 (CAD $3.60)
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	(834,000)	$3.38 (CAD $3.60)
Outstanding, end of period	**-**	**-**	-	-
Options exercisable, end of period	**-**	**-**	-	-

There were no outstanding agents' options as at 31 March, 2014.

There were no agents' options issued or exercised during the period.

b) Warrants

Warrant transactions and the number of warrants outstanding and their related weighted average exercise prices are summarised as follows:

	2014		2013	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**589,150**	**$2.41 (CAD $2.56)**	9,039,150	$3.82 (CAD $3.96)
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Expired	**(589,150)**	**$2.50 (CAD $2.56)**	(8,450,000)	$3.81 (CAD $4.06)
Outstanding, end of period	**-**	**-**	589,150	$2.41 (CAD $2.56)

Note 19: Options and Warrants (cont'd)

b) Warrants (cont'd)

There are no warrants outstanding as at 31 March, 2014.

There were no warrants granted by the Company during the year ended 31 March, 2014 and 31 March, 2013.

Note 20: Share Based Compensation

The Company measures the cost of share options at fair value at the grant date using the Black-Scholes formula, adjusted to reflect market vesting conditions, but excludes any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest and the entity revises its estimate of options that are expected to vest at each reporting date.

The fair value calculated for options issued is expensed over their vesting period as share based compensation in the statement of comprehensive loss and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. The weighted average fair value of options granted during the period was $0.04 (March 2013 - $0.12). Refer to Note 19 for details of options granted during the period.

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

	2014	2013
	Weighted average	*Weighted average*
Share price	**CAD $0.16**	CAD $0.50
Exercise price	**CAD $0.27**	CAD $0.75
Risk-free interest rate	**1.12%**	1.17%
Expected life of options	**3 years**	2.8 years
Annualized volatility	**120.52%**	96.81%
Dividend rate	**0%**	0%
Forfeitures	**66.67%**	-

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a commensurate period of time which approximates the expectations that would be reflected in a current market.

Note 21: Related Party Disclosure

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

Name	Country of Incorporation	% Equity Interest 2014	% Equity Interest 2013	Investment ($) 2014	Investment ($) 2013
Macarthur Midway Pty Ltd (formerly Hatches Nominees Pty Ltd)	Australia	100	100	**5,000**	5,000
Macarthur Iron Ore Pty Ltd	Australia	100	100	**5,978,572**	5,978,572
Tracker Resources Pty Ltd (deregistered 24 July, 2013)	Australia	100	100	**1**	1
				5,983,573	5,983,573

Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated upon consolidation. Macarthur Minerals Limited is the ultimate parent entity for all entities.

Note 21: Related Party Disclosure (cont'd)

		Sales to Related Parties $	Purchases from Related Parties $	Amounts Owed by Related Parties $	Amounts Owed to Related Parties $
Parent Entity					
Subsidiaries:					
Macarthur Midway Pty Ltd	**2014**	**-**	**-**	**1,531**	**-**
(formerly Hatches Nominees Pty Ltd)	2013	-	-	709	-
Macarthur Iron Ore Pty Ltd	**2014**	**-**	**-**	**47,872,719**	**-**
	2013	-	-	44,740,986	-
Tracker Resources Pty Ltd	**2014**	**-**	**-**	**691**	**-**
(deregistered 24 July, 2013)	2013	-	-	655	-

There were no transactions between the Company and related parties in the wholly owned Group during the year other than remuneration for key management personnel details of which are contained in Note 22.

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

Note 22: 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 (resigned 30 August, 2013)
J Toigo
J Starink
J Wall
R Patricio

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

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

Note 22: Key Management Personnel (cont'd)

Details of Remuneration

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

2014	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Superan-nuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	324,996	-	-	-	-	28,447	353,443
S Hickey[1]	22,500	-	-	-	-	-	22,500
J Toigo	57,500	-	-	-	-	3,973	61,473
J Starink [2]	70,325	-	-	-	-	3,973	74,298
J Wall	60,000	-	-	-	-	-	60,000
R Patricio	60,000	-	-	-	-	3,973	63,973
Other Company Executives							
D Taplin	255,000	-	-	-	-	28,447	283,447
A J Phillips	267,504	-	-	-	-	28,447	295,951
Total	**1,117,825**	**-**	**-**	**-**	**-**	**97,260**	**1,215,085**

[1] Simon Hickey resigned on 30 August, 2013.

[2] J Starink was paid $10,325 for consulting services to the Company under a consultancy agreement, commencing 1 September, 2012.

Remuneration accrued and payable to key management personnel as at 31 March, 2014 was $130,625.

Total remuneration of each key management personnel of the Company for the year ended 31 March, 2013 is set out below.

2013	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus [4]	Non-monetary benefits	Superannuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	324,996	9,468	-	-	-	-	334,464
S Hickey	60,000	-	-	-	-	-	60,000
J Toigo	60,000	-	-	-	-	-	60,000
J Starink [1]	239,025	-	-	-	-	-	239,025
J Wall [2]	50,000	-	-	-	-	-	50,000
R Patricio [3]	32,167	-	-	-	-	-	32,167
Other Company Executives							
D Taplin	255,000	4,952	-	-	-	-	259,952
A J Phillips	267,504	5,195	-	-	-	-	272,699
Total	**1,288,692**	**19,615**	**-**	**-**	**-**	**-**	**1,308,307**

[1] J Starink was paid $239,025 for consulting services to the Company under a consultancy agreement, commencing 1 September 2012.
[2] J Wall was appointed as a non-executive director on 15 June, 2012.
[3] R Patricio was appointed as a non-executive director on 18 September, 2012.
[4] On September 14, 2012, 60,118 Cash Based RSUs vested in accordance with the Cash RSU Plan and ratified by the Board.

Remuneration accrued and payable to key management personnel as at 31 March, 2013 was $144,200.

Note 22: Key Management Personnel (cont'd)

Principles used to determine the nature and amount of remuneration

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

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

An independent remuneration report was used in determining the appropriate level of compensation 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 and Mr Jon Starink are not members of the Remuneration and Nomination Committee and did not vote on the resolution to approve their respective consulting contracts.

Cash Based Restricted Share Unit Plan

The CEO, COO and CFO and Company Secretary ("executives") are eligible to participate in the Company's Cash RSU Plan which entitles them to receive Cash Based RSUs.

The key terms of the executives' cash RSU agreements are:

- Cash Based 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.
- Cash Based RSU cash payment amounts are based on the market value of a common share in the Company on the date that the Cash Based 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 Based RSUs vest on termination without cause and change of control.

Total cash RSU entitlements for executives since commencement of the Cash RSU Plan on 5 December, 2011 are:

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

On 14 September, 2012, 60,118 cash RSUs vested and a corresponding cash payment was made for $19,615. Refer also to the *Details of Remuneration*.

Note 22: Key Management Personnel (cont'd)

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of AASB 124. Where transactions are entered into the terms and conditions are 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.

There were no other transactions with key management personnel during the year.

There were no amounts payable to or receivable from related parties of key management personnel at balance date relating to the above types of transactions.

Equity instrument disclosures relating to key management personnel

a) Ordinary Shares

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

Name	Number at 1/4/13	Number Acquired	Number Disposed	Number at 31/3/14
A S Phillips	-	-	-	-
S Hickey (resigned 30 August, 2013)	543,700	-	(50,000)	493,700
J Toigo	-	-	-	-
J Starink	-	-	-	-
J Wall	-	-	-	-
R Patricio	4,900	-	-	4,900
D Taplin	298,224	-	-	298,224
A J Phillips	146,309	-	-	146,309
J Phillips, A J Phillips, D Taplin [1]	1,335,000	771,500	-	2,106,500
	2,328,133	771,500	(50,000)	3,049,633

[1] 2,106,500 shares are held by First Apollo Capital Limited ("First Apollo"). A S Phillips was a former director of First Apollo (resigned 16 July, 2010), his wife J Phillips (since 1 June, 2005) and his son Joe Phillips (since 16 July, 2010) are directors of First Apollo and D Taplin, CFO and Company Secretary, is a director and secretary of First Apollo (since 17 July, 2008). Accordingly, A S Phillips has previously held while a director, and J Phillips, Joe Phillips and D Taplin, currently hold as directors, positions in First Apollo, that result in them having (or having previously had in the case of A S Phillips), significant influence over First Apollo for the purposes of relevant Australian accounting standards.

b) Options

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

Name	Number at 1/4/13	Number Acquired	Number Disposed	Number at 31/3/14
A S Phillips	-	800,000	-	800,000
S Hickey (resigned 30 August, 2013)	100,000	-	(100,000)	-
J Toigo	-	100,000	-	100,000
J Starink	-	100,000	-	100,000
J Wall	-	-	-	-
R Patricio	-	100,000	-	100,000
P Ziegler (resigned 4 May, 2011) [1]	50,000	-	(50,000)	-
D Taplin	-	800,000	-	800,000
A J Phillips	-	800,000	-	800,000
	150,000	2,700,000	(150,000)	2,700,000

[1] P Ziegler surrendered 50,000 options on 3 May, 2013.

Note 22: Key Management Personnel (cont'd)

Equity instrument disclosures relating to key management personnel (cont'd)

c) Warrants

No warrants in the Company were held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards.

d) Retirement Benefits of Key Management Personnel

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

Note 23: Remuneration of Auditors

	Consolidated	
	2014	**2013**
	$	**$**
During the year the following fees were paid or payable for services provided by the auditors.		
Pilot Partners:		
Audit and review of financial reports	**32,500**	41,000[1]
Other services	**-**	2,400[1]
Davidson & Company LLP:		
Audit and review of financial reports in Canada	**62,276**	58,690
Other services	**-**	-
Total remuneration for audit and other services	**94,776**	102,090

[1] Crowe Horwath was the Company's auditors until their resignation on 29 August 2013**.**

Non-audit Services

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

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

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

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

A copy of the Pilot Partners' independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 19.

Note 24: Commitments

	Consolidated	
	2014	2013
	$	$
a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	**197,005**	318,091
Later than one year but not later than five years	**139,670**	386,078
Non-cancellable operating lease	**336,675**	704,169

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

	Note	Consolidated	
		2014	2013
		$	$
b) Finance Lease commitments			
Commitments in relation to leases contracted for at the reported date and recognised as liabilities are:			
Not later than one year		**4,639**	51,854
Later than one year but not later than five years		**12,716**	57,074
Later than five years		**-**	-
Minimum Lease payments		**17,355**	108,928
Less future finance payments		**(1,919)**	(12,036)
Present value of minimum lease payments	16	**15,436**	96,892

The Group has one finance lease for one motor vehicle with a completion date of the lease is February 2016 (extended from February 2013). Minimum lease payments are $387 per month and residual pay out at the completion of the lease is $8,463. Total unexpired interest is $1,919.

(c) Exploration and evaluation expenditure

In order to maintain its current rights of tenure for exploration and/or mining activities, the Company is required to perform minimum annual expenditure requirements specified by the Western Australian Government and pay local shire rents and rates. The expenditure obligations are subject to renegotiation when an application for a mining lease and/or renewal of exploration permits are made or at other times and are subject to whether the Company decides to continue a tenement's rights until its expiry. The Company may apply for exemptions against expenditure in relation to those tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption has and may be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted (which the Company believes is highly unlikely), the Company may have to impair/expense the value of the amount capitalised to exploration and evaluation assets for those tenements. The Company will also be seeking to reduce expenditure, rates and rents requirements by selective relinquishment of some exploration tenements that are not considered essential. In addition, the Company is applying for future exemptions on a number of mining tenements which will allow the Company exemption on future expenditure up to five years in advance. Due to the nature of the Company's activities, it is difficult to accurately forecast the amount of future expenditure that will be necessary to incur in order to maintain present interests.

These obligations are not provided for in the financial statements and are payable at future dates as follows:

	Consolidated	
	2014	2013
	$	$
Not later than one year	**2,737,429**	2,847,422
Later than one year but not later than five years	**12,367,701**	12,424,242
	15,105,130	15,271,664

Note 24: Commitments (cont'd)

(d) Option Agreement E30/317

The Company's option over E30/317, under an Option Agreement entered into 16 June, 2011, was extended for a further 12 months until 16 June, 2014.. Under the Option Agreement, the Company is required to keep the tenement in good standing and the option exercise fee remains the same at $10,000,000. As at the reporting date the Company has fully met the $500,000 expenditure requirement and has $nil outstanding under the option agreement.

Note 25: Contingent Liabilities

a) Security Bonds

Contingent liability of $10,000 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. The Group was an early participant in the Western Australian Department of Mines and Petroleum's Mining Rehabilitation Fund and redeemed $217,000 in environmental bonds during the year. After reporting date, security bond for E30/230 was released on 11 April, 2014. The Company has no further security bonds for tenement rehabilitation.

In addition the Company has bank guarantees issued of $327,620 for office leasing arrangements in Brisbane and Perth and corporate credit cards.

b) First Strategic Development Corporation Ltd (in liquidation)

The decision in the Queensland Supreme Court action by the Liquidator for First Strategic Development Corporation Limited (in Liquidation) ("FSDC"), against the directors of FSDC for insolvent trading was handed down on Friday, 4 April 2014. The Court ordered that:

1. The first and third defendants, Sing Chuck Charles Chan and Wai Tak (Edward) Kwok, pay to FSDC, the sum of $1,349,131.03.
2. The second defendant, Wai Lap Victor Chan, pay to FSDC, the sum of $1,322,867.35.

Legal costs were also awarded against the first, second and third defendant directors on an indemnity basis, which the legal adviser to the Liquidator has indicated to Macarthur is expected to be in excess of $500,000.

The Company is a creditor of FSDC and lodged a Proof of Debt with FSDC's liquidator for approximately $460,000. The Company and another creditor entered into a Funding Agreement with the liquidator of FSDC, to fund the costs and expenses of proceedings. Pursuant to the funding agreements Macarthur is entitled to re-imbursement of its funding costs from the costs of removing the original liquidator, the public examinations and plus the costs of the insolvent trading action.

The decision may be appealed by the defendants on or before May 2, 2014 and if this occurs the Company may be requested by the Liquidator to fund the costs of the appeal.

The defendants have lodged a notice of appeal on 2 May 2014. The Court of Appeal has advised the parties of a timetable for further steps, concluding on 25 July 2014, after which a hearing date will be set for the appeal.

c) Supreme Court Proceedings

The proceedings brought by LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") against the Company and some of the directors and officers of the Company in the Queensland Supreme Court in July 2012 ("July 2012 Proceedings") were dismissed in December 2012 and the Company was awarded costs on an indemnity basis ("Indemnity Costs Order"). LPD and Mayson appealed the Indemnity Costs Order in the Queensland Court of Appeal ("Appeal") and the Appeal was dismissed with costs of the Appeal being awarded to the Company on a standard basis ("Appeal Costs Order"). The Indemnity Costs Order and the Appeal Costs Orders ("Costs Orders") are being assessed.

Note 25: Contingent Liabilities (cont'd)

c) Supreme Court Proceedings (cont'd)

The Company continues to vigorously defend new proceedings that were brought by LPD in November 2012 ("Proceedings"). On November 26, 2013 the Proceedings were stayed by consent pending payment of the Costs Orders by LPD. The Company was also awarded costs on a standard basis up to and including August 28, 2013 in respect of the Company's strike-out application in the Proceedings. The Company will seek to have those costs assessed.

Whilst the Proceedings are stayed the Company is incurring minimal legal costs. Legal costs of the Proceedings (if recommenced) up to and including the filing of the Company's Defence are estimated to be between $100,000 and $150,000 (inclusive of Counsel's fees and excluding GST). If the Proceedings continue to a full trial of the substantial issues, then the legal costs of the Proceedings after the filing of the Company's Defence are estimated to be at least between $400,000 to $600,000 (inclusive of Counsels' fees and excluding GST).

In July 2012, the respondent directors and officers (who together engaged separate legal representation) made a claim against the Company's Directors' and Officers' Liability Insurance policy in respect of any liability in these proceedings, including legal costs. The insurer has confirmed coverage of defence costs under the policy and has paid (and continues to pay) the costs incurred by the respondent directors and offers in defending the July 2012 Proceedings, the Appeal and the Proceedings. Other incidental costs that fall outside the policy have been incurred by the respondent directors and officers and the Company has indemnified them for those other incidental costs to date (subject to certain restrictions, including restrictions contained in the *Corporations Act 2001* (Cth)).

Note 26: Subsequent Events

a) Options

Since 31 March, 2014 and up to the date of this report no options were issued, exercised or expired.

b) Warrants

Since 31 March 2014 and up to the date of this report, no warrants were issued.

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

In the opinion of the directors:

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

(i) giving a true and fair view of the Company and consolidated entity's financial position as at 31 March, 2014 and of their performance for the year ended on that date; and

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

(b) The financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements; and

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

On behalf of the board

Alan S Phillips
Chairman

Dated: 16 May, 2014

PILOT PARTNERS
Chartered Accountants

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Independent Audit Report
To the members of Macarthur Minerals Limited

We have audited the accompanying financial report of Macarthur Minerals Limited and its controlled entities (the consolidated group), which comprises the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated report comprising the company and the entities it controlled at the year's end or from time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report which is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report that gives a true and fair view 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 polices used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Macarthur Minerals Limited would be in the same terms if given to the directors at the time of the auditor's report.

Opinion

In our opinion:

- the financial report of Macarthur Minerals Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the company's and consolidated group's financial position as at 31 March 2014 and of their performance and their cash flows for the year ended on that date; and
  - complying with Australian Accounting Standards, and complying with the *Corporation Regulations 2001.*
- the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report which indicates that the consolidated entity incurred a net loss of $3,806,342 during the year ended 31 March 2014 and, during the same period, had a net decrease in cash and cash equivalents of $7,062,311. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its capitalised exploration costs of $58,491,921 and other assets, and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Pilot Partners

PILOT PARTNERS
Chartered Accountants

DANIEL GILL
Partner

Signed on this 16TH Day of MAY 2014