MACARTHUR Minerals Limited
ACN 103 011 436

Management's Discussion and Analysis

(Form 51-102F1)
For the Quarter ended June 30, 2013

Information as of August 13, 2013 unless otherwise stated

Note to Reader

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur" or the "Company") for the three month period ended June 30, 2013 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of August 13, 2013 (unless otherwise stated).

This MD&A should be read in conjunction with the Company's Audited Annual Financial Statements for the year ended 31 March 2013, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the previous year and the Annual Information Form. The Condensed Interim Consolidated Financial Statements for the three month period ended June 30, 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward-Looking Information

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

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

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

Overall Performance

Background

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

Macarthur's iron ore projects are owned by its wholly owned subsidiary Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO") and its subsidiary Macarthur Midway Pty Ltd (formerly Hatches Nominees 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 1,206 km^2 (as at August 13, 2013) 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.

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

ULARRING HEMATITE PROJECT

A. Exploration Activities

i. Exploration Activities during the period ended June 30, 2013

1) Resource Exploration

For the period ended June 30, 2013 no further drilling was undertaken.

During January and February 2013, eight (8) vertical PQ (75mm) diamond holes were completed specifically for metallurgical bulk test work. Results of this bulk testing are still pending.

2) Water Exploration

In determining the water necessary for the Ularring Hematite Project, the Company recommenced an RC water exploration program in early February 2013. Nine (9) water exploration holes have been drilled in 2013, seven (7) of which had potential average flow rates of approximately 2 litres per second. Water samples have been collected and sent for analysis. In addition, two (2) water bores were drilled, installed and test-pumped to determine long-term flow rates for use in ore processing in early February 2013. No further drilling has been performed since then.

Overall Performance (cont'd)

3) Mineral Resource

The Ularring Hematite Project's Mineral Resource has remained the same since the Company first announced on June 14, 2012 that the Indicated Mineral Resource inventory increased from a total of 13.01 million tonnes ("Mt") @ 55.2% Fe at a cut-off grade of 50% Fe to 54.46 Mt @ 47.2% Fe at a cut-off grade of 40% Fe and the Inferred Mineral Resource inventory increased from a total of 16.95 Mt @ 55.6% Fe at a cut-off grade of 50% Fe to 25.39 Mt @ 45.2% Fe at a cut-off grade of 40% Fe, Table 2 (excluding 0.6 Mt at Moonshine) (NI43-101 Technical Report filed June 29, 2012).

On August 16, 2012 when the Company announced the results of a positive Preliminary Feasibility Study ("PFS") for the Ularring Hematite Project it also announced the maiden release of a Probable Mineral Reserve of 42.95 Mt @ 47% Fe (NI 43-101 Technical Report filed October 1, 2012), Table 1. The maiden Mineral Reserve is that 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.

The June 14, 2012 resource was included in the PFS NI430-101 Technical Report filed on October 1, 2012. The report entitled "Technical Report, Macarthur Minerals Limited Pre-Feasibility Study Ularring Hematite Project Western Australia", included the results of the PFS and reported the following Mineral Resources (Table 2 and 3) and the Maiden reporting of Mineral Reserves for the Ularring Hematite Project (Table 1).

Table 1 - July 2012 Ularring Mineral Reserve Estimate by Deposit

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 calculated 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.*

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

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

Overall Performance (cont'd)

4) Soil Sampling

During the June 2013 quarter, the Company continued a targeted soil sampling program using closer spacing, based on historical work and results of the regional 1x1 km sampling. The current soil sampling program is aimed at investigating gold and nickel anomalies identified in the previous regional work or ones indicated by historical sampling. This sampling program reduces the spacing to around 100m to 200m between samples depending on the level of detail required. Once laboratory studies have been completed for this program further investigation of anomalies and tracer elements will produce viable targets for gold and nickel mineralisation to be investigated through drilling, further sampling or geophysics. The following is a summary of the total number of samples collected per prospect during the period (Table 4).

Table 4 – June 2013 soil samples collected

Deposit	No. of samples
Moonshine	746
Redneck	8
Woodcutters	7
Sandalwood	383
TOTAL	**1,144**

5) Tenement exploration

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

ii. Exploration Activities since the period ended June 30, 2013

There has been no resource exploration activity since the period ended June 30, 2013.

B. Development Activities

1) Preliminary Feasibility Study

On August 16, 2012 the Company announced the results of a positive PFS for the Ularring Hematite Project that incorporates the Snark, Drabble Downs, Central and Banjo hematite deposits located within the Company's tenements. (NI43-101 Technical Report filed October 1, 2012)

The PFS evaluated a wet beneficiation process based on Indicated Mineral Resources above a cut-off grade of 40% Fe and previously reported metallurgical test work results (News Release June 1, 2012) as well as follow-up test work completed in July 2012.

PFS highlights include:

- The technical and financial evaluation in the PFS concluded that, based on the information available at the time, the project is economically viable and robust and that further project development is justified.
- Project pre-tax real Net Present Value ("NPV") of A$456 million at an 8% discount rate, based on a discounted cash flow model with:
  - a project life of 13 years with saleable product of 60% Fe at 2 million tonnes per annum ("Mtpa");
  - total sales of 25.77 million tonnes; and
  - no terminal value added to the NPV, which assumes no extension to the plant and/or mine life.
- The project is potentially highly profitable with a discounted payback (based on NPV) in 3 years.
- Operating costs estimated at A$78/t (rounded).
- Total revenue estimated at A$3.238 billion (rounded).
- Maiden release of a Probable Mineral Reserve of 42.95 Mt @ 47% Fe.

Overall Performance (cont'd)

- Total capital cost estimated at A$262.7 million including rehabilitation and sustaining capital expense over life-of-mine ("LoM") of A$52.4 million and indirect capital costs of A$49.1 million.
- Total direct operating costs (including overheads but excluding royalties) are estimated at A$2.014 billion (rounded).
- Total project costs (direct and indirect operating costs, capital spend including contingency of A$27 million, and sustaining capital) estimated at A$2.438 billion (rounded).

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

On January 31, 2013 the Western Australian Treasurer, State Minister for Transport; Emergency Services, Hon. Troy Buswell, announced that the State Government accepted an Esperance Port Authority ("EPSL") board recommendation to start a procurement process to identify a private sector consortium to design, finance, construct and operate a multi-user iron ore facility ("MUIOF") at the Port of Esperance ("Port") for an additional 10 – 12 Mtpa. Currently the Port has an operating licence for 11.5 Mtpa.

EPSL has adopted an approach to procurement which has commenced with the Registration of Interest and Prequalification ("ROIP") of potential proponents to identify companies and consortia with the experience and financial capability to undertake the project. The Company registered its interest as a miner in the ROIP.

On June 11, 2013 EPSL announced that two consortia that registered an interest in participating in a Request for Proposal phase ("RFP") have been shortlisted to prepare their bids, to finance, design, build and operate the MUIOF at the Port. The two consortia are: Qube Pty Ltd and Brookfield Infrastructure (Australia) Pty Ltd; and Yilgarn Esperance Solution consortium (which comprises of McConnell Dowell Constructors (Aust) Pty Ltd, Asciano Ltd and Marubeni Corporation Ltd).

The RFP is planned to be completed by the third quarter of 2013 after which the preferred proponent will be appointed. Following completion of this process, construction of the MUIOF is planned to commence in early 2014 and be completed by early 2015.

On August 8, 2012 Macarthur entered into a Capacity Reservation Deed with EPSL for 2 Mtpa capacity at the Port and has since participated in the market sounding exercise. Macarthur's proposed mining and export of its hematite product is planned to coincide with completion of the construction of the MUIOF.

i. Development Activities during the period ended June 30, 2013

1) Definitive Feasibility Study Planning

During the period ending June 30, 2013, the Company commenced structuring the approach that would be taken for a potential Definitive Feasibility Study ("DFS") with an integrated development team. The DFS is to commence to align with the announcement of the EPSL preferred proponent.

2) General Development Activities

The following development activities occurred during the period ended June 30, 2013:

- Marketing sinter sample production for potential iron ore off-take partners.
- Engaged with potential mining and haulage contractors for early expressions of interest in the Ularring Hematite Project.
- Assessment of additional water exploration options and locations as part of project water balance.
- Engaged with above and below rail operators as part of project mine to port transport considerations.
- Continuing engagement with EPSL and the potential two consortia proponents as part of the Port expansion procurement process.

Overall Performance (cont'd)

ii. Development Activities since the period ended June 30, 2013

1) Definitive Feasibility Study Planning

The following work has been undertaken since the period ended June 30, 2013:

- Consolidate forward works plan.
- Preparing a DFS development budget and schedule to align with the Port's RFP program.
- Finalize the DFS team and potential partners prior to commencement.

2) General Development Activities

The following development activities are ongoing:

- Detailed technical and economic assessment of the potential haul road options from the mine to the rail siding.
- Identification of the rail siding location and application of the miscellaneous access lease.
- Technical and economic assessment of a multi-user rail siding facility.
- Marketing sinter sample production for potential iron ore off-take partners.
- Structuring of the bulk sample test work program as part of definitive process plant design.
- Investigate financing models as part of the development and construction budget for the Ularring Hematite Project.
- Discussion with other miners in the Yilgarn area to identify possible project synergies in the logistical chain to facilitate road and rail haulage options.
- Continuing engagement with EPSL and the potential two consortia proponents as part of the Port expansion procurement process. Continued engagement with potential mining and haulage partners for definitive input and costing models.

C. Environmental Activities

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

i. Environmental Activities during the period ended June 30, 2013

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 have been 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 May 16, 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 has issued draft conditions for the Ularring Hematite Project which are expected to be endorsed by the Minister for Environment by the end of August 2013.

Preliminary exploration work targeting suitable road-building materials commenced in April 2013 for development of a private haul road.

Overall Performance (cont'd)

ii. Environmental Activities since the period ended June 30, 2013

A flora survey has commenced for the purpose of constructing a 110km private haul road between the mine and rail siding.

An access agreement has also been developed for the purpose of developing a multi-user rail facility in the Shire of Menzies.

A Project Management Plan is also in development and is expected to be submitted to the Resources Safety division of the Department of Mines and Petroleum ("DMP") in the second quarter of 2013.

MOONSHINE MAGNETITE PROJECT

A. Exploration Activities

i. Exploration Activities during the period ended June 30, 2013

On December 15, 2010 the Company announced that the Moonshine Magnetite Project Inferred Resource estimate had increased from 511 Mt at 27.8% Fe to 710 Mt at 30.6% Fe, resulting in a total Inferred Resource estimate for magnetite for the Moonshine Magnetite Project of 1,316 Mt at 30.1% Fe, Table 5 (NI43-101 Technical Report filed March 25, 2011).

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

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

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

During 2011, 28 RC holes were completed for 7,082.9 m. In addition one diamond hole was drilled for 218 m, including 158 m of RC pre-collar.

Samples from all the RC holes were submitted for DTR analysis. All the results have been incorporated in a new geological model for the Moonshine Magnetite Project.

In 2012 Macarthur received a State Government of Western Australia Exploration Incentive Scheme ("EIS") grant of $150,000 for its Moonshine Magnetite Project drilling program. 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 mineralization 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. The Company will supply the drill results to the DMP for collation and eventual release to the public record.

ii. Exploration Activities since the period ended June 30, 2013

New resource models have been completed for all of the magnetite deposits that make up the Moonshine Magnetite Project. These are not considered to be material and are presently being reviewed and mineral resource estimations are being undertaken.

Overall Performance (cont'd)

B. Development Activities

There have been no significant Moonshine Magnetite Project development activities during and since the period ended June 30, 2013, although the Company continues to seek a 'farm-in' partner for the development of the Moonshine Magnetite Project.

GOLD AND NICKEL EXPLORATION

On January 22, 2013 the Company announced that in Q1-Q2 2013 the Company will undertake preliminary evaluation of the nickel and gold potential of the existing Macarthur tenements. Prior to Macarthur's involvement with these tenements there were two (2) previous periods of limited exploration activity. The area was briefly explored for nickel during the late 1960s nickel boom and was then explored by several companies for gold in the mid 1990s. At these times only very limited shallow drilling was undertaken.

Combined with the available historical data, new geological, geophysical and geochemical data obtained during Macarthur's extensive geological investigation of the BIF (2007 – 2013) has continued to indicate that there is potential for nickel sulphide and gold mineralisation within the extensive ultramafic rock package hosting the BIFs. A preliminary soil sampling program has commenced with a total of 1,759 soil samples collected to date. During February 2013, four (4) RC holes for a total of 1,050 m were drilled for nickel. The nickel holes are planned to be used for EM downhole surveys in four (4) strategic areas. No further drilling has been performed. These areas have been identified as showing elevated nickel values in historic soil sampling. Several prospective areas have been examined by soil sampling and are currently being assayed for nickel, gold and other trace elements, as summarised above in "Ularring Hematite Project Exploration Activity, Soil Sampling".

EXPANSION AND ACQUISITION OF TENEMENTS

At June 30, 2013 the Company held and/or managed 49 contiguous exploration and mining tenements covering a total area of approximately 1,206 km^2. This consisted of 24 Exploration Licences, seven (7) Prospecting Licences and 17 Mining Leases. 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 June 16, 2011. The Company also holds 3 Miscellaneous Licences, covering 36.7 km^2, for infrastructure purposes such as haul roads, which do not have associated expenditure commitments.

Three (3) new tenements were granted to the Company during the quarter; Mining Lease M30/252 and Prospecting Licences P30/1095 and P30/1096. M30/252 covers most areas around Central deposit. P30/1095 and P30/1096 covers the surrounding areas of the Central deposit.

During the quarter, the Company has relinquished three Exploration Licenses, E30/0399, E30/400 and E30/404. During the quarter, the Company was granted exemption for expenditure on tenement M30/248. Subsequent to the end of the quarter, the Company was granted exemption for expenditure on tenements E30/322, E32/323, E30/324, E77/1299 and E30/1969. These tenements were granted under exemption as being part of a registered combined reporting group for which the aggregate expenditure commitment has been exceeded in the past and some of which contains a defined mineral ore required to sustain future operations or our existing proposed mining operation.

Corporate Update

Corporate Activities during the period ended June 30, 2013

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

In July 2012, the Company was served with proceedings in the Supreme Court of Queensland commenced by LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") (the "July Proceedings") in which the Company was named as a respondent. The other respondents to the Proceedings were certain directors and officers of the Company ("Respondent Officers") and Jaldale Pty Ltd.

On November 21, 2012 the Supreme Court of Queensland heard applications to strike-out the July Proceedings by the Company and the Respondent Officers. The Court ordered, among other things, that the July Proceedings be dismissed due to what the Court described as a "fatal defect", namely that neither LPD nor Mayson were registered shareholders of the Company at the date the July Proceedings were commenced (LPD was only a beneficial shareholder and Mayson was not a shareholder at all).

The Court subsequently ordered that LPD and Mayson pay the Company and the Respondent Officers costs of, and incidental to, the July Proceeding on the indemnity basis.

An appeal against the indemnity costs order against LPD and Mayson was heard on July 29, 2013 and has been reserved for judgment.

After commencing the July Proceedings, LPD re-registered as a shareholder of the Company and the Company was served with new proceedings commenced by LPD on November 20, 2012 (the "New Proceedings"). LPD subsequently amended its Originating Application and served its Statement of Claim in respect of the New Proceedings on December 6, 2012. The New Proceedings are similar to the July Proceedings but do differ in some material respects. In particular, the claims against Jaldale Pty Ltd and the officers of the Company, COO and CFO/Company Secretary, have been dropped and certain grounds for relief have also been abandoned. In addition, Mayson is not an applicant in the New Proceedings.

The Company is of the view that, as with the July Proceedings, the New Proceedings are without merit. The Company is vigorously defending the New Proceedings.

LPD has provided security for costs in the July Proceedings, the New Proceedings and in the appeal against the indemnity costs order.

In February 2013, the Company and the remaining respondent directors filed strike-out applications in the New Proceedings. The respondent directors sought to strike-out the proceedings against them on the basis that LPD's pleadings do not disclose a cause of action against them and that they are not necessary parties to the New Proceedings. The Company sought to strike-out certain allegations made in LPD's pleadings in the New Proceedings on the basis that the allegations are not properly particularised, do not disclose a reasonable cause of action, are irrelevant and embarrassing and/or are an abuse of process. Those strike-out applications were heard on April 26, 2013. The parties are now waiting for the Court's judgment.

LPD previously commenced proceedings in the Supreme Court of Queensland on July 16, 2010 for inspection of books and records of the Company and its subsidiary Macarthur Iron Ore Pty Ltd (previously named Internickel Australia Pty Ltd). Those proceedings were settled by mutual agreement on May 18, 2011.

b) Tracker Resources Pty Ltd

On May 10, 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 has notified the Company that Tracker was deregistered on July 24, 2013.

Corporate Update (cont'd)

c) Hatches Nominees Pty Ltd

On May10, 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.

d) Option Agreement E30/317

The Company's option over E30/317, under an Option Agreement entered into June 16, 2011, has been extended for a further 12 months until June 16, 2014. The Company is required to keep the tenement in good standing and the option fee remains the same at $10,000,000.

Corporate Activities since the period ended June 30, 2013

There have been no corporate activities since the period ended June 30, 2013

Mineral Properties

As at August 13, 2013, the Company's 100% owned Macarthur Iron Ore Projects consists of:

Tenement Number	Area[1]		Grant Date	Expiry Date
E30/0240	27	SB	23-Oct-00	22-Oct-13
E30/0318	26	SB	24-Nov-08	23-Nov-13
E30/0321	5	SB	08-Aug-07	07-Aug-17
E30/0322	27	SB	30-Mar-07	29-Mar-17
E30/0323	5	SB	30-Mar-07	29-Mar-17
E30/0324	9	SB	30-Mar-07	29-Mar-17
E30/0349	5	SB	21-Dec-11	20-Dec-16
E30/0384	1	SB	16-Feb-10	15-Feb-15
E30/0385	2	SB	16-Feb-10	15-Feb-15
E30/0386	2	SB	16-Feb-10	15-Feb-15
E30/0387	7	SB	16-Feb-10	15-Feb-15
E30/0392	15	SB	16-Feb-10	15-Feb-15
E30/0398	3	SB	07-May-10	06-May-15
E30/0407	17	SB	07-Sep-10	06-Sep-15
E30/0408	12	SB	07-Sep-10	06-Sep-15
E30/0410	7	SB	15-Sep-10	14-Sep-15
E30/0411	3	SB	19-Aug-10	18-Aug-15
E30/0443	10	SB	02-Nov-12	01-Nov-17
E30/0444	12	SB	15-Feb-13	14-Feb-18
E30/0447	2	SB	08-Mar-13	07-Mar-18
E30/0448	1	SB	08-Mar-13	07-Mar-18
E77/1299	70	SB	02-May-11	01-May-16
E77/1969	62	SB	03-Apr-12	02-Apr-17
L30/0049	628	HA	24-Aug-11	23-Aug-32
L30/0050	844	HA	24-Aug-11	23-Aug-32
L30/0051	2,683	HA	28-Dec-11	27-Dec-32
M30/0206	893	HA	02-Jul-07	01-Jul-28
M30/0207	892	HA	02-Jul-07	01-Jul-28
M30/0208	892	HA	02-Jul-07	01-Jul-28
M30/0213	894	HA	13-Jun-11	12-Jun-32
M30/0214	894	HA	13-Jun-11	12-Jun-32
M30/0215	894	HA	13-Jun-11	12-Jun-32
M30/0216	893	HA	13-Jun-11	12-Jun-32
M30/0217	893	HA	13-Jun-11	12-Jun-32
M30/0218	893	HA	13-Jun-11	12-Jun-32
M30/0219	893	HA	02-Jul-07	01-Jul-28
M30/0227	595	HA	13-Jun-11	12-Jun-32
M30/0228	594	HA	02-Jul-07	01-Jul-28
M30/0229	889	HA	02-Jul-07	01-Jul-28
M30/0248	2,825	HA	22-Feb-12	21-Feb-33
M30/0249	3,821	HA	22-Feb-12	21-Feb-33
M30/0250	1,887	HA	05-Mar-13	04-Mar-34
M30/0251	2,287	HA	27-Nov-12	26-Nov-33
M30/0252	609	HA	27-May-13	26-May-34
P30/1070	40	HA	21-Dec-11	20-Dec-15
P30/1071	124	HA	21-Dec-11	20-Dec-15
P30/1083	72	HA	27-Oct-09	26-Oct-13
P30/1085	24	HA	11-Jul-11	10-Jul-15
P30/1089	24	HA	25-Oct-11	24-Oct-15
P30/1095	193	HA	14-May-13	13-May-17
P30/1096	26	HA	14-May-13	13-May-17

[1] 1 sub-block (SB) = approx. 3km^2, 1 ha = 0.01km^2

As at August 13, 2013, the Company held under option:

Tenement Number	Area[1]		Grant Date	Expiry Date
E30/0317	10	SB	01-Sep-06	31-Aug-13

Results of Operations and Financial Condition

(All amounts in Australian dollars)

Exploration and Evaluation Expenses

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

Australian $	Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
Expenses	-	-
Capitalized expenses	1,223,929	3,139,220

For the period ended June 30, 2013, the Company expended $1,223,929 on exploration and evaluation activities compared with $3,139,220 for the corresponding June 2012 quarter. This decrease in expenditure of $1,915,291 reflects the Company's migration from primarily exploration to a focus on development including the preparing for a feasibility study on the Ularring Hematite Project. The largest elements of exploration and evaluation costs during the quarter were personnel and contractors representing 52.5%, research and reports 9.7% and rent and rates 9.3%.

Administrative Expenses

Administrative expenses are expenses not directly related to the Macarthur Iron Ore Projects and are expensed immediately.

Australian $	Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
Administration Expenses	1,073,280	1,010,264

The largest elements of administrative expenses for the period ended June 30, 2013 were personnel fees of $436,360, professional fees of $347,425 and office and general expenses of $90,708.

Compared to the corresponding period ended June 30, 2012, total administrative expenses increased by 6% or $63,016.The 6% increase was mainly due to an increase in professional fees of $170,265 which were offset by decreased share based compensation of $24,911 and investor relations of $52,683.

Income

Income normally comprises interest income earned on the Company's liquid financial instruments.

Australian $	Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
Interest Income	101,163	350,711

For the period ended June 30, 2013 the Company earned interest income of $101,163. Compared to the corresponding period ended June 30, 2012 interest income decreased by $249,548 due to interest earned on a decreased cash balance.

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

Income Taxes

Future tax assets have not been recognized in the financial statements as the directors believe it has not yet become probable that they will be recovered and utilized. The Company has not paid, nor has any liability to pay, Minerals Resources Rent Tax ("MRRT"). The MRRT will be payable when the Company has commenced iron ore production and generates MRRT assessable profits of over $75 million after taking into account inbuilt allowances.

Results of Operations and Financial Condition (cont'd)

Net Losses
The net loss for the year reflects the administrative costs of the Company, including share based compensation expense relating to employee and consultant share options.

Australian $	Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
Net loss	972,117	662,542

The net loss for the period ended June 30, 2013 was $972,117 compared with $662,542 for the corresponding period ended June 30, 2012. This increased net loss of $309,575 was mainly attributable to a reduction in interest income by $249,548.

Change in Financial Position

Australian $	Quarter Ended June 30, 2013	Quarter Ended June 30, 2012
Cash and cash equivalents	8,167,618	21,557,264
Exploration and Evaluation assets	56,546,245	47,501,055
Property, Plant and Equipment	925,876	1,122,263
Total Assets	66,194,619	71,151,912
Trade and Other Payables	508,238	1,118,901
Total Liabilities	736,770	1,347,506
Net Assets	65,457,849	69,804,406
Net Working Capital	8,034,099	21,214,818

At June 30, 2013 the Company had net assets of $65,457,849 compared to $69,804,406 at June 30, 2012. The decrease is due to outlays in administrative expenses during the year.

The Company's cash balance was $8,167,618 at June 30, 2013 which was a decrease of $2,505,551 from the March 31, 2013 balance. Since March 31, 2013 the value of exploration and evaluation assets has increased by $1,223,929 and accounts payable and accruals decreased by $483,649. Refer below for the cash flow movement for the 3 months to June 30, 2013.

Property, plant and equipment was $925,876 at June 30, 2013 reflecting the depreciated book value of various site and office equipment, including vehicles.

The Company's net working capital at June 30, 2013 was $8,034,099 compared with net working capital of $21,214,818 at June 30, 2012. The decrease in the net working capital over the year is due to exploration, evaluation and administrative expenditure.

Year to Date Cash Flows

Australian $	3 months to June 30, 2013	3 months to June 30, 2012
Operating Activities	(890,397)	(793,345)
Investing Activities	(1,608,836)	(4,226,908)
Financing Activities	(6,318)	(12,187)
Total cash movement	(2,505,551)	(5,032,440)

Cash outflow from operating activities during the period ended June 30, 2013 was $890,397 compared with $793,345 for the prior corresponding period. The increased cash outflow was mainly due to reduced interest income and interest receivable.

Results of Operations and Financial Condition (cont'd)

Cash outflow from investing activities during the period ended June 30, 2013 was $1,608,836 compared with $4,226,908 in the prior period. The outflow in both comparative years related primarily to exploration and feasibility study activities. The reduction in cash outflow relates to the Company transitioning from exploration to feasibility and development activities.

Cash outflow from financing activities during the period was $6,318 compared with cash outflow of $12,187 for the prior year. Both periods include finance lease payments.

Summary of Quarterly Information

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2013. This financial information is derived from the Annual Audited Financial Statements of the Company.

	Sept 30 2011 $	Dec 31 2011 $	Mar 31 2012 $	Jun 30 2012 $	Sept 30 2012 $	Dec 31 2012 $	March 31, 2013 $	June 30, 2013 $
Interest Income	626,290	492,287	418,787	350,711	257,035	192,971	138,693	101,163
Net profit/(loss)	(304,452)	(774,337)	(696,590)	(662,542)	(1,145,917)	(1,064,273)	(1,189,392)	(972,117)
Net profit/(loss) per share	(0.02)	(0.02)	(0.02)	(0.01)	(0.03)	(0.02)	(0.03)	(0.02)

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

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

Income is predominantly derived from interest income.

Liquidity and Capital Resources

At June 30, 2013, the Company has net working capital of $8,034,099.

The Company did not issue any shares or other equity instruments during the period ended June 30, 2013. The Company's only external borrowings consist of a financial lease arrangement for motor vehicles, which at the reporting date totaled $90,574.

Over the next 3 quarters (9 months), the Company anticipates its cash expenditure requirements will significantly decrease as the Company transitions to the development stage and prior to raising project financing. Upon project financing being received, expenditure will significantly increase.

Related Party Transactions

Balances and transactions between the Company and its wholly owned subsidiaries ("Group"), which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this MD&A. There were no transactions between the Company and related parties in the wholly owned Group during the period ended June 30, 2013 other than remuneration for key management personnel, details are disclosed below. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that an entity would have adopted if dealing on an arm's length basis.

Related Party Transactions (cont'd)

Key Management Personnel

The following persons were key management personnel of the Company during the period ended June 30, 2013.

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

Executive Director
J Starink

Non-Executive Directors
S Hickey
J Toigo
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 period ended June 30, 2013:

Other company executives

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

Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 9 of the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2013.

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 International Accounting Standard ("IAS") 24. Where transactions are entered into with those entities the terms and conditions are no more favorable than those that it is reasonable to expect the entity would have adopted if dealing on an arm's length basis.

The Company did not enter into any transactions with entities over which key management personnel have significant influence during the period and the corresponding prior period.

Commitments

Lease agreements

At June 30, 2013 balance sheet date the Company had the following commitments:

	Vehicle leases $	Building leases $	Total $
Within one year	43,845	266,999	310,844
Later than one year but no later than five years	46,729	251,495	298,224
	90,574	518,494	609,068

The Company entered into finance lease contracts for the purchase of 4 vehicles with a completion dates of February 2016 (extended from February 2013) and November 2013. The vehicles are recorded at cost and classified as a depreciable asset. Title of the vehicles will transfer to the Company upon payment of $53,896.

Commitments (cont'd)

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures are set out in Note 5 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2013.

Option agreement

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km^2. The Company has paid the initial acquisition cost of $100,000 and a further option fee of $200,000 on the first anniversary. The Company was required to undertake expenditure of $500,000 on tenement E30/317 within the 24 month exercise period or pay the shortfall, if it did not exercise the option. As at the reporting date the Company has fully met the $500,000 expenditure requirement and has $nil outstanding under the option agreement.

The option has been extended for a further 12 months until June 16, 2014. The Company is required to keep the tenement in good standing and the option fee remains the same at $10,000,000.

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

Off-Balance Sheet Arrangements

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

Risks and Uncertainties

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

GENERAL

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

The recoverability of the Mineral Resources and Mineral Reserves are dependent upon the ability of the Company to obtain the necessary financing to continue exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

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

Risks and Uncertainties (cont'd)

The Condensed Interim Consolidated Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the period ended June 30, 2013 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

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

The Directors of the Company will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of Macarthur, but without assuming any personal liability for the same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of Macarthur and its securities.

RISKS RELATING TO THE BUSINESS OF THE COMPANY

Going Concern (Trends)
The Company's financial success is dependent upon the discovery of commercial Mineral Resources on the Macarthur Iron Ore Projects which could be economically viable to develop. Such development could take several years to complete and the resulting income, if any, is difficult to determine at this time. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Reliance on Key Personnel (Management and Directors)
The Company's development to date has largely depended, and in the future will continue to depend on the efforts of key management. Loss of any of these people could have a material adverse effect on the Company and its business, and therefore the trading price of its shares. In this sense the Company has been, and continues to be, particularly reliant on the following directors and officers:

- Alan S Phillips – Chairman, President and CEO
- David Taplin – CFO and Company Secretary
- Joe Phillips – COO
- Jon Starink – Executive Director
- Simon Hickey – Non-Executive Director
- John Toigo – Non-Executive Director
- Jeffrey Wall – Non-Executive Director
- Richard Patricio – Non-Executive Director

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

Risk of the General Market and Economic Conditions
Changes in the general economic climate in which Macarthur operates may adversely affect its financial performance, its exploration and development activities, and its ability to fund those activities. Factors that may contribute to that economic climate include changes in global and/or domestic economic conditions, the general level of economic activity, movements in interest rates and inflation, currency exchange rates and other economic factors.

Risks and Uncertainties (cont'd)

The price of commodities, especially iron ore and level of activity within the mining industry will also be of particular relevance to Macarthur. Neither Macarthur nor the directors warrant the future performance of the Company or any return on an investment in Macarthur.

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

The Company may be unable to acquire additional attractive mining properties on terms it considers to be acceptable. The inability of the Company to acquire attractive mining properties would result in difficulties in it obtaining future financing and profitable operations.

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

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

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at June 30, 2013 the Company's deficit was $24,976,937.

Risk of Conflict of Interest
Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time.

Conflicts of interest affecting the directors and officers of Macarthur will be governed by Macarthur's "Code of Conduct", the Constitution of Macarthur, the provisions of the *Corporations Act* 2001 (C'th) and other applicable laws and relevant stock exchange policies and requirements.

The directors are required by law, to act honestly and in good faith with a view to the best interests of the Company.

In the event that such a conflict of interest arises at a meeting of the directors, a director affected by the conflict must disclose the nature and extent of their interest and abstain from voting for or against matters concerning the matter in respect of which the conflict arises.

Insurance Risk
Macarthur's operations are subject to all of the risks and hazards typically associated with the exploration and development of iron ore. Macarthur intends to ensure that insurance is maintained within ranges of coverage that Macarthur believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that Macarthur will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Macarthur. Insurance of all risks associated with exploration and development is not always available and where available the costs may be prohibitive.

Risks and Uncertainties (cont'd)

Risk of Terrorist Attack or Other Sustained Armed Conflicts
Terrorist activities, anti-terrorist efforts or other armed conflict involving Canada or Australia or their interests abroad may adversely affect the Canadian, Australian and global economies. If events of this nature occur and persist, the associated political instability and societal disruption could reduce overall demand for commodities including iron ore potentially putting downward pressure on prevailing commodity prices and adversely affect the Company's activities.

RISK FACTORS RELATING TO FINANCE

Liquidity Risk (Solvency Risk)
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a rigorous planning and budgeting process to help determine the funds required to meet its operating and growth objectives. The Company prepares cash forecasts and maintains cash balances to meet short and long term cash requirements.

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and 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 may need to raise funds by the issuance of shares or dispose of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising its required financing.

Macarthur's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to Macarthur on reasonable terms or at all. Failure to obtain appropriate financing on a timely basis or reasonable terms may result in a loss of business opportunity and excessive funding costs. If Macarthur raises additional funds through the issue of equity securities, this may result in dilution to the existing shareholders and/or a change of control of Macarthur.

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

Commodity Price Risk
The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic, financial and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs.

The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted. As the Company has not yet reached the mining stage, its exposure to price risk does not impact on the financial statements however price risk is a critical assumption for the Company's reported Scoping Studies and Preliminary Feasibility Study ("Project Studies").

Risks and Uncertainties (cont'd)

Credit Risk
Credit risk is the potential loss through non-performance by counterparties of financial obligations. The Company's primary exposure to credit risk is on its cash and cash equivalents and taxes receivable. The Company 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.

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

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

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

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. 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.

Risk of Unforeseen Expenses
While Macarthur is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of Macarthur may be adversely affected.

RISK FACTORS RELATING TO THE SECURITIES OF THE COMPANY

Risk of Share Price and Market Volatility
The market price of shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Canadian and Australian resources sector, Canadian and Australian listed entities and exploration companies in particular. During the period ended June 30, 2013, the per share price of the Company's shares fluctuated from a low of CAD$0.185 to a high of CAD$0.30.

There are a number of factors (both national and international) that may affect the share market price and neither Macarthur nor its directors have control over those factors. There can be no assurance that continual fluctuations in price will not occur.

Factors that could affect the trading price that are unrelated to Macarthur's performance include domestic and global commodity prices and economic outlook, fiscal and monetary policies, currency movements, and market perceptions of the attractiveness of particular industries. The Shares carry no guarantee in respect of profitability, dividends, return on capital, price or degree of liquidity with which they trade on the TSX and OTCQX.

Risks and Uncertainties (cont'd)

Shares Reserved for Issuance: Dilution Risk
Capital raisings to meet funding and property commitments will result in dilution to the Company's shareholders. It is likely any additional capital required by the Company, as described above, will be raised through the issuance of additional equity securities which will result in dilution to the Company's existing shareholders. Further, the Company, from time to time, is required to issue Shares to earn its interests in properties. Such property share issuances will also result in dilution to the Company's existing shareholders.

As at June 30, 2013, there were 720,000 stock options and 250,000 warrants outstanding.

Share Liquidity Risk
Shareholders of the Company may be unable to sell significant quantities of the Company's shares into the public trading markets without a significant reduction in the price of their shares, if any at all. The majority of the Company's shares are held with institutional holders, which means that there is a usually low trading volume. The Company's market maker has the role of ensuring there is a buyer/seller if liquidity is too low. The Company may not continue to meet the listing requirements of the TSX or achieve listing on any other public listing exchange.

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

RISK FACTORS RELATING TO THE COMPANY'S PROPERTY INTERESTS

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

In addition, Macarthur's interests in the Macarthur Iron Ore Projects are subject to various conditions, obligations and regulations imposed by the Western Australian Department of Mines and Petroleum. If the necessary approvals are refused, Macarthur will suffer a loss of the opportunity to undertake further exploration, or development, of the tenement. Macarthur currently knows of no reason to believe that current applications will not be approved, granted or renewed.

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

Macarthur requires land access in order to perform exploration and development activities, which can be affected by land ownership and require related compensation arrangements with landowners or occupiers. The Company's operations may be adversely affected or delayed in the event of a dispute with a land owner or if there is any other difficulty obtaining land access.

Risks and Uncertainties (cont'd)

Macarthur's project areas may contain sites of cultural significance, which would need to be avoided when carrying out field programs and project development.

Environmental Factors and Protection Requirements
The Company is currently engaged in exploration and development activities with limited environmental impact and actively engages with government departments to ensure open communication and accurate assessment of environmental approvals. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all.

The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. Limited environmental incidents may be covered under existing insurance policies. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

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

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

Estimates of Mineral Reserves and Resources
The Company's projects cover mineralization and natural material of intrinsic economic interest which have been identified and estimated through exploration and sampling. Mineral Resource estimates are defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. A Mineral Resource estimate is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. The phrase "reasonable prospects for economic extraction" implies a judgement by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. These assumptions are presented explicitly in both public and technical reports.

The Company has announced that it has estimated a Mineral Reserve in the Ularring Hematite Project. The Mineral Reserve is the economically mineable part of the Indicated Mineral Resource as demonstrated by the 2012 Preliminary Feasibility Study. The Mineral Reserve estimate includes diluting materials and allowances for losses that may occur when the material is mined.

Risks and Uncertainties (cont'd)

Mineral Reserves are those parts of Mineral Resources 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. Although the reporting of a "Mineral Reserve" signifies that there are reasonable expectations of all governmental approvals being received, it does not signify that extraction facilities are in place or operative or that all governmental approvals have been received.

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

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

Risk of Restrictive Access to the Macarthur Iron Ore Projects
The Macarthur Iron Ore Projects are located in areas which can be difficult to access at times. During this period, costs associated with the Company carrying on its business may significantly increase and exceed the amount allocated in the Company's budget, and in certain circumstances may prevent the Company from being able to conduct its drilling or significant operations on the relevant lands.

In addition, natural events, such as cyclones, floods, and fire, which are beyond the control of Macarthur, could prevent access to its tenements or offices or otherwise affect the Company's ability to undertake planned exploration or development (and potentially production) and, as a result, could have a material adverse effect on Macarthur.

Risk of Accuracy of Exploration Maps and Diagrams
Macarthur has commissioned and produced numerous diagrams and maps to help identify and describe the tenements and the targets sought by Macarthur on those tenements. Maps and diagrams should only be considered an indication of the current intention in relation to targets and potential areas for exploration and drilling, which may change.

RISK FACTORS RELATING TO MINING GENERALLY

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

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

Risks and Uncertainties (cont'd)

The mining industry is subject to occupational health and safety laws and regulations which change from time to time and may result in increased compliance costs or the potential for liability and even personal liability for management and directors. It is Macarthur's intention to mitigate this risk by operating to the highest occupational health and safety standards.

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

Risk of Availability of Labour
Macarthur will require skilled labour workers and engineers in order to operate its activities. Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

The Company may experience a skills shortage. Due to the high demand for skilled and unskilled labour, there is a growing expectation of higher wages. Macarthur strives to employ the best people however, this can come at a high price or may delay operations should it not be able to attain and retain those people.

RISK FACTORS RELATING TO GOVERNMENT

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

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

The Australian Government passed legislation on March 19, 2012 for the MRRT which applies to coal and iron ore projects and was implemented from July 1, 2012. The MRRT will broadly tax the profits at the run of mine stock pile of over A$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.

To date the Company has not paid any MRRT. The MRRT will only apply once the Company has commenced production of iron ore and generates MRRT assessable profits of over $75 million after taking into account inbuilt allowances.

The Australian Government has implemented a carbon pricing mechanism under the Clean Energy Legislation Package which commenced on July 1, 2012. The carbon pricing mechanism is expected to cover up to 500 entities operating in Australia which generally includes entities operating large facilities, natural gas suppliers and companies that emit more than 25,000 tonnes of CO_2-e emissions each year. The Company is not currently a major carbon emitter, similar to the vast majority of Australian businesses, and does not have any present obligations under the carbon pricing mechanism. The new carbon pricing mechanism may however indirectly lead to increased costs.

Under the regime diesel fuels used in mining activity, transport and electricity generation by generator plants (stationary or portable) are excluded from the above carbon pricing mechanism. However, an equivalent carbon price will be applied to diesel fuel usage through changes in fuel tax credits or fuel excise.

It is possible that the MRRT and the Clean Energy Legislation Package may adversely impact the financial performance of Macarthur's planned future mining operations, including the Macarthur Iron Ore Projects.

Risks and Uncertainties (cont'd)

Risk of Greater Governmental Regulation
Exploration, development and operations on the Company's properties are affected to varying degrees by government regulations relating to such matters as: (i) environmental protection, health, safety and labor; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) access to and use of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

Failure to obtain licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration or development work, which may result in it losing its interest in the subject property.

As the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labor standards, environmental protection, mine safety and other matters. In addition, new laws or regulations, governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

RISK FACTORS RELATING TO THE COMPANY'S LEGAL OBLIGATIONS

Contractual risk
Macarthur is a party to various contracts. Whilst Macarthur will have various contractual rights in the event of non-compliance by a contracting party, no assurance can be given that all contracts to which Macarthur is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, Macarthur will be successful in enforcing compliance and recovering any loss in full.

Litigation Risk
All industries, including the mining industry, are subject to legal claims that are with and without merit.

The Company is currently involved in legal proceedings. It's unlikely that the final outcome of these routine proceedings will have a material and adverse effect on the Company's financial condition or results of operations; however, defence and settlement costs can be substantial, even for claims that are without merit. Due to the inherent uncertainty of the litigation process and dealings with regulatory bodies, there is no assurance that any legal or regulatory proceeding will be resolved in a manner that will not have a material and adverse effect on the Company's future cash flow, results of operations or financial condition.

The Company maintains Directors and Officers Liability insurance. The Company has also provided an indemnity for each director, J Phillips, the COO and D Taplin, the CFO & Company Secretary to the maximum extent permitted by law, against any liability for legal costs incurred in respect of liability incurred by them, as or 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 or in breach of the law.

Jurisdiction Risk
All of the Company's assets are located in Australia and the Company may contract with international parties. It may be difficult or impossible to enforce judgments obtained in overseas courts predicated upon the civil liability provisions of the securities laws of those countries.

Accounting Policies

Accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 3 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2013.

Critical Accounting Estimates

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

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

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

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

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

Financial Instruments

The Company's principal financial instruments are comprised of cash, short term deposits and payables which approximate their fair market value due to the short-term nature of these instruments. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and foreign currency risk. Refer to the Risks and Uncertainties section above and Note 3 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2013.

Disclosure Controls and Procedures

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

The Company's CEO and CFO oversee on an annual basis the evaluation of the effectiveness of the Company's disclosure controls and procedures and as at March 31, 2013 concluded that they are effective and provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

Internal Controls Over Financial Reporting ("ICFR")

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

Internal Controls Over Financial Reporting ("ICFR") (cont'd)

The CEO and CFO have overseen the evaluation of the design and effectiveness of the Company's ICFR based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company's ICFR was effective as of June 30, 2013.

There were no significant changes that occurred during the period ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The Company has not in any way limited the design of the ICFR and there were no material weaknesses related to its design as at June 30, 2013.

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

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

Outstanding Share Data as of August 13, 2013:

Authorized and issued share capital:

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

As at August 13, 2013 there were 580,000 stock options and 250,000 warrants outstanding.

Other Information

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

Competent Person's Statement

Technical aspects of this MD&A were prepared and verified by Mr Ian S Cooper, B.Sc., A.R.S.M., F.G.S. FAusIMM, who is a Fellow of the Australasian Institute of Mining and Metallurgy (membership number 107348). Mr Cooper is employed part time by the Company as a Consulting Geologist. He is the qualified person as required by National Instrument 43-101, and is the technical person responsible for this MD&A. Mr Cooper has consented to the public filing of the MD&A.

By order of the Board

"*Alan Phillips*"

Alan Phillips
Chairman President and CEO

"*Simon Hickey*"

Simon Hickey
Director