MACARTHUR MINERALS LIMITED

Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

All amounts are in Australian dollars unless otherwise stated

Financial Statements – March 31, 2013

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The financial statements are presented in the Australian currency, unless stated otherwise.

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

The financial statements were authorized for issue by the directors on June 26, 2013. The directors have the power to amend and reissue the financial statements.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Macarthur Minerals Limited

We have audited the accompanying consolidated financial statements of Macarthur Minerals Limited, which comprise the consolidated statements of financial position as at March 31, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Macarthur Minerals Limited as at March 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

June 26, 2013

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MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED MARCH 31
(Expressed in Australian Dollars)

	Notes	Consolidated 2013 $	2012 $
EXPENSES			
Depreciation	5(a)	**(280,949)**	(205,132)
Impairment expense		**(20,312)**	-
Investor relations		**(192,729)**	(158,394)
Office and general expenses		**(458,206)**	(478,533)
Personnel costs	5(b)	**(1,949,194)**	(1,732,993)
Professional fees	5(c)	**(1,530,542)**	(1,169,880)
Rent		**(127,018)**	(119,872)
Share based compensation	5(b)	**(50,053)**	(290,557)
Share Registry, filing and listing fees		**(140,190)**	(342,902)
Travel and accommodation		**(252,341)**	(263,376)
Total Administrative expenses		**(5,001,534)**	(4,761,639)
REVENUE			
Interest Income	5(d)	**939,410**	2,195,673
Net loss and comprehensive loss for the ye		**(4,062,124)**	(2,565,966)
Basic loss per ordinary share		**(0.09)**	(0.06)
Diluted loss per ordinary share	7	**(0.09)**	(0.06)

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

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

	Notes	Consolidated 2013 $	2012 $
ASSETS			
Current			
Cash and cash equivalents	8	**10,673,169**	26,589,704
Other Receivables	9	**221,318**	505,610
Security deposits and prepayments	10	**479,356**	416,799
Total current assets		**11,373,843**	27,512,113
Non-Current			
Plant and equipment	11	**992,788**	1,100,915
Exploration and evaluation assets	12	**55,322,316**	44,361,835
Total non-current assets		**56,315,104**	45,462,750
Total assets		**67,688,947**	**72,974,863**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	13	**991,887**	2,310,612
Employee benefits	14	**170,838**	80,033
Finance lease obligation	15	**47,328**	108,180
Total current liabilities		**1,210,053**	2,498,825
Non-Current			
Employee benefits	14	**2,553**	928
Finance lease obligation	15	**49,564**	36,262
Total non-current liabilities		**52,117**	37,190
		1,262,170	2,536,015
Shareholders' equity			
Contributed equity	16(a)	**86,686,256**	86,686,256
Reserves	16(b)	**3,745,341**	3,695,288
Deficit		**(24,004,820)**	(19,942,696)
Total shareholders' equity		**66,426,777**	70,438,848
Total liabilities and shareholders' equity		**67,688,947**	**72,974,863**

Nature and continuance of operations (Note 1)
Commitments (Note 22)
Subsequent events (Note 24)
Contingent liabilities (Note 23)

On behalf of the Board:

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

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Australian Dollars)
FOR THE YEAR ENDED MARCH 31

	Number of Shares	Contributed Equity	Deficit	Reserves	Total
Balance at April 1, 2011	44,670,630	86,426,323	(17,376,730)	3,500,632	72,550,225
Net loss for the year	-	-	(2,565,966)	-	(2,565,966)
Exercise of options	150,000	164,032	-	-	164,032
Exercise of options – allocation of fair value	-	95,901	-	(95,901)	-
Share issuance cost – non-cash	-	-	-	-	-
Share based payment transactions	-	-	-	290,557	290,557
Balance at March 31, 2012	44,820,630	$ 86,686,256	$ (19,942,696)	$ 3,695,288	$ 70,438,848
Balance at April 1, 2012					
Net loss for the year	-	-	(4,062,124)	-	(4,062,124)
Exercise of options	-	-	-	-	-
Exercise of options – allocation of fair value	-	-	-	-	-
Share issuance cost – non-cash	-	-	-	-	-
Share based payment transactions	-	-	-	50,053	50,053
Balance at March 31, 2013	**44,820,630**	**$ 86,686,256**	**$ (24,004,820)**	**$ 3,745,341**	**$ 66,426,777**

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Australian Dollars)
FOR THE YEAR ENDED MARCH 31, 2013

	Notes	Consolidated 2013 $	2012 $
OPERATING ACTIVITIES			
Payments to suppliers and employees		**(4,448,655)**	(4,096,955)
Interest received		**843,794**	2,025,228
Interest Paid		**(5,315)**	(12,448)
Transfer from/(to) security deposits		**(69,000)**	(68,503)
Net cash flows used in operating activities	8	**(3,679,176)**	(2,152,678)
INVESTING ACTIVITIES			
Purchases of plant and equipment		**(179,138)**	(984,475)
Proceeds of plant and equipment		**-**	14,500
Exploration and evaluation additions		**(12,010,671)**	(19,194,171)
Net cash flows used in investing activities		**(12,189,809)**	(20,164,146)
FINANCING ACTIVITIES			
Issuance of Common Shares		**-**	164,032
Repayment of capital lease		**(47,550)**	(42,015)
Net cash flows from financing activities		**(47,550)**	122,017
Change in cash and cash equivalents during the year		**(15,916,535)**	(22,194,807)
Cash and cash equivalents, beginning of the year		**26,589,704**	48,784,511
Cash and cash equivalents, end of year	8	**$10,673,169**	$26,589,704

Supplemental disclosure with respect to cash flows (Note 8)

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

Note 1: Nature and Continuance of Operations

The Company 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 projects in Western Australia.

The Company's iron ore projects are owned by the Company's 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 Company also has an inactive subsidiary, Tracker Resources Pty Ltd (see Note 24 (c))

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

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

Note 2: Summary of Significant Accounting Policies

Material financial accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. Refer to Note 20 for details of subsidiaries.

a) Basis of preparation

The consolidated financial statements are audited and have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

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

b) Going concern

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

The Company's continuing operations are dependent upon its ability to raise either additional equity capital, project financing or generate cash flow from operations in the future, which is not assured.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital, financing or generate cash from operations in the future.

The Company's cash and cash equivalent position at reporting date is $10,673,169 and $407,104 as security deposits for environmental bonds and office leases. The Company believes these funds will enable it to meet its obligations and commitments for the foreseeable future.

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

c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements report incorporate the assets, liabilities and results of all subsidiaries controlled by the Company as at March 31, 2013, refer to Note 20 for details on subsidiaries.

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

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

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

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

Business combinations

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

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

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

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

d) Mineral exploration, evaluation and development properties

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

(i) Exploration and evaluation properties

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

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

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

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

(i) Exploration and evaluation properties (cont'd)

Exploration expenditure which no longer satisfies the above policy are impaired and expensed to the statement of loss and comprehensive loss.

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

Government grants received in relation to exploration work were recorded as a recovery of exploration costs when cash is received.

(ii) Development properties

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

Expenditures related to construction are capitalized as mines under construction.

(iii) Mines properties, plant and equipment

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

Upon completion of mine construction, the assets are transferred into properties, plant and equipment or mine properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs.

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

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

e) Property, plant and equipment

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

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

(Expressed in Australian Dollars)

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

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

Depreciation in assets is calculated as follows:

Plant & Equipment	10% to 25% Prime Cost Method 15% to 18.75% Diminishing Value Method
Office Equipment	20% to 100% Prime Cost Method 15% to 40% Diminishing Value Method
Motor Vehicles	22.5% to 25% Diminishing Value Method

The asset's residual values and useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

f) Impairment of non-financial assets

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

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

g) Financial Instruments

(i) Recognition

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

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

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

(ii) Subsequent measurement

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

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

g) Financial Instruments (cont'd)

(ii) Subsequent measurement (cont'd)

Amortised cost is calculated as:

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

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

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

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

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

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

(iv) Loans and receivables

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

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

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

(v) Financial liabilities

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

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

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

g) Financial Instruments (cont'd)

(vi) Fair value estimation

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

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

(vii) Impairment

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

(viii) De-recognition

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

h) Cash and cash equivalents

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

i) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

j) Segment Reporting

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

k) Trade and other payables

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

l) Leases

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

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

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

m) Provisions

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

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the statement of financial position date.

n) Employee benefits

(i) Wages and salaries, annual leave and superannuation

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

(ii) Other long term employee benefits

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

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

n) Employee benefits (cont'd)

(iii) Share based compensation

Share based compensation benefits are provided to employees, directors, officers and consultants via the Company's Employee Share Compensation Plan and Consultant Share Compensation Plan ("Share Compensation Plans"). The Company is authorised to grant options, award equity restricted share units or bonus shares or issue common shares pursuant to the Plans, refer to Note 17.

The fair value of stock options and equity settled share units awarded under the Company's Share Compensation Plans are measured and expensed as share based compensation expense at grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding amount is recorded to reserves.

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

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

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

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

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

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

o) Provision for closure and restoration

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

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

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

o) Provision for closure and restoration (cont'd)

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

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

p) Goods and services tax

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

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

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

q) Income tax

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

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

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

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

(i) Deferred Tax Balances

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

Tax consolidation legislation

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

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

q) Income tax (cont'd)

(ii) Mineral Resource Rent Tax

The Australian Government passed legislation on March 19, 2012 for the Mineral Resource Rent Tax ("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 $75 million per annum at an effective rate to 22.5%. Deductible expenditure will include a starting base allowance on the value of the mine assets relating to the extraction of resources at May 2, 2010 plus certain expenditure on such assets between May 2, 2010 and July 1, 2012, depreciated over the life of the mine. Royalties paid to the State will be creditable for MRRT purposes, and MRRT payments will be deductible for company income tax returns.

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

r) Contributed equity

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

s) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive if their exercise price does not exceed the average market price of ordinary shares during the period. However where their conversion would decrease the loss per share from continuing operations, then this calculation is treated as anti-dilutive.

t) Revenue recognition

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

u) Critical accounting estimates

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

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

u) Critical accounting estimates (cont'd)

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

(i) Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $55,322,316.

(i) Share-based payment transactions

The Group measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument. The fair value of equity-settled transactions is determined using the Black-Scholes options-pricing model as measured on the grant date. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate for market based vesting conditions. During the reporting period the amount of $50,053 has been shown as stock based compensation expenditure in the statement of comprehensive income.

(ii) Deferred tax assets

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

v) Adoption of New and Revised Accounting Standards

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

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

w) Early Adoption of Accounting Standards

The Group has not elected to early adopt any new or revised International Accounting Standards and Interpretations during the year ended March 31, 2013.

x) New Accounting Standards for Application in Future Periods

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

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

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

x) *New Accounting Standards for Application in Future Periods (cont'd)*

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

- IFRS 12: Disclosure of Interests in Other Entities includes all disclosures to relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 introduces new disclosures about the judgments made by management to determine whether control exists, and to summary information on arrangements with non-controlling interests. IFRS 12 is effective from January 1, 2013.

- IFRS 13: Fair Value Measurement establishes a single source of guidance for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards. IFRS 13 also expands the disclosure requirements on the assumptions used to determine fair value. IFRS 13 is effective from January 1, 2013.

Note 3: Financial risk management

Financial risk factors

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

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

a) Credit risk

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

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

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)

a) Credit risk (cont'd)

Exposure to credit risk

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

	Consolidated Carrying Amount 2013 $	Consolidated Carrying Amount 2012 $
CONSOLIDATED		
Financial assets		
Cash and cash equivalents	**10,673,169**	26,589,704
Other receivables	**221,318**	505,610
Security Deposits	**407,104**	338,104
	11,301,591	27,433,418

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

	Consolidated Carrying Amount 2013 $	Consolidated Carrying Amount 2012 $
Australia	**542,445**	806,425
Canada	**-**	-
Less impairment of receivables	**(321,127)**	(300,815)
	221,318	505,610

A provision for impairment of $20,312 was recognised at reporting date for outstanding recoveries and $300,815 was previously recognised for project management fees and services invoiced to First Strategic Development Corporation Ltd (in liquidation) ("FSDC") in August 2010. FSDC was placed in liquidation on November 17, 2010. The Group has entered into a funding agreement with the liquidator of FSDC in relation to recovery of the impaired receivable. Refer to Note 23 for further details.

b) Liquidity risk

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

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

The Group has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop its exploration and evaluation assets. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration or development.

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

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)

b) Liquidity risk (cont'd)

Apart from the initiatives discussed above, the Company is not aware of any trends, commitments or events that may affect its liquidity in the foreseeable future as it progresses to the development stage. The Company has not made any commitments for capital expenditures. See Note 12 for commitments related to maintaining the exploration tenements. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned future expenditure.

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

Exposure to liquidity risk

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

As at March 31, 2013	**Less than 3 months $**	**Between 3 months and 1 year $**	**Between 1 year and 3 years $**
Trade Payables	**735,143**	**-**	**-**
Finance Lease Liabilities	**6,590**	**40,738**	**49,564**
As at March 31, 2012			
Trade Payables	1,841,549	-	-
Finance Lease Liabilities	12,187	95,994	36,262

c) Interest rate risk

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

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

	Consolidated Carrying Amount 2013 $	**Consolidated Carrying Amount 2012 $**
Interest-bearing financial instruments		
Financial assets	**11,003,556**	26,756,928

Note 3: Financial risk management objectives and policies (cont'd)

c) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates on the above interest-bearing financial instruments at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		**Equity**	
	100bp increase $	**100bp decrease $**	**100bp increase $**	**100bp decrease $**
March 31, 2013				
Interest-bearing financial instruments	**110,036**	**(110,036)**	**110,036**	**(110,036)**
March 31, 2012				
Interest-bearing financial instruments	267,569	(267,569)	267,569	(267,569)

d) Foreign currency risk

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

Exposure to currency risk

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

	AUD $	**CAD $**	**AUD $**	**CAD $**
	2013		**2012**	
Cash and cash equivalents	**10,596,568**	**76,601**	26,516,510	73,194
Receivables	**221,318**	**-**	505,610	-
Security Deposits	**407,104**	**-**	338,104	-
	11,224,990	**76,601**	27,360,224	73,194
Trade and other payables	**971,871**	**20,016**	2,243,759	66,853
Employee Benefits	**173,391**	**-**	80,961	-
Lease liability	**96,892**	**-**	144,442	-
	1,242,154	**20,016**	2,469,162	66,853
Net exposure	**9,982,836**	**56,585**	24,891,062	6,341

The following significant exchange rates applied during the year:

	Average Rate		**Reporting Date Spot Rate**	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Canadian dollar (CAD$)	**0.9682**	0.9640	**0.9438**	0.9654

(Expressed in Australian Dollars)

Note 3: Financial risk management objectives and policies (cont'd)

d) Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Australian dollar against the Canadian dollar at March 31, 2013 on the above net exposure to Canadian cash and trade payables would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
	Equity	**Profit or loss**
	$	**$**
March 31, 2013		
CAD$	**(5,340)**	**5,340**
March 31, 2012		
CAD$	(612)	612

A 10% weakening of the Australian dollar against the Canadian dollar at March 31, 2013 would have had the equal but opposite effect on the Canadian dollars above to the amounts shown above, on the basis that all other variables remain constant.

e) Commodity price risk

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

As the Group has not yet reached the mining stage, its exposure to price risk has no impact on the financial statements.

Note 4: Capital Management

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

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

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

There were no changes in the Company's approach to capital management during the year ended March 31, 2013. The Company is not subject to externally imposed capital requirements.

(Expressed in Australian Dollars)

Note 5: Revenue and expenses

		Consolidated 2013 $	2012 $
a)	***Depreciation, amortisation and foreign exchange differences included in income statement***		
	Depreciation and amortisation	**280,949**	205,132
b)	***Employee benefits expense***		
	Personnel costs	**1,949,194**	1,732,993
	Share based compensation	**50,053**	290,557
c)	***Professional fees include legal costs for the following matters:***		
	- LPD	**421,080**	193,654
	- FSDC	**395,267**	272,615
	- Malmac	**-**	58,253
d)	***Finance Revenue***		
	Bank interest income	**939,410**	2,195,673

For details on the LPD Holdings (Aust) Pty Ltd ("LPD") and FSDC matters refer to Note 23.

Note 6: Income tax

		Consolidated 2013 $	2012 $
a)	***Income tax equivalent expense***		
	Current tax expense	-	-
	Deferred tax expense	-	-
	Income tax expense (credit) attributable to profit (loss) from continuing operations	-	-
b)	***Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable***		
	(loss) before income tax expense	(4,062,124)	(2,565,966)
	Tax at Australian tax rate of 30%	(1,218,637)	(769,790)
	Adjustment for items not deductible in calculating taxable income:		
	Share based payments	15,016	87,167
	Impairment expenses	6,094	-
	Other	6,408	-
	Write off deferred tax amount	-	-
	Income not assessable in current year	-	-
		(1,191,119)	(682,683)
	Income tax losses and temporary differences not carried forward as deferred tax assets	1,191,119	682,683
	Income tax expense (credit) attributable to profit (loss)	-	-

(Expressed in Australian Dollars)

Note 6: Income tax (cont'd)

c) Tax consolidation

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

d) Tax losses

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

	Tax losses from operations	Tax losses on capital raising expenses	Total
	$	$	$
2013			
Tax losses	58,394,386	5,079,868	63,474,254
Potential benefit	17,518,315	1,523,960	19,042,275
2012			
Tax losses	43,802,826	5,079,868	48,882,694
Potential benefit	13,140,847	1,523,960	14,664,807

Note 7: Earnings per share

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

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

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

	Consolidated	
	2013	2012
	$	$
Net loss for the year	(4,062,124)	(2,565,966)
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	44,820,630	44,748,499
Weighted average number of ordinary shares for diluted earnings per share	44,820,630	44,748,499

The Company's outstanding options and warrants that did not have a dilutive effect at March 31, 2013 were 845,000 options and 589,150 warrants. The exercise price of these options and warrants exceeded the average market price of ordinary shares during the year of CAD$0.46. There were no options or warrants that had a dilutive effect as at March 31, 2013.

(Expressed in Australian Dollars)

Note 8: Cash and cash equivalents

	Consolidated 2013 $	2012 $
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	**1,815,182**	2,533,255
Short term deposits earn interest at negotiated fixed rates	**8,857,987**	24,056,449
	10,673,169	26,589,704

The fair value of cash and cash equivalents is $10,673,169 (2012: $26,589,704)

	Consolidated 2013 $	2012 $
Reconciliation of net loss after income tax to the net cash flows from operations		
Net Loss	**(4,062,124)**	(2,565,966)
Adjustments for:		
Asset write-off expense	**642**	16,030
Depreciation and amortisation	**280,949**	205,132
Impairment expense	**20,312**	-
Share based payments	**50,053**	290,557
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	**229,158**	(8,720)
(Increase)/Decrease in other operating assets	**(62,557)**	(131,695)
Increase/(Decrease) in payables	**(135,609)**	41,984
Non-Operating Profit/Loss items		
Net cash from operating activities	**(3,679,176)**	(2,152,678)

Supplemental disclosure with respect to cash flows

	Consolidated 2013 $	2012 $
Cash paid during the year for interest	5,315	12,488
Cash paid during the year for income taxes	-	-

During the year ended March 31, 2013, the Company entered into the following non-cash transactions:

a) Recorded $468,216 in exploration expenditures through accounts payable.
b) Recorded $8,028 in plant and equipment through accounts payable.
c) Recorded $79,288 in receivables as a recovery of exploration expenditures.

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

a) Recorded $1,553,228 in exploration expenditures through accounts payable.
b) Recorded $13,708 in plant and equipment through accounts payable.
c) Re-allocated $95,901 from reserves to contributed equity upon exercise of 150,000 options.

(Expressed in Australian Dollars)

Note 9: Other Receivables

	Consolidated 2013 $	2012 $
Other receivables	**542,445**	806,425
Less: Impairment	**(321,127)**	(300,815)
	221,318	505,610

A provision for impairment of $321,127 was recognised and relates to outstanding cost recoveries of $20,312 at reporting date and $300,815 for project management fees and services invoiced to FSDC in August 2010. FSDC was placed in liquidation on November 17, 2010. The Group has entered into a funding agreement with the liquidator of FSDC in relation to recovery of the impaired receivable. Refer to Note 23 for further details.

Note 10: Other Assets

	Consolidated 2013 $	2012 $
Prepayments	**72,252**	78,695
Security deposits (i)	**407,104**	338,104
	479,356	416,799

(i) Security deposits of $407,104 (2012: $338,104) are comprised of guarantees in place for the Department of Mines and Petroleum of $227,000 (2012: $158,00) for exploration and mining leases for compliance with environmental conditions, and security deposits of $180,104 (2012: $180,104) for office leasing arrangements.

Note 11: Property, plant and equipment

	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended March 31, 2012				
Opening net book value	100,737	195,045	42,508	**338,290**
Additions	527,082	303,055	168,040	**998,177**
Disposals	-	(23,597)	(6,826)	**(30,423)**
Depreciation charge	(54,728)	(98,475)	(51,926)	**(205,129)**
Closing net book amount	573,091	376,028	151,796	**1,100,915**
At March 31, 2012				
Cost or fair value	670,671	510,637	229,095	**1,410,403**
Accumulated depreciation	(97,580)	(134,609)	(77,299)	**(309,488)**
Net book amount	573,091	376,028	151,796	**1,100,915**
Year ended March 31, 2013				
Opening net book value	573,091	376,028	151,796	**1,100,915**
Additions	84,073	-	88,908	**172,981**
Disposals	-	-	(159)	**(159)**
Depreciation charge	(76,533)	(107,907)	(96,509)	**(280,949)**
Transfer	(56,682)	-	56,682	**-**
Closing net book amount	523,949	268,121	200,718	**992,788**
At March 31, 2013				
Cost or fair value	686,153	510,637	378,368	**1,575,158**
Accumulated depreciation	(162,204)	(242,516)	(177,650)	**(582,370)**
Net book amount	523,949	268,121	200,718	**992,788**

(Expressed in Australian Dollars)

Note 12: Exploration and Evaluation Assets

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

Exploration and evaluation expenditure

	Acquisition Costs	Deferred Exploration Costs	Total
	$	$	$
Balance as at April 1, 2011	3,523,886	21,047,140	24,571,026
Accommodation and camp maintenance	-	547,921	574,921
Drilling	-	8,552,010	8,552,010
E30/317 acquisition cost	100,000	-	100,000
Environmental surveys	-	1,235,936	1,235,936
Other	-	329,902	329,902
Personnel and Contractors	-	2,976,718	2,976,718
Rent and rates	-	344,949	344,949
Research and reports	-	1,934,217	1,934,217
Sampling and testing	-	3,028,657	3,028,657
Site preparation and earthwork	-	223,322	223,322
Tenement management and outlays	-	36,657	36,657
Travel	-	342,784	342,784
Vehicle hire	-	110,736	110,736
	100,000	**19,690,809**	**19,790,809**
Balance as at March 31, 2012	**3,623,886**	**40,737,949**	**44,361,835**
Incurred during the year			
Accommodation and camp maintenance	-	540,974	540,974
Drilling	-	1,743,460	1,743,460
E30/317 acquisition cost	200,000	-	200,000
Environmental surveys	-	218,880	218,880
Other	-	484,186	484,186
Personnel and Contractors	-	3,185,796	3,185,796
Rent and rates	-	582,494	582,494
Research and reports	-	2,956,311	2,956,311
Sampling and testing	-	477,172	477,172
Site preparation and earthwork	-	165,951	165,951
Tenement management and outlays	-	26,361	26,361
Travel	-	275,169	275,169
Vehicle hire	-	103,727	103,727
	200,000	**10,760,481**	**10,960,481**
Balance as at March 31, 2013	**3,823,886**	**51,498,430**	**55,322,316**

(Expressed in Australian Dollars)

Note 12: Exploration and Evaluation Assets (cont'd)

Exploration and evaluation expenditure (cont'd)

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

A further option fee of $200,000 was paid in respect of an option agreement held in respect of tenement E30/317, refer to Note 22 for further details.

Commitments

In order to maintain its current rights of tenure for exploration and/or mining activities, the Company is required to perform minimum annual expenditure requirements specified by the Western Australian Government and pay local shire rents and rates. The expenditure obligations are subject to renegotiation when an application for a mining lease and/or renewal of exploration permits are made or at other times and are subject to whether the Company decides to continue a tenement's rights until its expiry. Due to the nature of the Company's activities, it is difficult to accurately forecast the amount of future expenditure that will be necessary to incur in order to maintain present interests.

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

	Consolidated	
	2013	**2012**
	$	**$**
Not later than one year	**2,847,422**	2,885,215
Later than one year but not later than five years	**12,424,242**	10,533,302
	15,271,664	13,418,517

For the Financial Year ending March 31, 2014, the Company intends to apply for exemptions against expenditure in relation to those tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption will be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted (which the Company believes is highly unlikely), the Company may have to impair/expense the value of the amount capitalised to exploration and evaluation assets for those tenements. The Company will also be seeking to reduce expenditure, rates and rents requirements by selective relinquishment of some exploration tenements, that are not considered essential.

Following exemptions and relinquishment of some tenement, as outlined above, the obligations not provided for in the financial statements and are payable at future dates as follows:

	Consolidated	
	2013	**2012**
	$	**$**
Not later than one year	**983,284**	2,885,215
Later than one year but not later than five years	**2,218,507**	10,533,302
	3,201,791	13,418,517

Note 13: Trade and other payables

	Consolidated	
	2013	**2012**
	$	**$**
Trade creditors	**735,143**	1,841,549
Other creditors and accruals	**256,744**	469,063
	991,887	2,310,612

(Expressed in Australian Dollars)

Note 14: Employee Benefits

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

	Consolidated	
	2013 **$**	**2012** **$**
Current		
- Short term employee obligations	**170,838**	80,033
Non-current:		
- Long service leave entitlements	**2,553**	928
	173,391	80,961

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled before March 31, 2014. These obligations arise from accrued annual leave and superannuation entitlements at the reporting date.

Note 15: Financial Lease Obligations

	Note	Consolidated	
		2013 **$**	**2012** **$**
Financial lease on vehicles			
Current liability net amount owing		**47,328**	108,180
Non-current liability net amount owing		**49,564**	36,262
Present value of minimum lease payments	22(b)	**96,892**	144,442

The Group entered into two finance lease contracts for the purchase of 4 vehicles with completion dates of February 2016 (extended from February 2013) and November, 2013. The vehicles are recorded at cost and classified as a depreciable asset. The present value of the lease payments due including their residual payout is $96,892 (2012: $144,442). Title of the vehicles will transfer to the Company upon payment of $53,896.

Note 16: Contributed equity and reserves

a) Ordinary Shares

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

	Consolidated	
	2013 **$**	**2012** **$**
Ordinary shares		
Issued and fully paid	**86,686,256**	86,686,256
	Number	**Number**
Number of shares on issue	**44,820,630**	44,820,630

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

(Expressed in Australian Dollars)

Note 16: Contributed equity and reserves (cont'd)

b) Reserves

	Consolidated	
	2013	**2012**
Share Based Payments Reserve	**$**	**$**
As at April 1	3,695,288	3,500,632
Exercise of options – allocation of fair value	-	(95,901)
Cost of share based payment transactions	50,053	290,557
As at March 31	**3,745,341**	**3,695,288**

c) Nature and purpose of reserves

Share-based payment reserve

The Company has issued stock options to subscribe for Macarthur Minerals Limited shares to certain directors, officers, employees, consultants and underwriters on specified terms. The cost of these stock options is measured by reference to their fair value at the date at which they are granted and expensed over the vesting period. The fair value is determined using the Black-Scholes method.

Note 17: Share Compensation Plans

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

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

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

The fair value of all options issued is measured and expensed as share-based compensation at grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves, see Note 19. For further detail on the accounting treatment of share options refer to Note 2 accounting policies.

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

Note 18: Options and Warrants

a) Options

During the year ended 31 March 2013

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

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

   The options have a term of three years from the grant date however, in the event of early termination or expiry of the consulting contract, all unvested Options will immediately be cancelled and all vested options must be exercised within 30 days after the date of termination or expiry.

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

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

During the year ended March 31, 2012

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

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

(iii) On March 28, 2012, the Company granted 300,000 incentive options under the Stock Option Plan to Investor Cubed as part of their consulting contract to provide investor relations and shareholder communications and services. The Investor Cubed contract expired on October 25, 2012 and the options issued under the contract expired 30 days later.

(Expressed in Australian Dollars)

Note 18: Options and Warrants (cont'd)

a) Options (cont'd)

Share Compensation Plans

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

	Year ended March 31, 2013		Year ended March 31, 2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**3,665,000**	**$ 2.15 (CAD $2.23)**	[1] 2,995,000	$ 1.79 (CAD $1.79)
Granted	**100,000**	**$0.71 (CAD $0.75)**	1,890,000	$ 2.73 (CAD $2.83)
Exercised	**-**	**-**	(150,000)	$ 1.06 (CAD $1.10)
Forfeited	**(1,770,000)**	**$ 2.71 (CAD $2.88)**	(850,000)	$ 2.14 (CAD $2.22)
Expired	**(1,150,000)**	**$ 1.01 (CAD $1.07)**	(220,000)	$ 1.54 (CAD $1.60)
Outstanding, end of period	**845,000**	**$ 2.12 (CAD $2.25)**	3,665,000	$ 2.15 (CAD $2.23)
Options exercisable, end of period [2]	**778,300**	**$ 2.24 (CAD $2.38)**	3,315,000	$ 2.12 (CAD $2.19)

[1] Excludes 834,000 agent's options which are shown in a separate table below.
[2] Excludes unvested options.

Share options under the Company's Share Compensation Plans outstanding at March 31, 2013 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
75,000	$1.88 (CAD$2.00)	3 May, 2013
275,000	$3.38 (CAD$3.60)	9 June, 2014
100,000	$0.94 (CAD$1.00)	31 July, 2014
295,000	$1.88 (CAD$2.00)	22 December, 2014
[1] 33,300	$0.61 (CAD$0.65)	22 January, 2016
[1] 33,300	$0.71 (CAD$0.75)	22 January, 2016
[1] 33,400	$0.80 (CAD$0.85)	22 January, 2016

[1] Options issued will vest bi-monthly

The range of exercise prices for options outstanding at March 31, 2013 is CAD$0.65 to CAD$3.60.

The weighted average remaining contractual life for the share options as at March 31, 2013 is 1.49 years.

(Expressed in Australian Dollars)

Note 18: Options and Warrants (cont'd)

b) Agents' Options

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

	Year ended March 31, 2013		Year ended March 31, 2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**834,000**	**$ 3.48 (CAD $3.60)**	834,000	$ 3.48 (CAD $3.60)
Granted	**-**	-	-	-
Exercised	**-**	-	-	-
Forfeited	**-**	-	-	-
Expired	**(834,00)**	**$ 3.38 (CAD $3.60)**	-	-
Outstanding, end of period	**-**	**-**	834,000	$ 3.49 (CAD $3.60)
Options exercisable, end of period	**-**	**-**	834,000	$ 3.48 (CAD $3.60)

There were no outstanding agents' options as at March 31, 2013.

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

c) Warrants

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

	Year ended March 31, 2013		Year ended March 31, 2012	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**9,039,150**	**$3.82 (CAD $3.96)**	8,789,150	$3.96 (CAD $3.97)
Granted	**-**	**-**	250,000	$3.48 (CAD $3.60)
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-** -	-	-
Expired	**(8,450,000)**	**$3.81 (CAD $4.06)**	-	-
Outstanding, end of period	**589,150**	**$2.41 (CAD $2.56)**	9,039,150	$3.82 (CAD $3.96)

(Expressed in Australian Dollars)

Note 18: Options and Warrants (cont'd)

c) Warrants (cont'd)

Warrants outstanding at March 31, 2013 are as follows:

Number of Warrants	Exercise Price	Expiry Date
339,150[1]	$1.69 (CAD$1.80)	April 28, 2013
250,000	$3.38 (CAD$3.60)	February 23, 2014

[1] 339,150 warrants expired unexercised subsequent to year end (Note 24)

During the year ended March 31, 2013

There were no warrants granted by the Company during the year.

During the year ended March 31, 2012

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

Note 19: Share Based Compensation

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

The fair value calculated for options issued is expensed over their vesting period as share based compensation in the statement of comprehensive loss and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. The weighted average fair value of options granted during the year was $0.26 (March 2012 - $0.17). Refer to Note 18 for details of options granted during the year.

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

	Year ended March 31, 2013	Year ended March 31, 2012
	Weighted average	*Weighted average*
Share price	**CAD $0.50**	CAD $2.19
Exercise price	**CAD $0.75**	CAD $3.17
Risk-free interest rate	**1.17%**	1.36%
Expected life of options	**2.8 years**	1.3 years
Annualized volatility	**96.81%**	46.21%
Dividend rate	**0%**	0%
Forfeitures	**-**	-

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

(Expressed in Australian Dollars)

Note 20: Related Party Transactions

a) Related party disclosure

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

Name	Country of Incorporation	% Equity Interest 2013	2012
Macarthur Midway Pty Ltd (formerly Hatches Nominees Pty Ltd)	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	100
Tracker Resources Pty Ltd	Australia	100	100

There were no transactions between the Company and related parties in the wholly owned Group during the year other than remuneration for key management personnel details of which are contained in Note 21.

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

Note 21: Key Management Personnel

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

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

Executive Director
J Starink

Non-Executive Directors
S Hickey
J Toigo
J Wall (appointed on June 15, 2012)
R Patricio (appointed on September 17, 2012)

Other key management personnel

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

Other company executives

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

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)

Details of Remuneration

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

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

[1] J Starink was paid $239,025 for consulting services to the Company under a consultancy agreement, commencing September 1, 2012.
[2] J Wall was appointed as a non-executive director on June 15, 2012
[3] R Patricio was appointed as a non-executive director on September 15, 2012

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

Total remuneration of each key management personnel of the Company for the year ended March 31, 2012 is set out below.

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

[1] J Starink, appointed on June 23, 2011
[2] P Ziegler (Alternate for A S Phillips), resigned on May 4, 2011
[3] J Starink was paid $21,000 for consulting services to the Company under a consultancy agreement, commencing March 6, 2012.

Remuneration accrued and payable to key management personnel as at March 31, 2012 was $121,625.

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)

Cash Based Restricted Share Unit Plan

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

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

Executives	**Number of Non-performance Based Cash RSUs**		
	Granted	**Vested**	**Balance**
A S Phillips	66,667 [1]	-	66,667
D Taplin	-	-	-
A J Phillips	88,889 [1]	-	88,889
Total	155,556	-	155,556

[1] One cash RSU vests on the exercise of every 2.25 options that were issued previously with an exercise price of C$3.60, a vesting price of C$4.25, expiring March 31, 2014.

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

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of AASB 124. Where transactions are entered into the terms and conditions are no more favourable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

Details of these transactions during the year are set out below:

(a) $Nil (2012: $29,700) was paid or accrued to Strategic Capital Services Pty Ltd ("Strategic Capital") for rent for offices sub-let to the Company in Brisbane up until June 2011. A J Phillips is a director of Strategic Capital and as a result has significant influence over Strategic Capital.

(b) $Nil (2012: $16,690) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.

(c) $Nil (2012: $13,200) was received or receivable from Phillips Exploration Pty Ltd, an entity of which A J Phillips, COO, is a director and J Phillips, wife of A S Phillips, Chairman, President and CEO, is a director, that result in them having significant influence over Phillips Exploration Pty Ltd for the purposes of IAS 24, for the sale of 2 motor vehicles which were independently valued and approved by the Board. A S Phillips did not vote.

(d) $Nil (2012: $27,500) was assigned by the Company to Phillips Exploration Pty Ltd for equipment and furniture. A S Phillips did not vote.

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)

Other transactions with key management personnel (cont'd)

Aggregate amounts of each of the above transactions are below.

	Consolidated	
	2013	**2012**
Amounts paid or accrued	**$**	**$**
Consulting work	-	16,690
Sale of two motor vehicles	-	(13,200)
Purchase of office equipment and furniture	-	27,500
Reimbursement of office rent	-	29,700
	-	60,690

Note 22: Commitments

	Consolidated	
	2013	**2012**
	$	**$**
(a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	**318,091**	303,252
Later than one year but not later than five years	**386,078**	190,645
Non-cancellable operating lease	**704,169**	493,897

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

	Note	Consolidated	
		2013	**2012**
		$	**$**
(b) Finance Lease commitments			
Commitments in relation to leases contracted for at the reported date and recognised as liabilities are:			
Not later than one year		**51,854**	111,182
Later than one year but not later than five years		**57,074**	36,598
Later than five years		**-**	-
Minimum Lease payments		**108,928**	147,780
Less future finance payments		**(12,036)**	(3,338)
Present value of minimum lease payments	15	**96,892**	144,442

Finance lease agreements have been entered into by the Company for the purchase of four vehicles used for exploration purposes. The completion date of the two leases are February 2016 (extended from February 2013) and November 30, 2013. Minimum lease payments are $2,588 per month and residual pay out at the completion of the leases is $53,896. Total unexpired interest is $12,036.

Exploration Expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 12.

Note 22: Commitments (cont'd)

(c) Option Agreement E30/317

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km^2. The 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.

Note 23: Contingent Liabilities

a) First Strategic Development Corporation Ltd (in liquidation)

The Company is a creditor of FSDC and lodged a Proof of Debt with FSDC's liquidator for approximately $460,000. The Company and another creditor have entered into a Funding Agreement with the liquidator of FSDC, to fund the costs and expenses of proceedings against former directors of FSDC (Messrs Sing Chuk Charles Chan, Wai Lap Victor Chan and Wai Tak Kwok) for compensation and/or damages for insolvent trading and breach of directors' duties owed to FSDC (the "FSDC Proceedings"). On August 23, 2012, the Supreme Court of Queensland approved the Funding Agreement and also ordered that the costs of the liquidator, the Company and the other creditor be costs in the winding up.

Under the terms of the Funding Agreement, the Company and the other creditor agreed to equally share the costs and expenses of the FSDC Proceedings up to $80,000 (plus GST). This amount has subsequently been met and the Company is now solely responsible for the costs and expenses of the FSDC Proceedings. Macarthur may terminate the Funding Agreement at any time. The Company has provided an indemnity to the liquidator of FSDC in respect of any adverse costs order against the liquidator.

On May 7, 2013, the Court granted leave to amend the liquidator's claim by adding a new cause of action against Mr Charles Chan for money owing to FSDC. At the same time, the proceedings were set down for a 7 day trial commencing October 17, 2013.

Lawyers for the liquidator estimate that, based on the current status of the claim, the future costs and expenses of the FSDC Proceedings (including the liquidator's fees) up to the commencement of the trial will be between approximately $98,700 to $155,100.

b) Supreme Court Proceedings

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. The Company's lawyers expect that the costs payable by LPD and Mayson to the Company and the Respondent Officers on the indemnity basis will be well in excess of $500,000.

Note 23: Contingent Liabilities (cont'd)

b) Supreme Court Proceedings (cont'd)

LPD and Mayson have obtained leave to appeal against the indemnity costs order against them and the hearing of their appeal has been set down for July 29, 2013. The Company's legal costs of the appeal from April 1, 2013 are estimated to be between $85,000 and $110,000 (inclusive of Counsel's fees and excluding GST). The Company is of the view that the indemnity costs order was correct and that the appeal should be dismissed with costs. Depending on the outcome of the appeal, the Company will seek to recover from LPD and Mayson the Company's costs of the July Proceedings on the indemnity basis and the costs of the appeal on the standard basis. If the appeal is successful, the Company may be liable to LPD and Mayson for the costs of the appeal but would still expect to be entitled to its costs of the July Proceedings on the standard (not indemnity) basis.

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.

Legal costs of the New Proceedings from April 1, 2013 up to and including the filing of the Company's Defence are estimated to be between $100,000 and $155,000 (inclusive of Counsel's fees and excluding GST). If the New Proceedings continue to a full trial of the substantial issues, then the legal costs of the New Proceedings after the filing of the Company's Defence are estimated to be between $400,000 to $600,000 (inclusive of Counsels' fees and excluding GST).

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

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.

Note 24: Subsequent Events

a) Options exercised/expired

Since March 31, 2013 and up to the date of this report no options were exercised.

Since March 31, 2013 and up to the date of this report 125,000 options expired on May 3, 2013.

b) Warrants exercised/expired

Since March 31, 2013 and up to the date of this report, no warrants were exercised.

Since March 31, 2013 and up to the date of this report 339,150 warrants expired on 28 April, 2013.

c) 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. It is expected that this approval will be made in approximately 2 months.

d) Hatches Nominees Pty Ltd

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

e) 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.