Management's Discussion and Analysis
For the Quarter ended December 31, 2012

Information as of February 14, 2013 unless otherwise stated

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur" or the "Company") for the nine month period ended December 31, 2012 is in accordance with National Instrument 51-102, as of February 14, 2012 (unless otherwise stated).

This MD&A should be read in conjunction with the Company's March 31, 2012 annual audited financial statements and notes thereto, and the Annual Information Form, as well as the Company's previous quarterly financial and MD&A reports. The Condensed Interim Consolidated Financial Statements for the nine months ended December 31, 2012 are prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward-Looking Information

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

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

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

Overall Performance

Background

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

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

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

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

The Macarthur Iron Ore Projects are located on exploration and mining tenements covering 1,189 km^2 located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements at least 85 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

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

Report on Operations

Ularring Hematite Project

a) Exploration Activities

i. Exploration Activities during the quarter

The Company completed its latest round of exploratory and resource infill reverse circulation ("RC") drilling early in the December quarter. This program commenced in August 2012 and consisted of 257 shallow RC holes for 10,686 meters ("m"). All the holes were drilled in the Central and Banjo project areas to extend known areas of hematite/goethite mineralization that are presently excluded from the mineral resource model, and include several newly mapped areas of hematite/goethite mineralization called Yabu and Bent Snake.

A further ten vertical RC holes for 401 m were then drilled within the defined mineral resource to provide RC twins for a planned program of shallow diamond drilling. The diamond holes are required for the purpose of providing a bulk sample for additional metallurgical testing, including sinter pot testing.

For the quarter ended December 31 2012, 33 RC holes were drilled for a total of 1,349 m, taking the total for the calendar year to 557 holes for 30,498 m.

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

Based on the positive results of the metallurgical test work the Company announced a substantial increase in the hematite/goethite Mineral Resource inventory at its Ularring Hematite Project (News Release June 14, 2012).

Overall Performance (cont'd)

Independent mining consultancy group CSA Global Pty Ltd ("CSA") was commissioned by Macarthur to generate a new NI43-101 Mineral Resource estimate for the Ularring Hematite Project, presently comprised of five separate deposits being Snark, Drabble Downs, Central, Banjo (previously called Banjo-Lost World) and Moonshine.

The previous Mineral Resource estimate was based upon a nominal 50% Fe cut-off grade. As a consequence of the positive metallurgical test work (News Release June 1, 2012) which demonstrated that the lower grade mineralization in the Ularring Hematite Project is amenable to beneficiation, the Company and CSA utilized a geological model which encapsulates the Ularring Hematite Project's BIF strata. The new Mineral Resource estimate was constrained by the BIF envelope and was reported from all blocks above a 40% Fe cut-off grade. It incorporates all of the drill results prior to the last round of drilling described above. The exception to this is the Moonshine deposit's Mineral Resource, which was not remodeled and was previously estimated using a 50% Fe envelope which is reported for blocks > 50% Fe. This is discussed in the Technical Report filed March 9, 2012.

Table 1 - Ularring Hematite Project Mineral Resource at June 2012

Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	LOI %	S %
Indicated	54.46	47.2	0.06	16.9	6.5	7.9	0.16
Inferred	25.99	45.4	0.06	20.6	6.0	7.2	0.09

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

Table 2 - June 2012 Ularring Hematite Project Mineral Resource by Deposit

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes Mt	Fe %	P %	SiO_2 %	Al_2O_3 %	LOI %	S %
Snark	40	Indicated	21.83	47.2	0.07	17.5	6.1	7.7	0.15
	40	Inferred	10.96	45.2	0.07	21.8	5.1	6.8	0.09
Drabble Downs	40	Indicated	11.07	47.2	0.06	16.6	6.4	8.3	0.26
	40	Inferred	0.36	43.6	0.05	24.0	4.8	7.8	0.09
Central	40	Indicated	15.09	47.0	0.05	16.2	7.2	8.1	0.12
	40	Inferred	10.19	45.3	0.06	20.3	6.3	7.5	0.08
Banjo	40	Indicated	6.47	47.8	0.06	16.7	6.6	7.4	0.14
	40	Inferred	3.88	45.4	0.06	18.7	7.6	7.9	0.09
Moonshine	50	Inferred	0.60	53.0	0.06	13.4	6.7	6.1	0.15

ii. Exploration Activities since the quarter

Diamond drilling to provide bulk samples for further metallurgical testing, including sinter pot testing, commenced in late January. Ten vertical PQ diamond holes will be drilled within the defined mineral resource to provide five tonnes of material.

b) Development Activities

i. Development Activities during the quarter

1) Preliminary Feasibility Study

On August 16, 2012 the Company announced the results of a positive Preliminary Feasibility Study ("PFS") managed by MSP Engineering Pty Ltd ("MSP"), an independent consulting firm, for the Ularring Hematite Project that incorporates the Snark, Drabble Downs, Central and Banjo hematite deposits located within the Company's tenements in the Yilgarn region of Western Australia.

Overall Performance (cont'd)

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

PFS highlights include:

- The technical and financial evaluation in the PFS has concluded that, based on the information currently available, the project is economically viable and robust and that further project development is justified.
- Project pre-tax real Net Present Value ("NPV") of A$456 million at an 8% discount rate, based on a discounted cash flow model with:
    - a project life of 13 years with saleable product of 60% Fe at 2 million tonnes per annum ("Mtpa");
    - total sales of 25.77 million tonnes; and
    - no terminal value added to the NPV, which assumes no extension to the plant and/or mine life.
- The project is potentially highly profitable with a discounted payback (based on NPV) in 3 years.
- Operating costs estimated at A$78/t (rounded).
- Total revenue estimated at A$3.238 billion (rounded).
- First time release of a Probable Mineral Reserve of 42.95 million tonnes ("Mt") @ 47% Fe.
- Total capital cost estimated at A$262.7 million including rehabilitation and sustaining capital expense over life-of-mine ("LoM") of A$52.4 million and indirect capital costs of A$49.1 million.
- Total direct operating costs (including overheads but excluding royalties) are estimated at A$2.014 billion (rounded).
- Total project costs (direct and indirect operating costs, capital spend including contingency of A$27 million, and sustaining capital) are estimated at A$2.438 billion (rounded)[1].

On October 1, 2012, the Company filed a NI43-101 technical report entitled "Technical Report, Macarthur Minerals Limited Pre-Feasibility Study Ularring Hematite Project Western Australia".

2) Appointment of Brookfield Financial Australia Securities Limited

On October 22, 2012 the Company announced it has appointed Brookfield Financial Australia Securities Limited ("Brookfield Financial") as Financial Advisor to advance the development of its iron ore projects in Western Australia. Under the arrangement, Brookfield Financial will perform a range of services to assist Macarthur to achieve the following:

(i) Port of Esperance Access

In addition to participating in the market sounding process as announced previously on July 3, 2012 and August 8, 2012, Macarthur will actively pursue with Brookfield Financial alternative strategies for access to port capacity.

(ii) Capital Raising

Equity and debt capital raising activities for its Ularring Hematite Project and Moonshine Magnetite Project. This includes negotiating with offtake parties to support capital raising activities.

(iii) Strategic Partnership

Secure strategic partners for its Ularring Hematite Project and Moonshine Magnetite Project. Brookfield Financial will assist Macarthur to negotiate construction solutions for rail loading facilities, haulage roads, camp-related and mine infrastructure.

[1] The PFS results are based on existing resource estimates, current iron ore pricing and market conditions and consequently, market fluctuations, varied logistics or production costs or recovery rates may render the results of past and future project studies uneconomic and may ultimately result in a future study being very different.

Overall Performance (cont'd)

ii. Development Activities since the quarter

1) General Development Activities since the quarter

The Company continues to work with Brookfield Financial to advance the development of its iron ore projects.

In addition, the Company is undertaking the following activities:

- Transport and logistics studies for the road and rail components of the Ularring Hematite Project.
- Identification of parties for contracting the following services;
    - mining;
    - process beneficiation;
    - transport and logistics activities; and
    - on-site infrastructure, such as camp and power generation facilities.
- Securing financing for the construction of the Ularring Hematite Project and associated beneficiation, transport and logistics infrastructure.

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

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

EPSL has adopted an approach to procurement which will start with the Registration of Interest and Prequalification ("ROIP") of potential proponents which will be followed by a Request for Proposal phase ("RFP"). EPSL has requested parties to register their interest by 5pm on March 1, 2013.

The purpose of the ROIP is to identify companies and consortia with the experience and financial capability to undertake the project. Following closure of registrations on March 1, 2013 an evaluation panel informed by technical advisers will develop the shortlist from which entities will be invited to participate in the Request for Proposal phase. This is stated to occur by the end of April 2013.

The RFP Phase will enable short listed entities to prepare their bids, along similar lines to a tender process, to finance, design, build and operate the MUIOF at the Port. This Phase will be completed by the third quarter in 2013 after which the preferred proponent will be appointed. Following completion of this process, construction of the MUIOF is planned to commence in early 2014 and be completed by early 2015.

The Company intends to register its interest as a miner in the ROIP. Macarthur also intends to seek to register its interest as one of a number of foundation customers forming part of a larger consortium(s) whose members comprise experienced port developers, operators and project funders to undertake the project.

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

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

Overall Performance (cont'd)

c) Environmental Activities

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

i. Environmental Activities during the quarter

Work in this quarter included the completion of environmental studies that involved habitat assessments of terrestrial fauna, troglofauna and short-range endemic invertebrates; an extension of vegetation mapping; soil characterisation and landform design, and; further investigations of a potential water supply.

Hydrogeological drilling commenced in late September 2012 at Vector Resources' Gwendolyn Gold Project, 50 km west of Macarthur's tenements. A production bore was developed and test-pumping confirmed > 5 L/s could be obtained with little drawdown. An additional assessment by RPS Aquaterra Pty Ltd confirmed that the development of the Gwendolyn Gold Project adjacent to the production bore will require dewatering at a rate of up to 15 L/s. This provides further confidence that a viable water supply may be obtained within 50 km of the project.

Following the formal referral of the Ularring Hematite Project to the Western Australian Environmental Protection Agency ("EPA") on June 1, 2012 under the *Environmental Protection Act 1986* ("EP Act"), the Company received the EPA's Scoping Guideline on October 10, 2012. The Scoping Guideline outlined the environmental impacts that were required to be addressed in an Environmental Review Document. This impact assessment was submitted to the EPA on December 18, 2012 and is currently under assessment.

ii. **Environmental Activities since the quarter**

A Mining Proposal is being developed for approval to mine under the *Mining Act 1978* and is expected to be submitted to the DMP in the first quarter of 2013.

A Project Management Plan is also in development and is expected to be submitted to the Resources Safety division of the DMP in the second quarter of 2013.

<u>Moonshine Magnetite Project</u>

a) Exploration Activities

i. Exploration Activities during the quarter

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

Overall Performance (cont'd)

Moonshine Magnetite Project

Table 3 - Moonshine Magnetite Project Mineral Inferred Resource Estimate as at December 2010 at a 15% Davis Tube Recovery ("DTR") cut-off.

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

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

Samples from all the RC holes were submitted for DTR analysis. All the results have been incorporated in a new geological model for the Moonshine Magnetite Project. A new resource estimate based on this model is in preparation. In addition a resource model for the Cody's Ridge magnetite on E30/317 has been completed and a resource estimate is in preparation.

As reported on January 24, 2012 Macarthur will receive a State Government of Western Australia Exploration Incentive Scheme ("EIS") grant for its Moonshine Magnetite Project in 2012. The EIS is a co-funded government-industry drilling program designed to support drilling activities, which will potentially lead to new discoveries. The grant provides up to A$150,000 funding towards the Company's 2012 magnetite drilling program. Drilling commenced in November 2012 with three holes planned to test high grade magnetite mineralization at Moonshine. Two holes were completed and one was abandoned due to drilling difficulties, for a total of 632.8 m. The holes are presently being logged before sampling can take place. The Company will supply the drill results to the Department of Mines and Petroleum ("DMP") for collation and eventual release to the public record.

i. Exploration Activities since the quarter

New resource models have been completed for all of the magnetite deposits that make up the Moonshine Magnetite Project. These are presently being reviewed and mineral resource estimations are being undertaken.

b) Development Activities

There have been no significant Moonshine Magnetite Project development activities during and since the quarter ended December 31, 2012, although the Company continues to seek a 'farm-in' partner for the development of the Moonshine Magnetite Project.

Overall Performance (cont'd)

Gold and Nickel Exploration

On January 22, 2013 the Company announced that in Q1-Q2 2013 the Company will undertake preliminary evaluation of the nickel and gold potential of the existing Macarthur tenements. Prior to Macarthur's involvement with these tenements there had been two previous periods of limited exploration activity. The area was briefly explored for nickel during the late 1960's nickel boom and was then explored by several companies for gold in the mid 1990's. At these times only very limited shallow drilling was undertaken. Combined with the available historical data, new geological, geophysical and geochemical data obtained during Macarthur's extensive geological investigation of the BIF(2007 – 2013) has continued to indicate there is strong potential for nickel sulphide and gold mineralisation within the extensive ultramafic rock package hosting the BIFs. A preliminary soil sampling program has already commenced and further exploration over the coming year will be undertaken.

Expansion and Acquisition of Tenements

At the end of the December quarter the Company held 42 contiguous exploration and mining tenements covering a total area of approximately 1,160 km^2. These consist of 23 Exploration Licences, 5 Prospecting Licences and 16 Mining Leases. The Company also holds 3 Miscellaneous Licences, covering 41 km^2, for haul roads and other infrastructure, which do not have associated expenditure commitments.

In addition the Company entered into an option agreement on June 16, 2011 to acquire Exploration Licence E30/317, with an area of 29 km^2.

During the December quarter two new tenements were granted to the Company; Mining Lease M30/0251 and Exploration Licence E30/443. M30/0251 covers most of the Central deposit which was previously covered by Exploration Licence E30/321. E30/433 provides continuity between existing tenements E77/1969 and E30/0404. The Company also has a further 3 Exploration Licences, 2 Prospecting Licences and 2 Mining Leases under application.

Corporate Update

a) Update on LPD Legal Proceedings

The Company had been 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 Company and the Respondent Officers sought their costs of the July Proceedings on the indemnity basis and are awaiting the Court's judgment as to costs.

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 ("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.

Corporate Update (cont'd)

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

The Company has filed an application for security for costs from LPD in relation to the New Proceedings. LPD consented to providing security for costs in the July Proceedings.

The Company has complained to LPD about various defects and lack of particulars in LPD's pleadings. The Company will consider filing an application to strike-out parts of LPD's Statement of Claim in the event LPD does not properly address the Company's complaint.

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

b) Issue of Options

On February 1, 2013 the Company granted 100,000 incentive options under the Consultant Share Compensation Plan to Investor Cubed Inc. 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 $0.65 per common share;
b. the second 33,300 options vesting on May 22, 2013, with an exercise price of $0.75 per common share; and
c. the final 33,400 options vesting on July 22, 2013, with an exercise price of $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.

Mineral Properties

As at February 14, 2013, the Company's 100% owned Macarthur Iron Ore Projects consists of:

Tenement Number	Area[1]	Grant Date	Expiry Date	Expenditure	Rent Date	Rent
E30/0240	27 SB	23-Oct-00	22-Oct-13	$ 81,000	22-Oct-13	$ 12,587
E30/0318	26 SB	24-Nov-08	23-Nov-13	$ 39,000	23-Nov-13	$ 6,401
E30/0321	9 SB	08-Aug-07	07-Aug-17	$ 50,000	07-Aug-13	$ 2,216
E30/0322	27 SB	30-Mar-07	29-Mar-17	$ 54,000	29-Mar-13	$ 6,647
E30/0323	5 SB	30-Mar-07	29-Mar-17	$ 30,000	29-Mar-13	$ 1,231
E30/0324	9 SB	30-Mar-07	29-Mar-17	$ 50,000	29-Mar-13	$ 2,216
E30/0349	5 SB	21-Dec-11	20-Dec-16	$ 15,000	20-Dec-13	$ 584
E30/0384	1 SB	16-Feb-10	15-Feb-15	$ 10,000	15-Feb-13	$ 281
E30/0385	2 SB	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-13	$ 363
E30/0386	2 SB	16-Feb-10	15-Feb-15	$ 15,000	15-Feb-13	$ 363
E30/0387	7 SB	16-Feb-10	15-Feb-15	$ 20,000	15-Feb-13	$ 1,270
E30/0392	23 SB	16-Feb-10	15-Feb-15	$ 23,000	15-Feb-13	$ 4,173
E30/0398	3 SB	07-May-10	06-May-15	$ 15,000	06-May-13	$ 544
E30/0399	1 SB	07-May-10	06-May-15	$ 10,000	06-May-13	$ 281
E30/0400	2 SB	07-May-10	06-May-15	$ 15,000	06-May-13	$ 363
E30/0404	8 SB	23-Jun-10	22-Jun-15	$ 20,000	22-Jun-13	$ 1,452
E30/0407	17 SB	07-Sep-10	06-Sep-15	$ 20,000	06-Sep-13	$ 3,085
E30/0408	12 SB	07-Sep-10	06-Sep-15	$ 20,000	06-Sep-13	$ 2,177
E30/0410	7 SB	15-Sep-10	14-Sep-15	$ 20,000	14-Sep-13	$ 1,270
E30/0411	3 SB	19-Aug-10	18-Aug-15	$ 15,000	18-Aug-13	$ 544
E30/0443	10 SB	02-Nov-12	01-Nov-17	$ 20,000	01-Nov-13	$ 1,135
E77/1299	70 SB	02-May-11	01-May-16	$ 70,000	01-May-13	$ 8,169
E77/1969	62 SB	03-Apr-12	02-Apr-17	$ 62,000	02-Apr-13	$ 6,826
L30/0049	628 ha	24-Aug-11	23-Aug-32	$ -	23-Aug-13	$ 8,572
L30/0050	844 ha	24-Aug-11	23-Aug-32	$ -	23-Aug-13	$ 11,521
L30/0051	2683 ha	28-Dec-11	27-Dec-32	$ -	27-Dec-13	$ 36,623
M30/0206	893 ha	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-13	$ 13,752
M30/0207	892 ha	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-13	$ 13,737
M30/0208	892 ha	02-Jul-07	01-Jul-28	$ 89,200	01-Jul-13	$ 13,737
M30/0213	894 ha	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-13	$ 13,768
M30/0214	894 ha	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-13	$ 13,768
M30/0215	894 ha	13-Jun-11	12-Jun-32	$ 89,400	12-Jun-13	$ 13,768
M30/0216	893 ha	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-13	$ 13,752
M30/0217	893 ha	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-13	$ 13,752
M30/0218	893 ha	13-Jun-11	12-Jun-32	$ 89,300	12-Jun-13	$ 13,752
M30/0219	893 ha	02-Jul-07	01-Jul-28	$ 89,300	01-Jul-13	$ 13,752
M30/0227	595 ha	13-Jun-11	12-Jun-32	$ 59,500	12-Jun-13	$ 9,163
M30/0228	593 ha	02-Jul-07	01-Jul-28	$ 59,400	01-Jul-13	$ 9,148
M30/0229	888 ha	02-Jul-07	01-Jul-28	$ 88,900	01-Jul-13	$ 13,691
M30/0248	2825 ha	22-Feb-12	21-Feb-33	$ 282,500	21-Feb-13	$ 43,505
M30/0249	3821 ha	22-Feb-12	21-Feb-33	$ 382,100	21-Feb-13	$ 58,843
M30/0251	2287 ha	27-Nov-12	26-Nov-33	$ 228,700	27-Nov-13	$ 35,220
P30/1070	124 ha	21-Dec-11	20-Dec-15	$ 4,960	20-Dec-13	$ 279
P30/1071	124 ha	21-Dec-11	20-Dec-15	$ 4,960	20-Dec-13	$ 279
P30/1083	115 ha	27-Oct-09	26-Oct-13	$ 3,167	26-Oct-13	$ 162
P30/1085	49 ha	11-Jul-11	10-Jul-15	$ 2,000	10-Jul-13	$ 110
P30/1089	24 ha	25-Oct-11	24-Oct-15	$ 2,000	24-Oct-13	$ 54

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

As at February 14, 2013, the Company held under option:

Tenement Number	Area[1]	Grant Date	Expiry Date	Expenditure	Rent Date	Rent
E30/0317	10 SB	01-Sep-06	31-Aug-13	$ 50,000	31-Aug-13	$ 4,662

Results of Operations and Financial Condition

(All amounts in Australian dollars)

The following financial information should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the nine month period ending December 31, 2012 which are prepared in accordance with IFRS.

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

Australian $	Quarter Ended December 31, 2012	Quarter Ended December 31, 2011	9 months to December 31, 2012	9 months to December 31, 2011
Expenses	-	-	-	-
Capitalized expenses	2,193,314	4,633,499	8,482,087	15,985,252

The Company expended $2,193,314 for the quarter ended December 31, 2012 on exploration and evaluation activities compared with $4,633,499 for the corresponding December 2011 quarter. This decrease in expenditure of $2,440,185 reflects the Company's migration from primarily exploration to a focus on development including feasibility studies on the Ularring Hematite Project.

For the nine months ended December 31, 2012 the Company expended $8,482,087 on exploration and evaluation expenditure compared with $15,985,252 for the corresponding nine months ending December 31, 2011, again reflecting the Company's transition to a development focus.

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

Australian $	Quarter Ended December 31, 2012	Quarter Ended December 31, 2011	9 months to December 31, 2012	9 months to December 31, 2011
Administration expenses	1,257,244	1,266,624	3,673,449	3,646,262

Administrative expenses for the quarter ended December 31, 2012 of $1,257,244 were comparable with $1,266,624 for the corresponding December 2011 quarter.

The largest elements of administrative expenses for the December 2012 quarter were professional fees of $483,740 and personnel fees of $476,241.

For the nine months ended December 31, 2012 the Company expended $3,673,449 on administrative expenses which was also comparable to $3,646,262 for the comparative nine months in 2011. The largest components of administrative expenses for the period ending December 31, 2012 were personnel fees of $1,448,595 and professional fees of $1,109,889.

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

Australian $	Quarter Ended December 31, 2012	Quarter Ended December 31, 2011	9 months to December 31, 2012	9 months to December 31, 2011
Interest Income	192,971	492,287	800,717	1,776,886

Results of Operations and Financial Condition (cont'd)

For the quarter ended December 31, 2012 the Company earned interest income of $192,971. Compared to the corresponding December 2011 quarter, interest income decreased by $299,316 due to interest earned on a decreased cash balance.

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

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

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

Australian $	**Quarter Ended December 31, 2012**	**Quarter Ended December 31, 2011**	**9 months to December 31, 2012**	**9 months to December 31, 2011**
Net loss	1,064,273	774,337	2,872,732	1,869,376

For the quarter ended December 31, 2012 the net loss was $1,064,273 and is mainly due to administrative expenses. The loss for the comparative December 2011 quarter was $774,337 which was $289,936 lower. The difference between the two quarters was decreased interest income of $299,316.

For the nine months ended December 31, 2012 the net loss was $2,872,732 compared with the corresponding nine months ended December 31, 2011 of $1,869,376. The increase in net loss of $1,003,356 is mainly attributable to reduced interest income of $976,169. There was an increase in personnel and professional fees of $309,060 and this was offset by a decrease of $474,841 in share registry and listing fees and share based compensation.

Change in Financial Position

Australian $	**9 months to December 31, 2012**	**Year ended March 31, 2012**
Cash and cash equivalents	13,717,157	26,589,704
Exploration and Evaluation Assets	52,843,922	44,361,835
Property, Plant and Equipment	1,022,205	1,100,915
Total Assets	68,898,709	72,974,863
Trade and Other Payables	1,007,447	2,310,612
Total Liabilities	1,289,881	2,536,015
Net Assets	67,608,828	70,438,848
Working Capital	13,744,667	25,013,288

At December 31, 2012 the Company had net assets of $67,608,828 compared to $70,438,848 at March 31, 2012. The decrease is due to outlays in administrative expenses during the year.

The Company's cash balance is $13,717,157 at December 31, 2012 which was a decrease of $12,872,547 from March 31, 2012 balance. Since March 31, 2012 the value of exploration and evaluation assets has increased by $8,482,087 and trade payables decreased by $1,303,165. Refer below for year to date cash flow movement.

Results of Operations and Financial Condition (cont'd)

Property, plant and equipment was $1,022,205 at December 31, 2012 reflecting the depreciated book value of various site and office equipment, including vehicles.

The Company's net working capital at December 31, 2012 is $13,744,667 compared with net working capital of $25,013,288 at March 31, 2012. The decrease in the net working capital results mainly from a decreased cash balance.

Year to Date Cash Flows

Australian $	**9 months to December 31, 2012**	**9 months to December 31, 2011**
Operating Activities	(3,193,345)	(1,676,640)
Investing Activities	(9,641,865)	(16,284,816)
Financing Activities	(37,337)	133,945

Cash outflow from operating activities during the period ending December 31, 2012 was $3,193,345 compared with $1,676,640 for the prior corresponding period. The increased cash outflow was mainly due to reduced interest income and interest receivable.

Cash outflow from investing activities during the period ending December 31, 2012 was $9,641,865 compared with $16,284,816 in the prior period. The outflow in both comparative periods related primarily to exploration and feasibility study activities. The reduction in cash outflow relates to the Company transitioning from exploration to feasibility and development activities.

Cash outflow from financing activities during the period was $37,337 compared with cash inflow of $133,945 for the prior period. Both periods include finance lease payments and the comparative 2011 year included options exercised of $164,032.

Summary of Quarterly Information

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with December 31, 2012.

	Mar 31 2011 $	Jun 30 2011 $	Sept 30 2011 $	Dec 31 2011 $	Mar 31 2012 $	Jun 30 2012 $	Sept 30 2012 $	Dec 31 2012 $
Interest Income	265,701	658,309	626,290	492,287	418,787	350,711	257,035	192,971
Net profit/(loss)	(883,639)	(790,587)	(304,452)	(774,337)	(696,590)	(662,542)	(1,145,917)	(1,064,273)
Net profit/(loss) per share	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.03)	(0.02)

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

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

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

Summary of Quarterly Information (cont'd)

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

Liquidity and Capital Resources

At December 31, 2012, the Company has net working capital of $13,744,667.

The Company did not issue any shares, options or other equity instruments during the nine month period to December 31, 2012. The Company's only external borrowings consist of a financial lease arrangement for motor vehicles, which at the reporting date totaled $107,105.

Over the next 3 months the Company anticipates that cash expenditure requirements will decrease due to a reduction in the Company's drilling program and transition towards the development stage.

Related Party Transactions

Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions between the Company and related parties in the wholly owned Group during the period ended December 31, 2012 other than remuneration for key management personnel, details are disclosed below. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that an entity would have adopted if dealing on an arm's length basis.

Key Management Personnel

The following persons were key management personnel of the Company during the period ending December 31, 2012.

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

Executive Director
J Starink

Independent Directors
S Hickey
J Toigo
J Wall
R Patricio

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

Other company executives

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

Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 10 of the Condensed Interim Consolidated Financial Statements for the period ended December 31, 2012.

Related Party Transactions (cont'd)

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of IAS 24. Where transactions are entered into with those entities the terms and conditions are no more favorable than those that it is reasonable to expect the entity would have adopted if dealing on an arm's length basis.

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

a) At December 31, 2012 $Nil (December 2011: $1,311) was paid or accrued to ClarkeKann Lawyers a firm of which John Toigo, a director, is a partner, for legal fees.

b) At December 31, 2012 $Nil (December 2011: $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.

Commitments

Lease agreements

At December 31, 2012 the Company had the following commitments:

	Vehicle leases $	Building leases $	Total $
Within one year	107,105	197,776	304,881
Later than one year but no later than five years	-	71,124	71,224
	107,105	268,900	376,005

The Company entered into two finance lease contracts for the purchase of 4 vehicles with completion dates of February 28 and November 30, 2013. The vehicles are recorded at cost and classified as a depreciable asset. Title of the vehicles will transfer to the Company upon payment of $87,039.

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures are set out in Note 5 to the Condensed Interim Consolidated Financial Statements for the period ended December 31, 2012.

Option agreement

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

The Company is required to undertake expenditure $500,000 on tenement E30/317 within the 24 month exercise period or pay the shortfall, even if it does not exercise the option. As at reporting date the Company has expended $451,792 and expects to expend the remaining minimum spend of $48,208 by the due date on June 15, 2013.

Commitments (cont'd)

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

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

Off-Balance Sheet Arrangements

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

Risks and Uncertainties

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

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

The Ularring Hematite Project has a probable Mineral Reserve of 42.95 Mt @ 47% Fe. The Moonshine Magnetite Project has a total Inferred Resource estimate for magnetite of 1,136 Mt @ 30.1% Fe. The recoverability of the resources and reserves are dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

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

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

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

Risks and Uncertainties (cont'd)

Trends

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

Competitive Conditions

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

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

Environmental Factors and Protection Requirements

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

Mineral Exploration and Development

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

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

Risks and Uncertainties (cont'd)

Operating Hazards and Risks

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

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

Economics of Developing Mineral Properties

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

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

Estimates of Mineral Reserves and Resources

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

Project Studies

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

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

Risks and Uncertainties (cont'd)

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

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

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

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

Credit Risk
Credit risk is the potential loss through non-performance by counterparties of financial obligations. The Company's primary exposure to credit risk is on its cash and cash equivalents and taxes receivable. The Company limits its exposure to credit risk by maintaining its financial liquid assets with high-credit quality financial institutions. Receivables are primarily interest receivable and goods and services tax due from the Australian Taxation Office.

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

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents are highly liquid and earn interest at market rates in short term fixed term deposits and variable chequing accounts. Due to the short term nature of these financial instruments, fluctuations in market interest rates do not have a significant impact on the fair values of these financial instruments.

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

Risks and Uncertainties (cont'd)

The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted. As the Company has not yet reached the mining stage, its exposure to price risk does not impact on the financial statements however price risk is a critical assumption for the Company's previously published Project studies.

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

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

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

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

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

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

Risks and Uncertainties (cont'd)

The Australian Government passed legislation on March 19, 2012 for the MRRT which applies to coal and iron ore projects and was implemented from July 1, 2012. The MRRT will broadly tax the profits at the run of mine stock pile of over $75 million per annum at an effective rate to 22.5%. Deductible expenditure will include a starting base allowance on the value of the mine assets relating to the extraction of resources at May 2, 2010 plus certain expenditure on such assets between May 2, 2010 and July 1, 2012, depreciated over the life of the mine. Royalties paid to the State will be creditable for MRRT purposes, and MRRT payments will be deductible for company income tax returns.

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

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

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

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

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

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

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

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

Limited Operating History
The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at December 31, 2012 the Company's deficit was $22,815,428.

Risks and Uncertainties (cont'd)

Price Fluctuations: Share Price Volatility
In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration and development companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the quarter ended December 31, 2012, the per share price of the Company's shares fluctuated from a low of CAD$0.285 to a high of CAD$0.60. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Issuance: Dilution
As at December 31, 2012, there were 2,385,000 stock options, 9,039,150 warrants and 834,000 agents' options outstanding.

Market Conditions - Global Economy
As reported by the IMF:

"Global growth is projected to increase during 2013, as the factors underlying soft global activity are expected to subside. However, this upturn is projected to be more gradual than in the October 2012 World Economic Outlook projections. Policy actions have lowered acute crisis risks in the euro area and the United States. But in the euro area, the return to recovery after a protracted contraction is delayed. While Japan has slid into recession, stimulus is expected to boost growth in the near term. At the same time, policies have supported a modest growth pickup in some emerging market economies, although others continue to struggle with weak external demand and domestic bottlenecks. If crisis risks do not materialize and financial conditions continue to improve, global growth could be stronger than projected. However, downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States. Policy action must urgently address these risks.

Economic conditions improved modestly in the third quarter of 2012, with global growth increasing to about 3%. The main sources of acceleration were emerging market economies, where activity picked up broadly as expected, and the United States, where growth surprised on the upside. Financial conditions stabilized. Bond spreads in the euro area periphery declined, while prices for many risky assets, notably equities, rose globally. Capital flows to emerging markets remained strong.

Global financial conditions improved further in the fourth quarter of 2012. However, a broad set of indicators for global industrial production and trade suggests that global growth did not strengthen further. Indeed, the third-quarter uptick in global growth was partly due to temporary factors, including increased inventory accumulation (mainly in the United States). It also masked old and new areas of weakness. Activity in the euro area periphery was even softer than expected, with some signs of stronger spillovers of that weakness to the euro area core. In Japan, output contracted further in the third quarter."

(Source: IMF World Economic Outlook Update, January 2013 www.imf.org)

Market Conditions – Iron Ore
As reported by Commonwealth Bank Global Markets Research, Commodities: Iron Ore:

"Iron ore spot prices have rallied from a low of US$86.90/t (CFR China) on September 4, 2012 to US$154.6/t (CRF China) on January 15, 2013. Demand is improving and restocking is well underway, the iron ore price is now well above levels suggested by the usual tight correlation with Shanghai steel rebar futures prices. Commonwealth Bank ("CBA") suspect prices will take a breather in the coming weeks.

From a global perspective, US$150/t (FOB) implies world iron ore supply growth of 7.6% in 2013., which is a significant upgrade to estimated 2012 iron ore supply growth. While it is entirely possible for growth to reach 7.6% in 2013 if China commits to a significant stimulus package with a focus on infrastructure, CBA remains cautious given the current global backdrop.

Risks and Uncertainties (cont'd)

CBA estimate above trend iron ore supply growth for 2013, but in the order of ~5%, suggesting a price of US$110-110/t (FOB) in 2013 (~US$112-122/t (CRF China).

The implications of prices remaining at US$150/t (FOB) become pronounced in 2016, with iron ore supply growth estimated at 13.8%. While today's price may not reflect a medium-term outlook, current prices do look likely to fall in the coming years unless iron ore supply sustains growth well above trend and well above CBA's forecasts."

(Source: Commonwealth Bank of Australia, Global Markets Research, "Commodities: Iron Ore", January 15, 2013)

Accounting Policies

Accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 3 to the audited financial statements for the year ended March 31, 2012 and have been consistently applied in the preparation of the Condensed Interim Consolidated Financial Statements for the period ended December 31, 2012.

Critical Accounting Estimates

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

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

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

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

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

Financial Instruments

The Company's principal financial instruments are comprised of cash, short term deposits and payables which approximate their fair market value due to the short-term nature of these instruments. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and foreign currency risk. Refer to the Risks and Uncertainties section above and Note 14 to the Condensed Interim Consolidated Financial Statements for the quarter ended December 31, 2012.

Disclosure Controls and Procedures

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

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

Internal Controls over Financial Reporting ("ICFR")

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

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

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

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

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

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

Outstanding Share Data as of February 14, 2013:

Authorized and issued share capital:

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

As at February 14, 2013 there were 2,485,000 stock options 7,539,150 warrants and 834,000 agents' options outstanding.

Other Information

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

Competent's Person's Statement

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

By Order of the Board

"*Alan Phillips*"

Alan Phillips
Chairman, President and CEO

"*Simon Hickey*"

Simon Hickey
Director