



ANNUAL INFORMATION FORM

MACARTHUR MINERALS LIMITED

For the fiscal year ended March 31, 2014

Dated: June 25, 2014



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PRELIMINARY NOTES

In this Annual Information Form (the “**AIF**”), unless the context otherwise requires, the terms “the **Company**” and “**Macarthur**” refer to Macarthur Minerals Limited and its wholly owned subsidiaries.

Documents Incorporated by Reference

Incorporated by reference into this AIF are the following documents:

- (a) consolidated audited financial statements of the Company for the year ended March 31, 2014;
- (b) Management Discussion and Analysis for the year ended March 31, 2014; and
- (c) NI 43-101 Technical Report, Macarthur Minerals Limited: Pre-Feasibility Study, Ularring Hematite Project, Western Australia, dated September 27, 2012, (filed October 1, 2012).

copies of which may be obtained online from SEDAR at www.sedar.com.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this AIF to the extent that a statement contained in this AIF or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this AIF, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Date of Information

All information in this AIF is as of March 31, 2014 unless otherwise indicated.

Forward Looking Statements

This AIF contains forward-looking statements and forward-looking information (collectively, “**forward-looking statements**”) within the meaning of applicable securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Information concerning mineral resource estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. 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 Ularring Hematite Project and the Moonshine Magnetite Project (as defined herein) and the Company’s other mineral properties;
- the potential for the expansion of the estimated resources at the Ularring Hematite Project and the Moonshine Magnetite Project;
- the potential for a production decision concerning, and any production at, the Ularring Hematite Project and the Moonshine Magnetite Project;
- the Company’s estimated future exploration expenditures and other expenses for specific operations;
- the Company’s estimates of the quality and quantity of the resources at its mineral properties;
- the timing and cost of the planned future exploration programs at the Ularring Hematite Project and the Moonshine Magnetite Project, and the timing of the receipt of results therefrom;
- the ability for the Company to be able to access infrastructure needed to produce and export iron ore (e.g. port access)
- the proposed strategy regarding core mining, road and rail inputs at the Project;

- anticipated increases in annual production at the Project;
- anticipated decreases in Project costs;
- the possible reclassification of current inferred mineral resources on the Project as indicated mineral resources in the future;
- expected completion of the Feasibility Study on the Project containing a new reserve estimation and a new economic assessment;
- the granting of a license for the Menzies rail siding;
- the status of the MRRT;
- plans to secure mining approvals under the Mining Act;
- the Company's future cash requirements;
- general business and economic conditions;
- currency fluctuations;
- litigation risks; and
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "*Risk Factors*".

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and information. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements and information due to a variety of risks, uncertainties and other factors, including without limitation, those referred to in this document under the heading "*Risk Factors*" and elsewhere. The Company's forward-looking statements and information are based on the reasonable beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's beliefs, expectations or opinions should change.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this AIF. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the price of iron-ore;
- general business and global economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration and potential development program at the Ularring Hematite Project and the Moonshine Magnetite Project;
- conditions in the financial markets generally;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favorable terms in connection with its ongoing exploration program at the Ularring Hematite Project and the Moonshine Magnetite Project;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the timing of the ability to commence and complete the planned work at the Ularring Hematite Project and the Moonshine Magnetite Project;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs at the Ularring Hematite Project and the Moonshine Magnetite Project and the Company's ability to comply with such terms on a safe and cost-effective basis;
- the ongoing relations of the Company with the applicable regulatory agencies; and
- that the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties are reflective of the deposit as a whole.

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. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements and information.

Readers are encouraged to consult the Company's public filings at www.sedar.com for additional information concerning these matters.

Cautionary Note to United States Investors regarding Technical Information

The information contained herein and incorporated by reference herein has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all mineral resource estimates included herein or incorporated by reference herein have been prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”) and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure (oral statements as well as written documents and websites) an issuer makes of scientific and technical information concerning mineral projects, and requires that all such disclosure be made under the supervision of a “qualified person” as defined in NI 43-101. It also requires issuers to file technical reports at certain times under a prescribed format.

Canadian standards differ significantly from the requirements of the United States Securities Exchange Commission (the “**SEC**”); mineral resource information contained herein or incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with NI 43-101. These definitions differ from the definitions in the SEC’s Industry Guide 7 (“**Guide 7**”) under the United States Securities Act of 1933, as amended, and rules and regulations thereunder. Under Guide 7 standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves or that they can be mined economically or legally. The estimation of measured, indicated and inferred mineral resources involves greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. U.S. investors are cautioned (i) not to assume that measured or indicated resources will be converted into reserves and (ii) not to assume that estimates of inferred mineral resources exist, are economically or legally mineable, or will be upgraded into measured or indicated mineral resources. It cannot be assumed that the Company will identify any viable mineral resources on its properties or that any mineral reserves, if any, can be recovered profitably, if at all. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies, except in rare cases. Disclosure of “contained tonnes” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained or incorporated by reference in this Annual Information Form contains descriptions of the Company’s mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Currency and Exchange Rates

Unless otherwise noted, all dollar amounts in this AIF are expressed in Australian dollars. The Company’s functional currency is Australian dollars and the Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Prior to the reporting period commencing April 1, 2011, the Company’s financial statements were prepared in accordance with Canadian Generally Acceptable Accounting Principles (“**GAAP**”). For reporting periods commencing January 1, 2011 reporting companies were required to transition from Canadian GAAP to IFRS. All references to “C\$” are to Canadian dollars.

The following table sets forth the rate of exchange for the Canadian dollar, expressed in Australian dollars in effect at the end of the periods indicated, the average of exchange rates in effect on the last day of each month during such periods, and the high and low exchange rates during such periods based on the noon rate of exchange as reported by the Bank of Canada for conversion of Australian dollars into Canadian dollars.

Australian Dollars to Canadian Dollars	Fiscal Year Ended March 31			
	2014	2013	2012	2011
Rate at end of period	1.0250	1.0589	1.0358	0.9875
Average rate for period	0.9825	1.0327	1.0372	0.9599
High for period	1.0696	1.0692	1.0754	1.0012
Low for period	0.9216	0.997	0.9969	0.8859

All financial information in this AIF is prepared in accordance with IFRS.

Metric Equivalents

For ease of reference, the following factors for converting imperial measurements into metric equivalents are provided:

To convert from imperial	To metric	Multiply by
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Tons (US Short Ton)	Tonnes	0.907185
Ounces (troy)/ton	Grams/Tonne	30.6122

Glossary on Mining Terms

A glossary of certain mining terms used in this AIF can be found in “Schedule A”:

CORPORATE STRUCTURE

Incorporation

The Company was formed by the amalgamation on March 31, 1991 of “U-Pak Shipping Systems Inc.” and “U-Pak Containers Inc.” to form “U-Pak Shipping Containers Inc.”, an Alberta registered corporation. On October 25, 1996 the Company was continued into British Columbia and changed its name to “Citation Resources Inc.”. On October 24, 2002 the shareholders approved the change of the Company’s name to “Macarthur Diamonds Limited” and also approved the continuance of the Company to Australia which involved the continuance of the Company into the Yukon Territory effective November 1, 2002 and the continuance of the Company from the Yukon Territory into the jurisdiction of Australia under the *Corporations Act 2001 (C’th)* which became effective December 2, 2002. On February 17, 2005 the Company changed its name to “Macarthur Minerals Limited”.

The Company’s address and contact information are as follows:

Head office and registered office:
Level 20
10 Eagle Street, Brisbane, QLD. 4000
Australia
Tel: +61 7 3221 1796
Fax: +61 7 3221 6152

Intercorporate Relationships

Macarthur is the holding company of a mineral exploration group of companies all of which are wholly-owned subsidiaries of the Company.

The following table sets out information relating to the Company's subsidiaries:

Macarthur Minerals Limited (Australia) TSX Listed (MMS) & OTCQX (MMSDF)	
	100%
Macarthur Iron Ore Pty Ltd (Australia)	
	100%
Macarthur Midway Pty Ltd (Australia)	

Macarthur is an incorporated company with its head office in Brisbane, Australia and headed by the Chief Executive Officer, Chief Financial Officer and Company Secretary, and Chief Operating Officer. The head office is comprised of 10 staff as at June 25, 2014.

Macarthur is the entity listed on both the Toronto Stock Exchange (the "TSX") and the OTC marketplace, OTCQX International ("OTCQX"). Macarthur holds 2 wholly owned subsidiaries. Macarthur Iron Ore Pty Ltd ("MIO") is the owner of those tenements referred to in the Mineral Projects section of this report. MIO is the entity from which the Perth, Australia office and the Macarthur Iron Ore Projects are run with 9 staff as at June 25, 2014. MIO is the sole shareholder of Macarthur Midway Pty Ltd (formerly Hatches Nominees Pty Ltd), which has limited operations, and is the owner of those tenements referred to in the Mineral Projects section of this report. Tracker Resources Pty Ltd ("Tracker") was wholly owned by Macarthur, with limited operations, it was de-registered on July 24, 2013, as it was dormant.

GENERAL DEVELOPMENT OF THE BUSINESS

General

Macarthur is an Australian minerals exploration and development company. The Company is currently focused on the exploration and development of iron ore, including hematite and magnetite deposits, within the Company's projects. See "*Description of the Business of the Company*" for further information on the Company's mineral rights and assets.

The Company's common shares (the "Shares") were listed and posted for trading on the TSX Venture Exchange (the "TSXV") on July 7, 2005. On October 14, 2011 the Company shares were delisted from the TSXV and commenced trading on the TSX. The Company currently trades on the TSX under the symbol "MMS". On June 22, 2011 the Shares were listed on the OTCQX under the symbol "MMSDF".

Three Year History

Fiscal Year ended March 2012

OTCQX

On June 22, 2011 the Company joined the highest tier of the OTC marketplace, OTCQX International. Stifel, Nicolaus & Company, Incorporated serves as the Company's Principal American Liaison on the OTCQX,

responsible for providing guidance on OTCQX requirements. The Company trades in the United States on the OTCQX under the symbol “MMSDF”.

Listing on the Toronto Stock Exchange

On October 14, 2011 the Company commenced trading on the TSX. The Company’s trading symbol, “MMS”, remained unchanged. The Company’s shares were delisted from the TSX Venture Exchange.

Option Agreement E30/317

The Company entered into an option agreement with Melville Dalla-Costa (an independent prospector) on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km². The key terms of the option agreement include a 24 month exercise period to conduct further exploration and due diligence, an immediate payment of \$100,000 for acquisition cost, a further \$200,000 payment on the first anniversary and an expenditure commitment of \$500,000 on exploration. The exercise price of the option for purchase of the tenement is \$10,000,000. The Company has paid the initial \$100,000 for acquisition cost and \$200,000 on the option’s first anniversary for a further option fee.

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

Fiscal Year ended March 2013

Option Agreement E30/317

On June 16, 2012 the Company paid the further option fee of \$200,000 on the option’s first anniversary. Refer to above section “*Option Agreement E30/317*”.

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

Refer to “*Legal Proceedings*” section of this AIF.

From Fiscal Year ended March 2014

Tracker Resources Pty Ltd

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

Hatches Nominees Pty Ltd re-named

On May 10, 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.

Option E30/317 extended for 12 months

The Company’s option over E30/317, under an Option Agreement entered into June 16, 2011, was extended for a further 12 months until June 16, 2014. Refer to above section “*Option Agreement E30/317*”. The Company intends to extend its option over E30/317 for a further 18 months on the same terms and conditions.

Annual General Meeting

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

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

Resignation of Director

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

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

Refer to “*Legal Proceedings*” section of this AIF.

From Fiscal Year ended March 2014 to June 25, 2014

Private Placement

On June 9, 2014, the Company announced that it entered into a share subscription agreement and received gross funds of AUD\$2,240,000 for a private placement of 11,200,000 shares of the Company at a price of AUD\$0.20 per share, to be held by the Company in escrow until closing. The price per share is equal to approximately CAD\$0.204 per share, based on the Reserve Bank of Australia exchange rate on June 9, 2014, and represents an approximately 46% premium to the closing price of the Company’s TSX-listed shares on June 6, 2014.

The closing of the private placement will occur as soon as possible after and subject to receipt of all necessary regulatory approvals including that of the TSX. The net proceeds from the private placement will be used for working capital purposes.

Option E30/317 extended for a further 18 months

The Company’s option over E30/317, under an Option Agreement entered into June 16, 2011, has been extended for a further 18 months until December 16, 2018. See “*Option E30/317 extended for 12 months*” above.

Significant Acquisitions

The Company did not make any significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 during its most recently completed financial year.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

General

Macarthur is currently focused on the exploration and development of its Macarthur Iron Ore Projects, consisting of two distinct mineral projects called:

- the Ularring Hematite Project; and
- the Moonshine Magnetite Project,

located in Western Australia (the “**Macarthur Iron Ore Projects**”).

Although the projects currently sit on adjacent properties, each project is considered distinct as there is a considerable difference in the treatment and infrastructure requirements and anticipated significant additional costs of developing the Moonshine Magnetite Project as compared to the Ularring Hematite Project. The area in which both projects lie is prospective for significant iron-ore mineralization. The Macarthur Iron Ore Projects are located about 450 km east-northeast of the coastal city of Perth, Western Australia. The Macarthur Iron Ore Projects are located on exploration, mining and miscellaneous tenements covering 1,148 km². Geologically, it is situated in the Yilgarn region of south-western Western Australia. The Yilgarn region has been, and still is, host to many significant mineral deposits that have been or are being mined for iron ore.

Specialized Skill and Knowledge

Management is composed of a team of individuals who have extensive expertise in the mineral exploration industry and exploration finance and are complemented by a strong board of directors. See “*Directors and Officers*”

Key management consists of the following people:

- Alan Phillips, Chairman, President & Chief Executive Officer (“**CEO**”)
- David Taplin, Company Secretary & Chief Financial Officer (“**CFO**”)
- Alan Joseph (“Joe”) Phillips, Chief Operating Officer (“**COO**”)

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, access to infrastructure as well as for the recruitment and retention of qualified employees and contractors.

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

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

Environmental Protection

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. The Company is currently engaged in exploration and development activities with limited environmental impact and actively engages with government departments to ensure open communication and accurate assessment of environmental approvals.

Employees

As of March 31, 2014, the Company had 4 people working on a consulting basis and 15 employees. As at June 25, 2014 the Company had 4 people working on a consulting basis and 15 employees. The operations of the Company are managed by its officers. The Company engages reputable consulting firms from time to time for all technical and environmental services as required to assist in evaluating its interests and recommending and conducting work programs.

Foreign Operations

The Company is a public Australian corporation. The Company's material asset is its 100% interest in its Macarthur Iron Ore Projects located in Western Australia.

Bankruptcy and Similar Procedures

There are no bankruptcy, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There have not been any voluntary bankruptcy, receivership or similar proceedings by the Company within the three most recently completed financial years or currently proposed for the current financial year.

Reorganizations

In the last 3 most recently completed financial years the Company has not had any re-organizations, apart from the voluntary de-registration of Tracker, refer to section "*Tracker Resources Pty Ltd*" above.

Social or Environmental Policies

The Company has social and environmental policies in place that are fundamental to the operations.

Macarthur seeks to continually implement, improve and develop its policies through:

- Awareness and training.
- Internal audits, regular self-assessment against performance.
- Externals audits.
- Relationship and regular liaison with relevant environmental government agencies.
- Involvement and participation in professional networks, forums, industry associations and organizations.
- Support of local and regional business.
- Employment of local people.

RISK FACTORS

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Investors should give careful consideration to all of the information contained in this AIF and, in particular, the following risk factors:

GENERAL

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

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

Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting both from the failure to discover mineral deposits and from

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

The Annual Audited Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the year ended March 31, 2014 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

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

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

RISKS RELATING TO THE BUSINESS OF THE COMPANY

Going Concern (Trends)

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

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

Reliance on Key Personnel (Management and Directors)

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

- | | |
|--------------------|---|
| • Alan S Phillips | – Chairman, President and CEO |
| • David Taplin | – CFO and Company Secretary |
| • Joe Phillips | – COO |
| • Jon Starink | – Non-Executive Director |
| • John Toigo | – Non-Executive Director |
| • Jeffrey Wall | – Non-Executive Director |
| • Richard Patricio | – Non-Executive Director |
| • Simon Hickey | – Non-Executive Director (resigned August 30, 2013) |

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

Risk of the General Market and Economic Conditions

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

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

Competitive Conditions Risk

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

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

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

Risk that the Company has a Limited Operating History

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

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all.

Risk of Conflict of Interest

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

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

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

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

Insurance Risk

Macarthur's operations are subject to all of the risks and hazards typically associated with the exploration and development of iron ore. Macarthur intends to maintain insurance that is within ranges of coverage that Macarthur believes to be consistent with industry practice and having regard to the nature of activities being

conducted. No assurance however, can be given that Macarthur will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

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

Risk of Terrorist Attack or Other Sustained Armed Conflicts

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

RISK FACTORS RELATING TO FINANCE

Liquidity Risk (Solvency Risk)

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

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

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

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

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

Commodity Price Risk

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic, financial and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased

production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs.

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

Credit Risk

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

Risk Related to the Economics of Developing Mineral Properties

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

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

Currency Risk

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

Interest Rate Risk

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

Risk of Unforeseen Expenses

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

RISK FACTORS RELATING TO THE SECURITIES OF THE COMPANY

Risk of Share Price and Market Volatility

The market price of shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Canadian and Australian resources sector, Canadian and Australian listed entities and exploration companies in particular.

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

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

Shares Reserved for Issuance: Dilution Risk

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

Share Liquidity Risk

Shareholders of the Company may be unable to sell significant quantities of the Company's shares into the public trading markets without a significant reduction in the price of their shares, if any at all. The majority of the Company's shares are held with institutional holders, which means that there is a usually low trading volume. The Company's market maker has the role of ensuring there is a buyer/seller if liquidity is too low. The Company need to take action to continue to meet the listing requirements of the TSX or achieve listing on any other public listing exchange.

Dividends

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

RISK FACTORS RELATING TO THE COMPANY'S PROPERTY INTERESTS

Title Risk

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

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

Lack of funding to satisfy contractual expenditure obligations under any option, joint venture or farm in agreements ("Tenement Acquisition Agreements") to which the Company is a party, may result in termination of the Company's property interests in such agreements. The Company may also be unable to meet its share of costs incurred under any Tenement Acquisition Agreements and the Company may have the tenement interests subject to such agreements reduced as a result or even face termination of such agreements. In order to secure

ownership of these properties, additional financing will be required. Failure of the Company to make the requisite payments in the prescribed time periods will result in the Company losing its entire interest in the subject property and the Company will no longer be able to conduct certain aspects of its business as described in this AIF. The Company may not have sufficient funds to: make the minimum expenditures to maintain its properties in good standing under Canadian and Australian law; and make the minimum expenditures to earn its interest in tenements and . In such event, in respect of any of the properties, the Company may seek to enter into a joint venture or sell the subject property or elect to terminate its option.

Macarthur requires land access in order to perform exploration and development activities, which can be affected by land ownership and require related compensation arrangements with landowners or occupiers. Where possible the Company will work with tenement and landowners to obtain required rights of access but unless such rights are obtained, or if there is a dispute, the Company's operations may be adversely affected or delayed.

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

Environmental Factors and Protection Requirements

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

Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. Limited environmental incidents may be covered under existing insurance policies. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

Risk related to Infrastructure and Development

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

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

Estimates of Mineral Reserves and Resources

The Company's projects cover mineralization and natural material of intrinsic economic interest which have been identified and estimated through exploration and sampling. Mineral Resource estimates are defined by

the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. A Mineral Resource estimate is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. The phrase “reasonable prospects for economic extraction” implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. These assumptions are presented explicitly in both public and technical reports.

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

Mineral Reserves are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. Although the reporting of a “Mineral Reserve” indicates that there are reasonable expectations of all governmental approvals being received, it does not signify that extraction facilities are in place or operative or that all governmental approvals have been received.

Risk of Reliance on and Relevance of Project Studies

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

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

Risk of Restrictive Access to the Macarthur Iron Ore Projects

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

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

Risk of Accuracy of Exploration Maps and Diagrams

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

RISK FACTORS RELATING TO MINING GENERALLY

Mineral Exploration and Development Risk

The Macarthur Iron Ore Projects are in the exploration and development stage. Development of the Company’s properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into

producing mines. There is no assurance that mineral exploration and development activities will result in the discovery and development of a body of commercial minerals on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

Operating Hazards and Risks

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

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

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

Risk of Availability of Labour

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

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

RISK FACTORS RELATING TO GOVERNMENT

Risk of Increased Government Policy and Imposition of Tax

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

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

The Australian Government passed legislation on March 19, 2012 for the MRRT which applies to coal and iron ore projects and was implemented from July 1, 2012. MRRT is considered, for accounting purposes, to be a tax based on profits at the run of mine stockpile. The MRRT will not apply to the Company until it has commenced production of iron ore and generated MRRT assessable profits of over \$75 million after taking into account inbuilt allowances. Current and deferred MRRT expense will be measured and disclosed on the same basis as income tax. A bill which has the effect of repealing the MRRT, was passed in the lower house of Parliament in November 2013. The bill failed to pass the senate on 25 March 2014. The bill could be resubmitted in 3 months' time.

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

The Australian Government has implemented a carbon pricing mechanism under the Clean Energy Legislation Package which commenced on July 1, 2012. A bill which has the effect of repealing the carbon pricing mechanism has also been passed in the lower house of Parliament. The bill failed to pass the senate on 25 March 2014. The bill could be resubmitted in 3 months' time.

Risk of Greater Governmental Regulation

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

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

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

RISK FACTORS RELATING TO THE COMPANY'S LEGAL OBLIGATIONS

Contractual risk

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

Litigation Risk

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

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

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

Jurisdiction Risk

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

MINERAL PROJECTS

The Company's principal asset is its 100% interest in the Macarthur Iron Ore Projects which comprises of two distinct mineral projects:

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

Both the Ularring Hematite Project and Moonshine Magnetite Project are classified as separate Macarthur Iron Ore Projects as they comprise different requirements for infrastructure and processing and hence impose different anticipated costs of development.

The Moonshine Magnetite Project PEA ("**Moonshine PEA**") references CAPEX requirements of \$2,272 m, whereas the Ularring Hematite Project PFS ("**Ularring PFS**") references CAPEX requirements of \$262.7 m.

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

THE ULARRING HEMATITE PROJECT

The following is a summary of the NI 43-101 Technical Report, Macarthur Minerals Limited: Hematite Mineral Resource, Ularring Hematite Project, Western Australia, dated September 27, 2012, (filed October 1, 2012) ("**Ularring Hematite PFS Technical Report**"), a full copy of which is available under the Company's profile on SEDAR at www.sedar.com. The Ularring Hematite PFS Technical Report is specifically incorporated by reference herein. Readers are directed to review the Ularring Hematite PFS Technical Report which qualifies the following disclosure. The following summary is not exhaustive. The Ularring Hematite PFS Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The Ularring Hematite PFS Technical Report contains the expression of the professional opinions of "qualified persons" as defined under NI 43-101 based upon information available at the time of preparation of the Ularring Hematite PFS Technical Report. David Williams MAusIMM, MAIG, of CSA Global Pty Ltd, Kent Bannister FAusIMM of CSA Global Pty Ltd and Damian Connelly FAusIMM of Mineral Engineering Technical Services Pty Ltd, qualified persons under NI 43-101, have consented to extracts from, or a summary of, the Ularring Hematite PFS Technical Report in the AIF.

The Company released the results of the Ularring PFS on August 16, 2012 based on the current Mineral Resource estimate at that time which was supported by a technical report on that was lodged on June 29, 2012. Since the Ularring Hematite PFS Technical Report, the Company announced an update to the Ularring Hematite Project based upon revised cost estimates, resulting in reduced opex and capex estimates on work undertaken (news release dated January 23, 2014).

No new economic assessment has been undertaken beyond the 2012 PFS economic analysis. New reserve estimations and a full economic reassessment will be undertaken as a part of the Feasibility Study ("**FS**"). Consequently, the results and implications of the revisions described below will not be fully understood until a FS has been completed.

Project Description & Location

The Ularring Hematite Project is located on Macarthur tenements which cover a total area of approximately 1,148km² about 450 km east-northeast of the coastal city of Perth, Western Australia. The Ularring Hematite Project comprises all hematite/goethite mineralization located within these tenements, including the Mineral Resources from five individual deposits south of the Evanston Menzies Road spread linearly over a 30 km distance running from north to south.

Figure 1 - Location of Ularring Hematite Project in Western Australia (May 2014)



Mineral Tenure

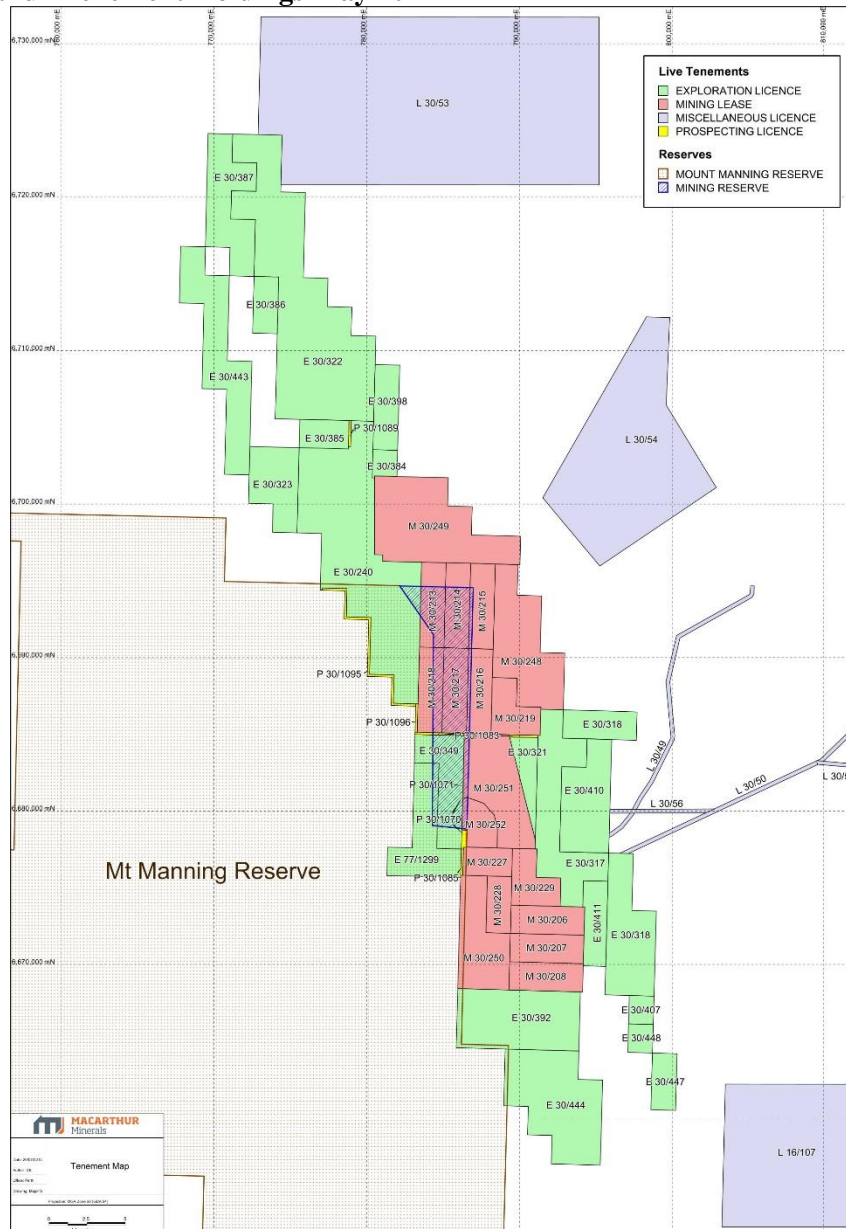
As at the date of this AIF, the Ularring Hematite Project area comprises of 21 Exploration Licences, 18 Mining Leases and 7 Prospecting Licences all held or managed by MIO, a 100% owned subsidiary of Macarthur. In addition Macarthur holds 10 Miscellaneous Licences which are held for infrastructure purposes such as haul roads, and water exploration licences which do not have associated expenditure commitments.

Tenements are designated as either mining, exploration, prospecting or miscellaneous as itemised in **Figure 2**. There are presently no additional pending licenses awaiting approval.

Other than Exploration Licence 30/317 (refer to section “*Option Agreement E30/317*” above), there are no other known agreements (royalties or other encumbrances) relating to any of the tenements.

With the exceptions of two Reserves all of the Macarthur tenements occur on Vacant Crown Land which is defined as Crown Land not currently being used or reserved for any future purpose. As the registered tenement manager Macarthur has the right to access the land for the purpose of mineral exploration, subject to the conditions of tenure.

Figure 2 - Macarthur Tenement Holdings May 2014



Environmental Liabilities

The Ularring Hematite Project does not have any environmental liabilities from previous mining or exploration activities such as the rehabilitation of waste dumps or decommissioning of tailings storage facilities. No area of the site is registered as a contaminated site that requires remediation. The Company has not been fined or prosecuted under any environmental legislation or received any improvement notices for current or past exploration activities from the Department of Mines and Petroleum (“**DMP**”). There are no heritage agreements in place as there are no registered native title claimants within the Ularring Hematite Project tenements.

The Environmentally Sensitive Area (“**ESA**”) that formerly existed over Mining Reserve 50929 has recently been removed. This site was listed on the Register of National Estates (“**RNE**”) under the *Australian Heritage Council Act 2003* of the Commonwealth. As a result of the expiration or repeal of parts of the *Environment Protection and Biodiversity Conservation Act 1999* and *Australian Heritage Council Act 2003* relating to the RNE, this site is no longer deemed to represent an ESA as declared under the *Environmental Protection (Environmentally Sensitive Areas) Notice 2005*.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Topography, Elevation and Vegetation

The topography of the Ularring Hematite Project area is comprised of low ridges associated with the BIF units, striking in a general northwest - southeast direction, that rise up from the surrounding sandy plains. The range in elevation is approximately 120 m with the highest point at approximately 520 m above sea level.

The vegetation of the project area is dominated by mulga scrub with local patches of low to medium eucalyptus woodland and areas of salt tolerant shrub and spinifex.

Access to Property

The Ularring Hematite Project can be accessed from Kalgoorlie via the sealed Menzies Highway north for 130 km, then west from the town of Menzies for 115 km along the unsealed graded Evanston-Menzies Road (**Figure 3**). Alternatively the Ularring Hematite Project can be accessed from Perth, via sealed roads to Southern Cross and Bullfinch, then north and east for 200 km along the Diemals Road.

Climate

The climate at the Ularring Hematite Project is characterised as a semi-arid climate. The mean annual rainfall of 275.7 mm with rain fall mostly in the winter months. The temperature averages over 40°C for 15 days in the summer months, from November to March, while in the winter months, from June to August, the temperature averages a minimum range from 3.9°C to 5.0°C.

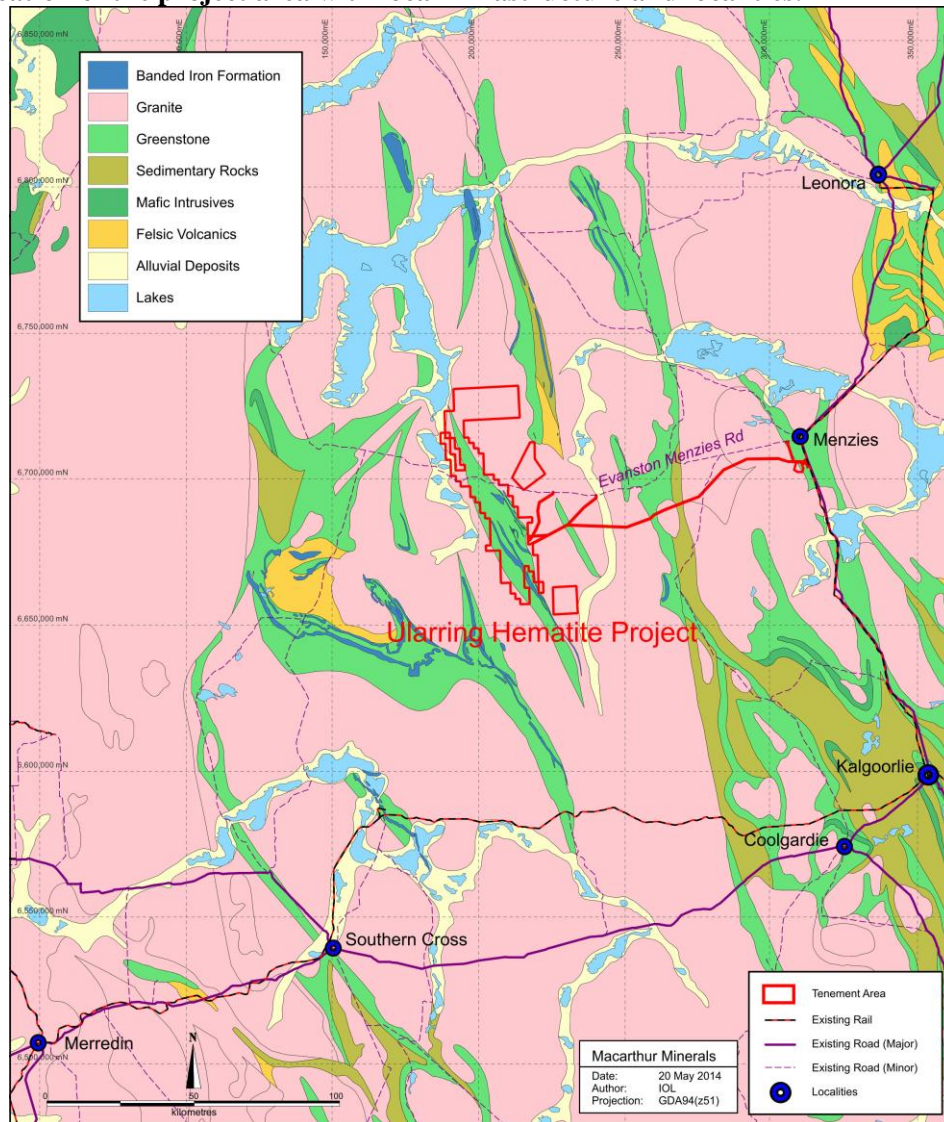
The climate at the project area allows an operating season covering the full length of the year. In the Kalgoorlie region, mining and exploration activities are conducted throughout the year, with infrequent generally short disruptions during and after periods of heavy rain.

Infrastructure

The Ularring Hematite Project is serviced from the city of Kalgoorlie-Boulder, with a population of 31,000 people, which provides services to a large number of operating mines and exploration properties in the region. Some limited facilities are available in Menzies including fuel, accommodation and meals. A railway line passes through Menzies, and road freight lines deliver to the town.

The Ularring Hematite Project site itself is remote with no existing infrastructure other than unsealed roads and an exploration camp. The Ularring PFS has addressed the requirements for the provision of power, water, personnel, tailings storage areas, waste disposal areas and processing plant sites. Subsequent studies will further develop the provision of these services.

Figure 3 - Location of the project area with local infrastructure and localities.



History

Property Ownership

Since the late 1960s several exploration companies have explored the Ularring Hematite Project tenement areas for several commodities. There have been 3 main phases of exploration; nickel exploration from 1968 to 1972, gold exploration from 1993 to 2004 and more recently iron exploration.

Macarthur Minerals Limited 2005-2006

Macarthur took over the tenements then known as the Lake Giles Project in late 2005 with the purchase of Macarthur Iron Ore Pty Ltd (then called Internickel Australia Pty Ltd). Macarthur immediately continued with the ongoing exploration program for nickel and gold. In particular anomalies generated by a 2004 helicopter electromagnetic survey were visited and many were mapped and sampled, with emphasis on the search for nickel bearing gossans.

Historical Mineral Resource Estimates & Previous Mining

No known historical Mineral Resource or Mineral Reserve estimates prior to 2007 exist for any commodity within the area now covered by Macarthur's tenements.

No mining is known to have been undertaken in the Ularring Hematite Project area or anywhere on Macarthur's tenements to date.

Project Geology, Exploration and Mineral Resource Estimates

The outcropping geology of the Ularring Hematite Project area is comprised of a combination of un-altered silica rich banded BIFs and altered enriched haematite/goethite BIFs. Weathering has resulted in the leaching of the majority of the silica from the BIFs, thus producing a rock rich in iron and low in silica, near surface. These enriched bands vary from 1 m to 30 m in true thickness and are largely steeply dipping at 70°-90°. The mineralization extends along a strike extent of 6,800 m (Snark and Drabble Downs deposits), 3,300 m (Banjo / Lost World deposits), 7,100 m (Central deposit) and 2,200 m (Moonshine deposit). BIF strata, containing the Mineral Resources presented in this AIF, have been modelled to a depth of 120m below surface except where closed by drilling.

Over the past five years Macarthur geologists have conducted ground traverses and geologically mapped the Macarthur prospects. The outcropping rock was classified as either BIF, hematite/goethite enriched BIF or goethite enriched BIF. The mapping was completed to a 1:2000 scale and structural readings were taken. Mapping was done using handheld Garmin GPS devices, with an accuracy of ± 3 m on the GDA94 grid system. The field maps were then scanned geo-referenced and digitised in the MapInfo GIS software package. The outcrop mapping has confirmed and improved the definition of the BIF and hematite mineralisation. The location of outcrops and mapped structural information was used in drill hole planning and in the Mineral Resource modelling.

A summary of exploration drilling methodology and results, as used to support the Mineral Resource estimates are presented in Section 10 of the Ularring Hematite PFS Technical Report.

Exploration by way of Reverse Circulation ("RC") and Diamond Drill Core ("DDH") drilling occurred through 2011 and complements drill results from previous years to support the current Mineral Resource estimate. The database supporting the Mineral Resource estimate on which the Ularring PFS includes all information collected up until August 31, 2011 (Moonshine), and May 9, 2012 (Snark, Drabble Downs, Central and Banjo deposits).

The previous Mineral Resource estimate (Technical Report filed March 9, 2012) used a 50% Fe cut-off grade to define Mineral Resource volumes. Phase one metallurgical testing (News Release November 21, 2011) commenced in late 2011 indicated that it is technically possible to recover material with a grade greater than 60% Fe with a recovery of over 63% using conventional gravity beneficiation from comparatively high grade starting materials. The results of the second phase of metallurgical testing provided evidence for the processability of a range of material types and grades and prompted re-evaluation of the Mineral Resource inventory at a 40% Fe cut-off grade (News Release June 1, 2012).

The Mineral Resource estimate is based upon a set of 3D wireframe solids, encapsulating the host BIF strata. The new Mineral Resource estimate has been constrained by the BIF envelope and is reported from all blocks above a 40% Fe cut-off grade and incorporates all of the drill results to date. The exception to this is the Moonshine deposit's Mineral Resource, which was modelled using a 50% Fe envelope and is reported for blocks > 50% Fe. This is discussed in the Technical Report filed March 9, 2012.

The wireframed envelopes represent the constraining geology and the dip and strike of each envelope attempt to mirror the data from field fact mapping as far as possible. Block models were constructed for the Snark and Drabble Downs, Central, Banjo and Lost World, and Moonshine deposits. Parent cell sizes were set for each individual Mineral Resource model, dependent upon the local drill spacing. The sample assayed grades were estimated into the block model using ordinary kriging. Density values were calculated by an algorithm according to the interpolated iron grade.

The Mineral Resource is classified as Indicated and Inferred, as required by NI 43-101 and described in the CIM Definition Standards on Mineral Resources and Mineral Reserves. The classification level is based upon an assessment of geological and mineralisation continuity, quality control results from drilling and assaying, and an analysis of available density information.

Drilling

Results from drilling completed between 2009 and 2012 were included in the Mineral Resource estimate. Historical drilling prior to 2009 targeted magnetite mineralisation, and is not considered relevant to the Ularring Hematite Project's Mineral Resource estimate, nor impact upon the delineation of the estimate, and are not discussed further. As at the date of this AIF there were 1,626 drill holes (1,588 RC, 38 DDH) loaded in the database for 92,259m. Of this total, 85,557 samples from 1,588 holes were assayed, and verified for use in the Mineral Resource estimate.

Table 1 and **Table 2** present the drilling statistics, supporting the Mineral Resource estimate.

Table 1 - Drilling completed at Ularring Hematite Project to the date of this AIF

Deposit	RC Holes Drilled	Metres	Diamond Holes Drilled	Metres
Banjo	149	9,473	2	107
Central	627	36,093.8	7	289
Moonshine	20	1,570	-	-
Snark	662	36,987.1	29	1,333
Drabble Downs	130	6,710	-	-
Grand Total	1,588	90,833.9	38	1,729

Table 2 - Analyses completed at Ularring Hematite Project to the date of this AIF

Deposit	RC Holes Drilled	Metres	Metres analyzed for XRF Fe suite whole rock only
Banjo	149	9,473	7,514
Central	627	36,093.8	34,811
Moonshine	20	1,570	1,122
Snark	662	36,987.1	35,502
Drabble Downs	130	6,710	6,608
Grand Total	1,588	90,833.9	85,557

All material obtained from the diamond holes were used for the metallurgical test work; therefore no diamond core samples were assayed, but the logged geology was taken into account when modelling the resources.

Macarthur contracted Orbit Drilling Pty Ltd ("**Orbit Drilling**") to carry out both the RC and diamond drilling. Orbit Drilling are an independent exploration drilling company based in Perth, Western Australia. Two RC drill rigs were utilised in 2010 and 2012, a Schramm T660 (Volvo 8x4 wheel rig) and a track mounted Schramm T450WS.

Drilling practices are focused on maximizing sample recovery and minimizing sample contamination. At the end of each six metre drill rod, the drilling pauses and compressed air is blown through the rods to flush cuttings from the drill hole, the sample hoses and the cyclone to minimize sample contamination, and to ensure that there are no blockages in the sample stream. The cyclone is regularly inspected and cleaned as necessary. Samples are collected over one metre down-hole intervals and a sub-sample collected in a calico bag by splitting through an industry standard three tier riffle splitter. A total of 75% of the sample passes through the splitter to be captured in a residue bucket, whilst the remaining 25% of the sample is evenly distributed through the primary sample chute and the field duplicate chute.

Metallurgical Test Work

Macarthur completed the first phase of metallurgical test work in the last quarter of 2011 (news release dated November 21, 2011; NI43-101 Technical Report released January 4, 2012) and a second phase of test work in the second quarter of 2012 (news release dated June 1, 2012; NI43-101 Technical Report released June 29, 2012).

The results of these two phases of metallurgical test work suggested that product grading in excess of 60% Fe could be produced from a range of materials of differing Fe grade and mineralogical compositions.

Based on the findings of the phase one and phase two metallurgical test work programs, a conceptual process flow sheet was developed to accommodate changing feed material characteristics over time. A third phase of metallurgical test work based on 500 kilogram diamond core samples to validate the conceptual flow sheet and to produce detailed engineering design and economic performance parameters commenced in May 2012 and was completed in July 2012.

The third phase of test work investigated the metallurgical response of a composite sample with average grade of 50-52% Fe regarded as representative of the average plant feed at a nominal cut-off of 41% Fe from the Snark, Banjo and Central deposits and a composite sample of low grade (less than 40% Fe) material that was regarded as representative of the material in the transition zone which was excluded from the resource inventory for the purpose of the Ularring Hematite PFS.

The latter stage of this phase 3 test work program was directed at optimising the proposed process flow sheet to improve both product grade and recovery by reducing process feed size to less than 2.5 mm and by introducing regrinding of gravity middlings, both with a view to improving liberation.

The findings indicate that gravity processing of the -2.5 mm +0.106 mm fraction followed by regrinding of gravity middlings to -0.0106 mm and magnetic separation of the combined -0.106 +0.025 mm size fraction produced a combined product grading 60% Fe at a mass recovery of 60% and a recovery of Fe to product of 70%.

Table 3 - Average Material Grades

	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Cl %	LOI %
Feed	52.35	11.86	4.16	0.056	0.161	0.061	7.88
Product	60.14	5.06	2.17	0.052	0.078	0.014	6.14

Similar test work was performed on the low grade composite sample. This material is derived from the transition zone between unweathered magnetite BIF and the nearer surface higher grade hematite/goethite product of magnetite oxidation and concentration. Qemscan results showed the composite's mineral constituents were predominantly goethite and hematite with no mag-hematite and the major gangue constituents composed of kaolinite with lesser quartz. These results also indicated that only 60% of the Fe was present in liberated minerals. Heavy Liquid Separation by size fraction supported the finding of poor liberation and suggested a product grade limitation of gravity processing of this material to between 53% and 57%.

Test work confirmed that gravity and magnetic processing of this transition material was capable of yielding a product grading between 54% and 56% Fe at a recovery of Fe from feed to product of between 40% and 45%

Table 4 - Transitional Material Grades

	Fe %	SiO ₂ %	Al ₂ O ₃ %
Feed Grade	39	28	7.5
Product Grade	54-56	7-12	2-3

Further metallurgical test work will be conducted on samples from the transition zone to evaluate opportunities for the exploitation of material of this type and its possible inclusion in the material inventory available for exploitation.

The final proposed process flow sheet based on the results of this last stage of test work is presented in the section “*Processing*”, below.

Sample Preparation, Analyses and Security

Sample preparation for drill hole samples have followed consistent methodologies since drilling of the Ularring Hematite Project commenced in 2009. On completion of each hole the field assistants collect the samples and secure them in polyweave bags.

The samples are transported to the assay laboratory depot in Kalgoorlie in a large bulk bag, prior to being dispatched to the assay laboratory in Perth.

Drill samples were sent to Amdel – Ultra Trace Assay Laboratories (“**Ultra Trace**”), Perth, and from September 1, 2011, were sent to ALS Laboratories (“**ALS**”) in Perth. ALS Laboratories provided analyses for LOI371 and LOI650, along with LOI1000 also provided by Ultra Trace.

Ultra Trace Laboratories (58 Sorbonne Crescent, Canning Vale, Western Australia), wholly owned by Bureau Veritas, are independent of Macarthur, and are ISO and NATA Accredited. They are a member of ISO MN-002-02 Chemical Analysis Committee AQIS registered.

Amdel Laboratories (6 Gauge Circuit, Canning Vale, Western Australia), wholly owned by Bureau Veritas, are independent of Macarthur, and are ISO and NATA Accredited. They are a member of ISO MN-002-02 Chemical Analysis Committee AQIS registered.

Genalysis Laboratory Services (15 Davison Street, Maddington, Western Australia), wholly owned by the Intertek Group, are independent of Macarthur, and is accredited by NATA to operate in accordance with ISO/IEC 17025, which includes the management requirements of ISO 9001: 2000.

ALS (6 Macadam Place, Balcatta, Western Australia 6021) is accredited with ISO 9001:2008. The ALS Group are independent of Macarthur, and is a wholly owned subsidiary of Campbell Brothers Limited, and is independent of Macarthur.

SGS (431 Victoria Road, Malaga, Western Australia) is accredited with ISO 9001:2008. The SGS Group are independent of Macarthur.

Quality Assurance and Quality Control – 2011 and 2012 Drilling

Certified Reference Materials (“**CRMs**”) are packets of rock sample that have been ground to a size consistent with the grind size used in commercial assay laboratories, typically 105um. A variety of CRM types exist, and Macarthur chose the CRM type that most resembled the rock type that exists at the Ularring Hematite Project. They are certified because the manufacturer of the CRM has independently tested the accuracy of the expected mean grade of the sample through a series of round robin laboratory umpire testing, and therefore “certify” the assay grade.

Macarthur used CRMs sourced from Geostats Pty Ltd, a supplier of reference material based in Perth, Western Australia. Four CRMs were submitted with drill samples through the 2011 and 2012 drill campaigns.

CRMs were inserted at the rate of one CRM every 50 m of sampling, with at least one per hole. The results of the CRM assays are presented in a time sequenced scatter plot, and show the actual assayed grade against the expected grade of the sample (**Table 5**) within acceptable tolerances. Macarthur has nominated a tolerance limit of ± 2 standard deviations; if the assayed CRM falls within these limits then the results of assays from samples

submitted for XRF testing with that CRM are deemed to have passed. If the assayed value for the CRM falls outside the tolerance limits, then the assayed CRM is deemed to have failed, which therefore casts doubt on the accuracy of the assays for samples that were submitted with the CRM. In this case Macarthur have the option of re-assaying a batch of samples, to ensure that the suite of assays received from the laboratory are as accurate as possible, when compared to available checks and balances. The graphs also allow the monitoring of any drift in assay trends over time and thus provide information on analytical accuracy.

QAQC results are discussed herein by assay laboratory for Snark, Drabble Downs, Central and Banjo, rather than by deposit. All the deposits with Mineral Resources reported are geologically similar and are part of the same project. Results analysed are for results received from the laboratories up to May 2012. QAQC results for the Moonshine hematite deposits are discussed separately in the Ularring PFS.

Table 5 - Certified Reference Materials as used 2010 to 2012, Geostats Pty Ltd

CRM Code	Element	Expected Mean (%)	STDEV
GIOP-45	Fe	59.93	0.128
	Al ₂ O ₃	2.0	0.031
	SiO ₂	4.99	0.045
	P	0.050	0.001
	LOI	6.6	0.069
GIOP-54	Fe	48.05	0.214
	Al ₂ O ₃	5.32	0.061
	SiO ₂	15.78	0.137
	P	0.06	0.002
	LOI	7.96	0.086
GIOP-63	Fe	52.46	0.208
	Al ₂ O ₃	5.14	0.071
	SiO ₂	10.89	0.134
	P	0.05	0.001
	LOI	6.89	0.070
GIOP-64	Fe	56.32	0.217
	Al ₂ O ₃	2.6	0.040
	SiO ₂	8.07	0.099
	P	0.037	0.001
	LOI	5.5	0.058

Mineral Resource Definition

The Ularring PFS is based on the combined Indicated Mineral Resources of the Snark, Drabble Downs, Central and Banjo deposits being 54.46 Mt at 47.2% Fe, as detailed in **Table 6** and **Table 7** (news release dated June 14, 2012; NI43-101 Technical Report dated June 29, 2012) above a 40% Fe cut-off.

The Inferred Mineral Resource, also shown in **Table 7**, has been excluded from the Ularring PFS for the purpose of mine planning, life of project and financial evaluation.

Table 6 - Mineral Resources, Ularring Hematite Project. Fe>40%

Category	Tonnes	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI %	S %
Indicated	54,460,000	47.2	0.059	16.9	6.5	7.9	0.16
Inferred	25,990,000	45.4	0.063	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. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 7 - Mineral Resources, by deposit, Ularring Hematite Project. Fe>40%

Deposit	Reporting cut-off grade (Fe%)	Category	Tonnes	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI %	S %
Snark	40	Indicated	21,830,000	47.2	0.07	17.5	6.1	7.7	0.15
	40	Inferred	10,960,000	45.2	0.07	21.8	5.1	6.8	0.09
Drabble Downs	40	Indicated	11,070,000	47.2	0.06	16.6	6.4	8.3	0.26
	40	Inferred	360,000	43.6	0.05	24.0	4.8	7.8	0.09
Central	40	Indicated	15,090,000	47.0	0.05	16.2	7.2	8.1	0.12
	40	Inferred	10,190,000	45.3	0.05	20.3	6.3	7.5	0.08
Banjo	40	Indicated	6,470,000	47.8	0.06	16.7	6.6	7.4	0.14
	40	Inferred	3,880,000	45.4	0.06	18.7	7.6	7.9	0.09
Moonshine	50	Inferred	600,000	53.0	0.06	13.4	6.7	6.1	0.15

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

The Ularring PEA was based upon an earlier Mineral Resource estimation and excluded the Moonshine hematite Inferred Mineral Resource.

Mineral Reserves Estimate

The Mineral Reserves determined from the results of the Ularring PFS are estimated as:

Table 8 - Mineral Reserve Estimate

Deposit	Classification	Tonnes Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	LOI%	S%
Snark/ Drabble Downs	Probable	26.24	47.0	0.06	15.4	6.4	8.1	0.20
Central	Probable	11.18	46.6	0.05	14.7	7.5	8.3	0.14
Banjo	Probable	5.53	47.5	0.06	15.7	6.4	7.4	0.15
Total	Probable	42.95	47.0	0.06	15.2	6.7	8.1	0.18

Mineral Reserve Estimates are based on the mineral resource model prepared by CSA, based on the following key assumptions and parameters:

- All Mineral Reserves are within tenements held by the Company.
- Mineral Reserves estimated at a cut-off grade of 41% Fe, consistent with metallurgical test work results.
- Mineral Reserve estimates include 95% mine recovery and 5% mine dilution grading 25% Fe.
- Mass yield adopted for concentrate production from the Mineral Reserves is 60% consistent with metallurgical test work results.
- Project financial analysis has been based on May 2012 60% Fe concentrate price projections prepared by LFJ Consulting Pty Ltd. Prices range from US\$138.5 to US\$128.9 over the first three years and then adopt a long term average of US\$99.40 for the remainder of the project.
- Project financial analysis has assumed a Weighted Average Cost of Capital of 8%pa and a US\$ AUD exchange rate of 0.93 for 2014, 0.89 for 2015 and 0.84 from 2016 onwards.
- Mining parameters and mining costs have been prepared by CSA.
- Metallurgical test work, process design and processing operating and capital costs have been prepared by MSP.
- Infrastructure design and costs have been prepared by MSP.
- Several water supply options have been identified in the PFS. This reserve is based on assumptions for the establishment and supply of water from within the tenements held by Macarthur Iron Ore Pty Ltd.

- Financial evaluation has been performed by Macarthur based upon a model designed by Thompson Group Holdings and reviewed by it.
- Environmental status and approvals have been provided by Macarthur.
- The Mineral Reserves constitute 70% of the total Indicated Mineral Resource.

Mining Operations

Mining

Two mining methods were evaluated for the Ularring Hematite Project, being conventional Excavate, Load and Haul (“**ELH**”) and Continuous Mining. The strength characteristics of the deposit and waste material are suitable for both mining methods, with minimal blasting required. Conventional ELH has been chosen based on both operational and cost factors. Contract mining has been assumed for both mining methods. Operating cost estimates were sourced from IQE Pty Ltd. Geotechnical and seismic studies have been undertaken by Peter O’Bryan and Associates and hydrogeology studies by Groundwater Resource Management Pty Ltd. The results of these studies were used in optimisation and pit design in the Ularring PFS.

Optimisation studies were conducted using Whittle software for the Indicated Mineral Resources to provide a basis for pit design. Process, infrastructure and revenue related input parameters were sourced from MSP.

Based on the optimisation results, pit designs have been developed for 14 separate pits at Snark and Drabble Downs; 9 pits at Central and 4 pits at Banjo. The pit designs recover 42.9 Mt averaging 47% Fe, including mine dilution of 5% grading 25% Fe, with an overall strip ratio of 1.4:1. The resources contained within these pit designs form the basis of the Mineral Reserve statement and were used in the financial modelling.

A mine production schedule, based on Indicated Mineral Resources within the pit designs and including 95% mine recovery and 5% mine dilution at 25% Fe, has been developed for the Ularring Hematite Project targeting annual production of 2 Mtpa concentrates (**Table 9**). Total annual material movement ranges between 6.8 Mtpa to 9.3 Mtpa. Higher strip ratios occur for the Central pits account for the higher material movement.

Table 9 - Mine Production Schedule

Description		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
Deposit		Snark/D D	Snark/D D	Snark/D D	Snark/D D	Snark/D D	Snark/D D	Snark/D D	Snark/ Central	Central	Central	Central	Central/ Banjo	Banjo
Strip Ratio	t:t	0.81	1.13	1.08	1.09	1.26	1.45	1.15	1.50	2.23	1.65	2.27	1.90	0.84
Ore Mining	kt	3897.6	3208.5	3303.3	3336.9	3028.5	3460.4	4344.4	3611.2	2737.7	3445.4	2668.9	3160.2	2748.4
	Fe	48.15	46.94	47.38	46.01	47.34	47.16	46.06	47.30	46.67	46.55	46.69	47.80	46.81
Waste Mining	kt	3168.6	3618.9	3575.8	3649.3	3804.2	5013.8	4976.9	5423.8	6112.8	5668.3	6062.7	5994.8	2309.7
Total Mining	kt	7066.1	6827.4	6879.0	6986.2	6832.7	8474.2	9321.3	9035.0	8850.5	9113.7	8731.5	9155.0	5058.1
Plant Feed	kt	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	3333.3	2951.3
	Fe	48.15	47.12	47.35	46.16	47.20	47.16	46.11	47.00	46.78	46.60	46.67	47.68	46.87
	Al	5.45	6.47	6.33	5.71	5.11	7.39	7.27	7.48	7.75	7.35	7.49	7.33	5.55
	Si	15.60	14.53	14.77	17.64	17.50	14.14	15.51	13.70	13.62	14.97	14.73	13.75	18.10
	P	0.06	0.06	0.06	0.07	0.06	0.07	0.06	0.05	0.04	0.05	0.05	0.05	0.06
	S	0.24	0.30	0.25	0.14	0.18	0.16	0.15	0.18	0.19	0.14	0.12	0.18	0.10
	LOI	7.28	8.50	8.34	8.03	7.02	8.20	8.53	8.75	8.83	8.25	8.22	7.86	6.86
Ore S/P Closing Balance	kt	564.2	439.4	409.3	412.9	108.1	235.2	1246.2	1524.1	928.5	1040.5	376.1	202.9	0.0

Processing

The metallurgical test work programmes demonstrated that the Ularring Hematite Project deposits are amenable to beneficiation using conventional crushing, scrubbing, classification, gravity and magnetic separation followed by grinding and spiral separation of magnetic tailings to produce a +60% Fe product (typically - 2.5mm) with mass yields in the order of 60%.

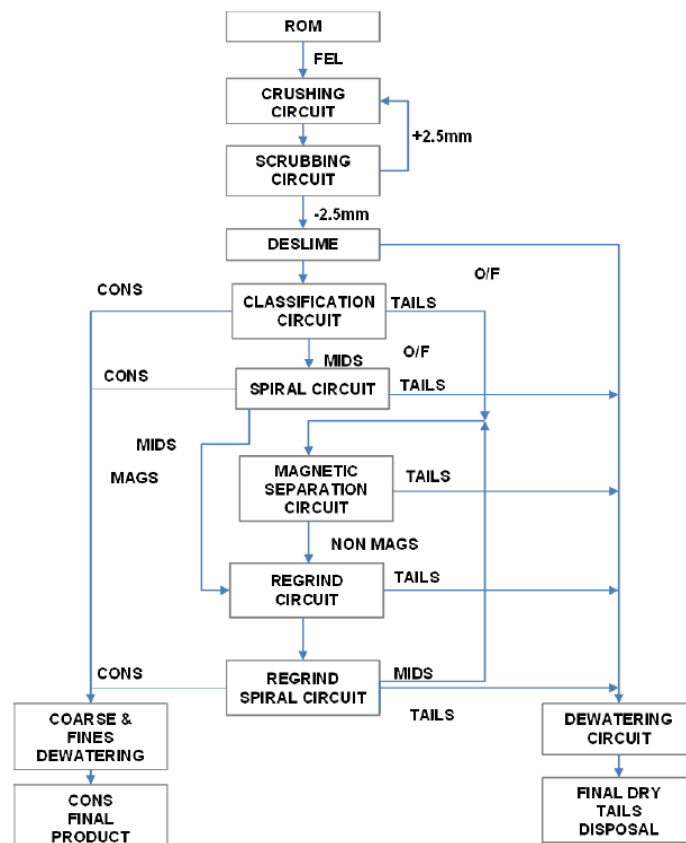
A summary of the proposed processing facility is as follows:

- Feed will be processed through the beneficiation plant at an annualised rate of between 3.3-3.5 Mtpa to produce 2 Mtpa of Fe concentrate for export.
- The plant will comprise a three stage crushing circuit integrated with a scrubber circuit to promote earliest liberation of fines to the beneficiation circuit in order to limit over-grinding. The crushing circuit

- will target a P80 of 2.5mm with fine crushing being performed by a high pressure grinding roll.
- -2.5mm material, resulting from the crushing circuit will be pulped and de-slimed at 35 micron ahead of the beneficiation plant.
- The beneficiation plant incorporates a primary hydraulic classification stage using Allminerals Allflux technology or similar which will produce a final concentrate product along with a middling fraction, which will be presented to a 3 stage spiral circuit which in turn will produce a final Fe concentrate stream and a fines overflow product.
- The middling fraction from the spiral circuit together with the +0.025mm fraction from the Allflux overflow will be processed through a magnetic separation stage comprising low intensity magnetic separation and wet high intensity magnetic separation circuit (“HIMS”) to produce a magnetic Fe concentrate.
- The non-magnetic fractions from the magnetic circuit will then be presented to the regrind milling circuit operating in closed circuit with regrind spirals to scalp fine Fe concentrates.
- All final Fe concentrate streams will report to a concentrate thickener prior to dewatering using ceramic disk filters to produce a -2.5mm concentrate at typically less than 8.0% moisture.
- Coarse tailings will be dewatered using conventional dewatering screens, whilst fines tailings from the beneficiation plant will report to the tails thickener for settling prior to filtrations to produce a dewatered final fine tailings material before being incorporated in the mining waste stockpiles.

Figure 4 shows a schematic flow diagram which provides an overview of the proposed processing facility.

Figure 4 – Process Plant Flow Diagram.



Port and Infrastructure

Logistics

The hematite concentrates will be transported from the mine by road to the Menzies rail siding and then on to the Port for export. The route will bypass the town of Menzies and will be a total of 121.1kms in length (mining operation centre to siding).

Road haulage will be along the existing Evanston – Menzies Road utilising quad road trains with side tip trailers. The concentrates will be stockpiled adjacent to the rail siding in 2 x 30 Kt stockpiles before being rail transported with standard ore wagons to the Port followed by unloading by rotary car dumper, stockpiling in covered shed, reclaimed and loaded onto vessels via the No 3 berth ship loader.

Port

The Ularring Hematite Project is centrally located between a number of ports in Western Australia's South West. Previous analysis (in the November 2011 PEA) identified that the Port offered the best option with rail access, good vessel size capabilities, rail infrastructure and available present and /or future export capacity. At some 510kms from the Ularring Hematite Project, the Port of Esperance ("**Port**") is preferred.

With the completion of a A\$54 million Port upgrade project in February 2002, the Port became the deepest port in southern Australia, capable of handling Cape Class vessels up to 200,000 dead weight tonnes plus fully loaded Panamax class vessels up to 75,000 dead weight tonne. Currently the Port handles over 200 ships per annum and is presently licensed for 11.5 Mtpa of bulk iron ore loading.

The Port currently exports approximately 9 Mtpa of iron ore and in January 2012 the Western Australian Transport Minister, the Honourable Troy Buswell approved an in principle expansion of export capacity at the Port by up to an additional 20 Mtpa. This proposed expansion will follow the A\$120 million road rail transport corridor upgrade currently under development into the Port.

The preliminary construction timelines for the Multi User Iron Ore Facility have not been fully disclosed but initial estimates are that the Port expansion will be completed by 2015. Macarthur continues to work with the other companies in the Yilgarn Iron Ore region to impress upon the Western Australian Government the need for a timely expansion.

On August 8, 2012 Macarthur has entered into a Capacity Reservation Deed with the Esperance Port Authority ("**EPSL**"), securing a commitment for a 2 Mtpa allocation as part of the proposed expansion of the iron ore export facilities at the Port. Macarthur's proposed mining and export of its hematite product is planned to coincide with the completion of the MUIOF.

In June 2012, the EPSL commenced a formal Market Sounding process to identify all parties interested in the capacity expansion exercise. Macarthur has registered an interest in the expansion of the Port in its own right and is also participating in a larger consortium group with a similar interest and has entered into a Market Sounding Participation Deed.

Since the completion of the Ularring PFS, on January 31, 2013 the Western Australian Treasurer, State Minister for Transport; Emergency Services, Hon. Troy Buswell, announced that the State Government accepted an 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 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 to identify companies and consortia with the experience and financial capability to undertake the project. The Company has registered its interest as a miner in the ROIP. On June 11, 2013 EPSL announced that two consortia that registered an interest in participating in a Request for Proposal phase ("**RFP**") have been shortlisted to prepare their bids, to finance, design, build and operate the MUIOF at the Port. The two consortia are: Qube Pty Ltd and Brookfield Infrastructure (Australia) Pty Ltd; and Yilgarn Esperance Solution consortium (which comprises of McConnell Dowell Constructors (Aust) Pty Ltd, Asciano and Marubeni Corporation Ltd) and submitted their RFP tenders in November 2013.

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

On May 7, 2014, the Western Australian Government announced the Yilgarn Esperance Solution (“**YES**”) Limited, as the preferred proponent for the expansion of the MUIOF at the Port

The Port anticipates that work on the new facility will begin in 2014 and be completed in 2015, subject to the successful proponent achieving financial close and project contractual close. Macarthur entered into a Capacity Reservation Deed with EPSL on August 6 2012 for 2 Mtpa capacity for the MUIOF. Macarthur has also entered into a Memorandum of Understanding (“**MOU**”) with Asciano for the parties to negotiate, in good faith, commercial conditions in relation to export capacity allocation for Macarthur of 4 million tonnes per annum at the MUIOF. The MOU also deals with haulage and handling.

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

The expansion of available capacity at the Port remains the single most significant issue remaining to be resolved for the commercialisation of the Ularring Hematite Project. While the Company is continuing to participate in and support this development, there are opportunities to pursue alternative strategies for access to port capacity or to use alternate logistics chains in the future.

Infrastructure

The Ularring Hematite Project will comprise a fully serviced remote area mining and processing hub that will be supported by a fly in fly out work force supplemented by Kalgoorlie located personnel.

As such, the Ularring Hematite Project will incorporate the following key infrastructure requirements:

- dedicated on site power generation by a third party provider.
- remote bore field and on-site water treatment plant for water supply which could be provided by third party providers.
- remote area accommodation facility which could be provided by third party providers.
- remote area mine administration centre.
- dedicated communication network.
- a dedicated stockpile area at the rail siding which will be capable of stockpiling up to 60,000 tonnes of concentrates and loading 115+ tonne ore wagons.

The rail link will be operated and maintained by a third party.

Market Studies and Contracts

Macarthur engaged the services of an independent global iron ore consultant LFJ Consulting Pty Ltd (“**LFJ**”) to assist in determining the potential value, penalties and market opportunities of the beneficiated fines and to provide marketing input for the Ularring PFS. Amongst other things the study considered the relative pricing of a 62% product compared with the Ularring PFS product specification of 60% Fe product in order to provide the foundation for a cost benefit analysis to be carried out in due course for the production of a higher grade Fe product at a likely lower overall process recovery.

The shipped iron ore fines product from the Ularring Hematite Project is forecast to produce a 60% Fe content with the remaining chemistry within the acceptable range for steel plant consumption. Potential also exists to produce a 62% Fe product if required. The 60% Fe iron ore fines product is well suited for the Asian market and at a production capacity of 2Mtpa will be easily consumed by a small number of steel plants.

The relative Value in Use (“**VIU**”) of the 60% Fe iron ore fines compared to the Platts 62% Fe index was calculated using the Slag Volume Index (“**SVI**”) method. This index measures the amount of waste material

required to be processed to obtain one tonne of iron. Using the SVI method it is forecast that the 60% Fe iron ore fines would attract a slight discount (1.5%) on a dmtu basis compared to the Platts 62% Fe index to provide the similar VIU based on the iron ore fines chemistry. Although the 60% Fe iron ores fines product size distribution is finer compared to typical seaborne hematite fines from Australia, the ultra-fines level (-0.15mm) component, which negatively impacts on sinter plant productivity, is lower compared with other hematite products from the Pilbara region. Therefore it is assumed that the size distribution will have no impact on sinter plant productivity. This assumption will be tested in due course by laboratory-scale sinter pot test work program at an internationally recognised laboratory. As at the date of the preparation of the LFJ report in May 2012, Macquarie Research forecasts the Platts 62% Fe index (CFR China) at US\$2.597/dmtu (US\$161/dmt) in 2014. Based on this information the value of the 60% Fe iron ore fines are estimated at US\$153/dmt (CFR China) with a long term pricing post 2016 estimated at US\$114/dmt (CFR China).

Due to the higher revenue of the 62% Fe product compared to the 60% Fe product, LFJ has recommended that consideration should be given to target the 62% Fe for the first three years of production and concurrently investigate mine life extension programs on a yearly basis with a forecasting three year rolling mine grade plan. This option will be evaluated as part of subsequent project studies.

Approvals and Environmental

The Company has completed as much as currently possible of its environmental investigation for mining and processing supporting the Ularring Hematite Project. No declared rare flora listed under the *Wildlife Conservation Act* (1950) (WA) has been recorded in the project area. One species of threatened fauna, the Malleefowl, has been recorded but was predominantly found outside the disturbance area.

On June 1, 2012, the Company submitted its referral documentation under Section 38, Part IV of the *Environmental Protection Act* 1986 (WA) for assessment by the Environmental Protection Authority. This referral will determine the level of impact assessment that is to be applied to the Ularring Hematite Project. Since the Ularring PFS, on 15 May 2013, The Chairman of the EPA recommended that the project may be implemented and the Office of the Environmental Protection Authority has issued draft conditions for the Ularring Hematite project which are expected to be endorsed by the Minister for Environment by mid-June 2013.

In June 2012, the Company also submitted a referral under the *Environmental Protection, Biodiversity & Conservation Act* (1999) (C'th) ("EPBC") to the Federal Government Department of Sustainability, Environment, Water, Population & Communities ("SEWPaC"). The Company received formal notification from SEWPaC on July 13, 2012 that the Ularring Hematite Project is not considered a controlled action and therefore does not require assessment under the EPBC.

The Company is now in the process of completing a mining proposal for submission to the Department of Mines and Petroleum for approval to mine under the *Mining Act* (1978) (WA) and a Project Management Plan required under the *Mines Safety and Inspection Act* 1994. Since the Ularring PFS, the Company has continued with Aboriginal heritage surveys and has obtained approval under S16 of the *Aboriginal Heritage Act* 1972 to undertake small-scale excavation work at heritage sites. This work will support completion of a S18 application to remove heritage sites, where appropriate.

Capital Costs

Capital costs for the Ularring Hematite Project over the life of the project including sustaining capital expense totalling A\$52.4 million incurred in years 2021, 2025 and 2027 were estimated by MSP and CSA. Sustaining capital consists of \$50.7 million for rehabilitation costs as mining areas are completed and the remainder includes replacement capital and ongoing mine road construction, particularly as operations move to Central and Banjo. The estimates are summarised in **Table 10** and should be considered to be $\pm 20\%$ order of accuracy current at the second quarter of 2012.

Table 10 - Capital Costs

	A\$m
Direct Costs	
Mine (including mobilisation and technical services)	3.4
Processing plant	66.5
On-Site infrastructure	20.7
Off-Site infrastructure	17.4
Product transport and logistics	46.2
Construction facilities	4.0
General spares and services	3.0
Subtotal Direct Costs	161.2
Sustaining capital over LoM	52.4
Sub-total Direct Costs over LoM	213.6
Other Costs	
Engineering Procurement & Construction Management	16.5
Owner's costs	5.2
Contingency	27.4
Sub-total Other Costs	49.1
Total Capital Costs	262.7

Opportunities to reduce the Company's capital outlay through contracting with third parties to provide key elements of the project including potentially the beneficiation plant, project water supply infrastructure and site accommodation infrastructure will be evaluated in due course.

Operating Costs

Operating costs have been estimated on the basis that mining operations will be carried out by a contractor under the Company's supervision for geology, grade control and survey, processing could be on a build, own operate basis by third party, concentrate transport to rail head and rail haulage to the wharf will be by contract, and port operations will be by EPSL. Average mine operating cost (excluding royalties) is estimated to be A\$78 per tonne to produce 60% Fe saleable product delivered FOB to Port. A summary of operating costs elements are shown in **Table 11**.

Table 11 - Operating Costs

Operating Costs	A\$m	A\$/ shipped FOB
Mining	415	16.11
Processing	275	10.64
Product Transport (FOB)	1,200	46.58
Overheads	124	4.81
Total Operating Costs	2,014	78.14

Economic Analysis

The evaluation of the Ularring Hematite Project was completed using discounted cash flow analysis with a real pre-tax discount rate of 8%, with a range of sensitivities applied.

The financial outcomes from the studies of the Ularring Hematite Project are shown in **Table 12**.

Table 12 - Financial Outcomes

Financial Valuation	
NPV at 8% discount rate*	A\$456 million
Internal Rate of Return*	57%
Capital discounted payback period	3 years
Project life	13 years
Fe grade of saleable product	60 %
Sales tonnes per annum	2 Mtpa
Total revenue generated (real)	A\$3.238 billion
Operating costs (excluding royalties) per tonnes shipped	A\$78 / t
Long Term Fe price (real, applied 2017 and beyond)**	US\$99 /t (FOB)
State royalties per tonnes shipped	\$6.28/t
Long term A\$/US\$ exchange rate (applied 2017 onwards)	0.84

* Real, pre-tax

** Benchmark 62% Platts Fe index discounted to the 60.1% product grade

Work on Revising Cost Estimates for the Project

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

No new economic assessment has been undertaken beyond the 2012 PFS economic analysis. New reserve estimations and a full economic reassessment will be undertaken as a part of the FS. Consequently, the results and implications of the revisions described below will not be fully understood until a FS has been completed.

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

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

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

Table 13 below provides an overview of the outcomes of the 2012 PFS and the variation from Project optimisation during 2013/2014.

Table 13. 2012 PFS and 2013/14 Revised Estimates

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

Operating Costs

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

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

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

The revised average mine operating cost (excluding royalties) is estimated to be \$68/tonne to produce 58%-60% Fe saleable product delivered FOB to port (\$78/t in 2012). A summary of revised estimated operating costs elements is shown in **Table 14** below.

Table 14. Estimated Operating Costs

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

¹ Estimate based on quotation from mining services company

² Estimate based on reduced processing costs from revised process flow sheet

³ Product transport is inclusive of road and rail freight and port handling charges

⁴ Estimate based quotation from haulage company (~\$0.07 tonne/km) and quotation from rail provider

Capital Cost Estimate

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

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

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

The total revised capital estimated for the Project, as set out in **Table 15**, is split between the owner's (Macarthur) costs and costs attributable to potential contract service providers under BOO/T arrangements.

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

Table 15. Capital Costs

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

* The estimates should be considered to be ±20% order of accuracy.

* Potential third party contractor contribution under BOO/T

Expansion of Iron Ore Export Facilities at the Port of Esperance

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

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

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

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

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

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

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

Metallurgy & Processing

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

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

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

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

Logistics

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

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

Exploration and Development

Macarthur's proposed key milestones for the Ularring Hematite Project include:

- 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.
- Commencement of stage 1 bulk test work program to develop a sinter test and marketing products for assessment by potential iron ore off-take partners.

THE MOONSHINE MAGNETITE PROJECT

The following is based on the “Lake Giles Iron Ore Project” (the “**Lake Giles Iron Ore Report**”) prepared by CSA Global Pty Ltd filed December 17, 2009 and “Moonshine and Moonshine North Prospects Lake Giles Iron Project” (the “**Moonshine Report**”) prepared by Snowden Mining Industry Consultants (“**Snowdens**”) filed March 25, 2011. The Lake Giles Iron Ore Report and the Moonshine Report, are collectively referred to herein as the “**Moonshine Magnetite Technical Reports**”. Full copies of the Moonshine Magnetite Technical Reports are available under the Company’s profile on SEDAR at www.sedar.com. The following disclosures, which are derived from the Moonshine Magnetite Technical Reports, are subject to the assumptions and qualifications contained in the Moonshine Magnetite Technical Reports. Ian Cooper, a qualified person under NI 43-101, has reviewed the following disclosure.

The Company released an Inferred Mineral Resource estimate for 1,050.7 Mt at 28.3% Fe, on December 1, 2009, supported by a technical report dated December 17, 2009. On February 23, 2010, the Company announced that the Inferred Mineral Resource estimate was increased to 1,117 Mt at 27.8% Fe. This was not considered by the Company to be a material finding and therefore no NI 43-101 technical report was produced in respect to the increase. The Company released the Moonshine PEA on November 21, 2011 based on the Moonshine and Moonshine North deposits only, with an increase in the Inferred Mineral Resource (for those deposits only) to 710.5 Mt at 30.1% Fe.

Project Description & Location

The Moonshine Magnetite Project is located on Macarthur tenements which cover a total area of approximately 1,148 km² about 450 km east-northeast of the coastal city of Perth, Western Australia. The Moonshine Magnetite Project comprises all magnetite mineralisation located within this area, in particular the magnetite Mineral Resources presently defined at Moonshine, Moonshine North, Sandalwood, Clark Hill South, Clark Hill North and Snark prospect areas. The conceptual scope for the Moonshine Magnetite Project contained in the Moonshine Magnetite Technical Report is for a 10 Mtpa magnetite concentrate operation starting up within 4 to 5 years and with an operating life of 26 plus years.

Mineral Tenure

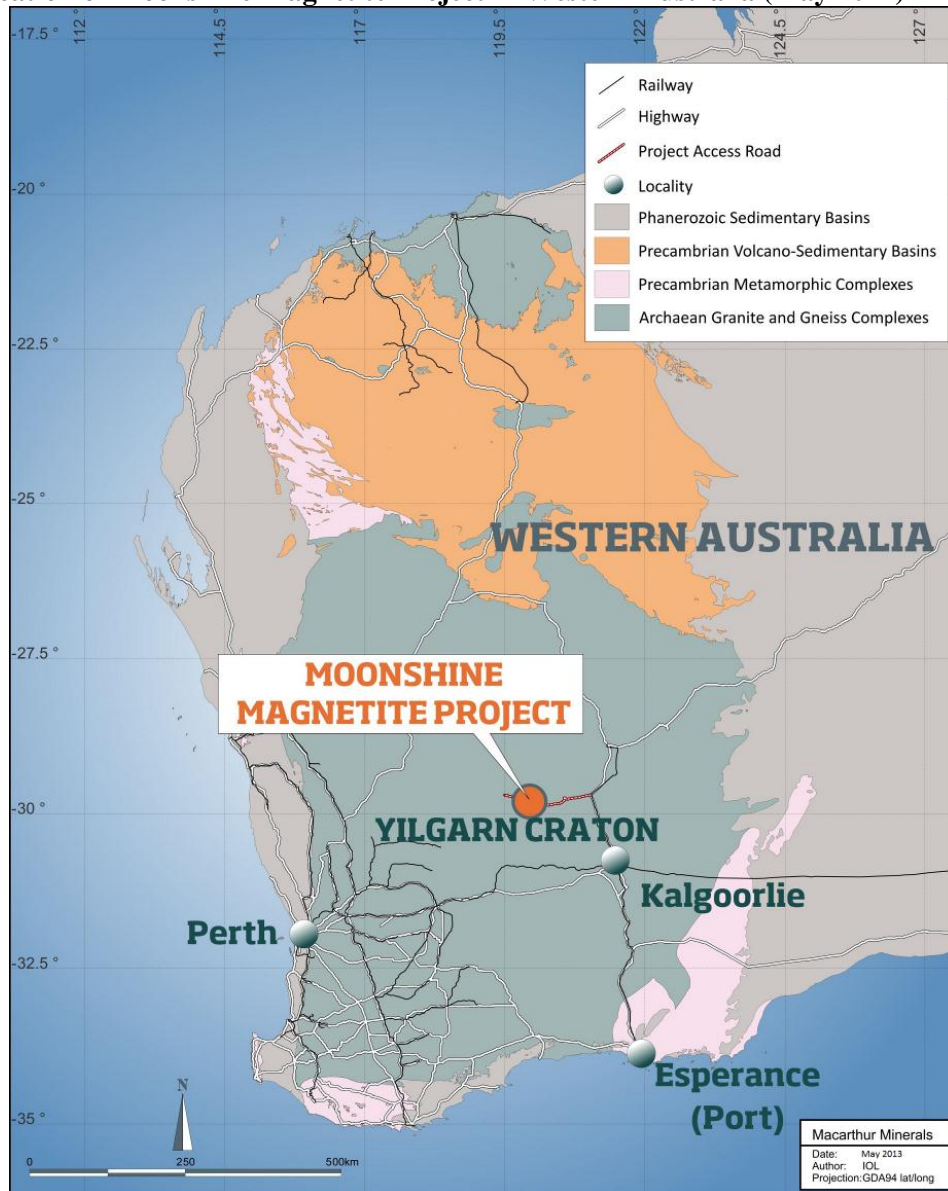
As at the date of this AIF, the Moonshine Magnetite Project consists of 21 Exploration Licences, 18 Mining Leases and 7 Prospecting Licences all held or managed by MIO, a 100% owned subsidiary of Macarthur. In addition Macarthur holds 10 Miscellaneous Licences which are held for infrastructure purposes such as haul roads, and water exploration licences which do not have associated expenditure commitments.

Tenements are designated as either mining, exploration, prospecting or miscellaneous as itemised in **Figure 2**.

Other than Exploration Licence 30/317 (refer to section “*Option Agreement E30/317*” above), there are no other known agreements (royalties or other encumbrances) relating to any of the tenements.

With the exceptions of two Reserves all of the Macarthur tenements occur on Vacant Crown Land which is defined as Crown Land not currently being used or reserved for any future purpose. As the registered tenement manager Macarthur has the right to access the land for the purpose of mineral exploration, subject to the conditions of tenure described below.

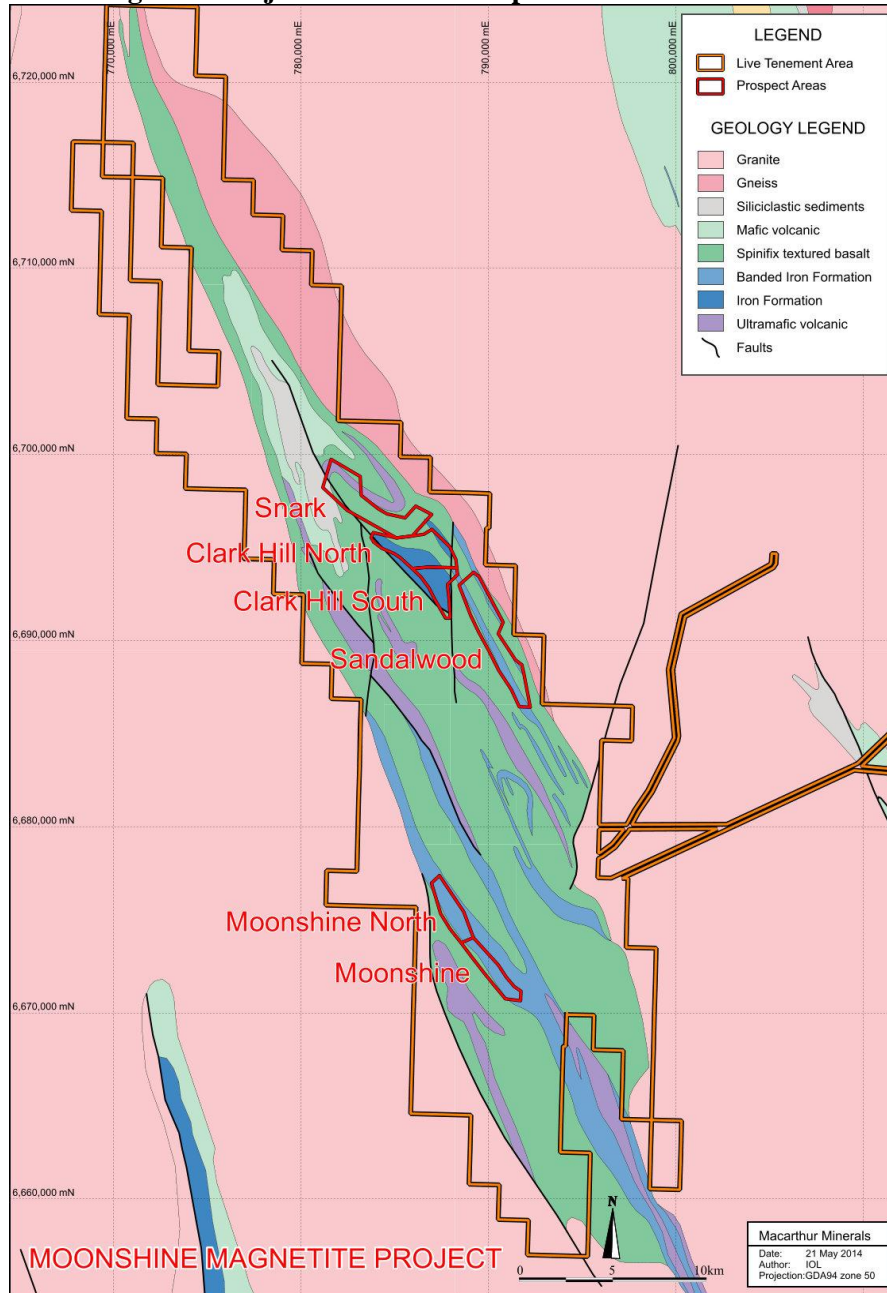
Figure 5 - Location of Moonshine Magnetite Project in Western Australia (May 2014)



Location of Mineralised Deposit and Mineral Resources

Macarthur has focussed its exploration of BIF associated magnetite mineralization at a number of mineralized deposits, designated as the Snark, Clark Hill North, Clark Hill South, Sandalwood and Moonshine deposits. **Figure 6** the extents of these tenements relative to the mineralized domains currently interpreted for the Moonshine Magnetite Project.

Figure 6 – Moonshine Magnetite Project Mineralized Deposits



Environmental Liabilities

The Moonshine Magnetite Project does not have any environmental liabilities from previous mining or exploration activities such as the rehabilitation of waste dumps or decommissioning of tailings storage facilities. No area of the site is registered as a contaminated site that requires remediation. The company has not been fined or prosecuted under any environmental legislation or received any improvement notices for current or past exploration activities from the DMP. There are no heritage agreements in place as there are no registered native title claimants within the Project tenements.

The ESA that formerly existed over Mining Reserve 50929 has recently been removed. This site was listed on the RNE under the *Australian Heritage Council Act 2003* of the Commonwealth. As a result of the expiration or repeal of parts of the *Environment Protection and Biodiversity Conservation Act 1999* and *Australian Heritage Council Act 2003* relating to the RNE, this site is no longer deemed to represent an ESA as declared under the *Environmental Protection (Environmentally Sensitive Areas) Notice 2005*.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Topography, Elevation and Vegetation

The topography of the Moonshine Magnetite Project area is similar to the Ularring Hematite Project and is comprised of low ridges associated with the BIF units, striking in a general northwest - southeast direction, that rise up from the surrounding sandy plains. The range in elevation is approximately 120m with the highest point at approximately 520 m above sea level. Vegetation of the region is dominated by mulga scrub with local patches of low to medium Eucalyptus woodland and areas of salt tolerant shrub and spinifex.

Access to Property

The Moonshine Magnetite Project can be accessed on the same road as the Ularring Hematite Project from Kalgoorlie via the sealed Menzies Highway north for 130 kms, then west from the town of Menzies for 115 km along the unsealed graded Evanston-Menzies Road (refer **Figure 7**). The Moonshine Magnetite Project can also be accessed from Perth, via sealed roads to Southern Cross and Bullfinch, then north and east for 200 km along the Diemals Road.

Climate

The climate at the Moonshine Magnetite Project and is characterised as a semi-arid climate. The mean annual rainfall of 275.7 mm with rain fall mostly in the winter months. The temperature averages over 40°C for 15 days in the summer months, from November to March, while in the winter months, from June to August, the temperature averages a minimum range from 3.9°C to 5.0°C.

The climate at the project area allows an operating season covering the full length of the year. In the Kalgoorlie region, mining and exploration activities are conducted throughout the year, with infrequent generally short disruption during and after periods of heavy rain.

Infrastructure

The Moonshine Magnetite Project is serviced from the city of Kalgoorlie-Boulder, with a population of 31,000 people, which provides services to a large number of operating mines and exploration properties in the region. Some limited facilities are available in Menzies including fuel, accommodation, and meals. A railway line passes through, and road freight lines deliver to the town.

Subsequent studies will include the identification of the availability of sources of power, water, personnel, potential tailings storage areas, potential waste disposal areas, and potential processing plant sites.

History

Property Ownership

Since the late 1960s several exploration companies have explored the Moonshine Magnetite project areas for several commodities. There have been 3 main phases of exploration; nickel exploration from 1968 to 1972, gold exploration from 1993 to 2004 and more recently iron exploration.

Macarthur Minerals Limited 2005-2006

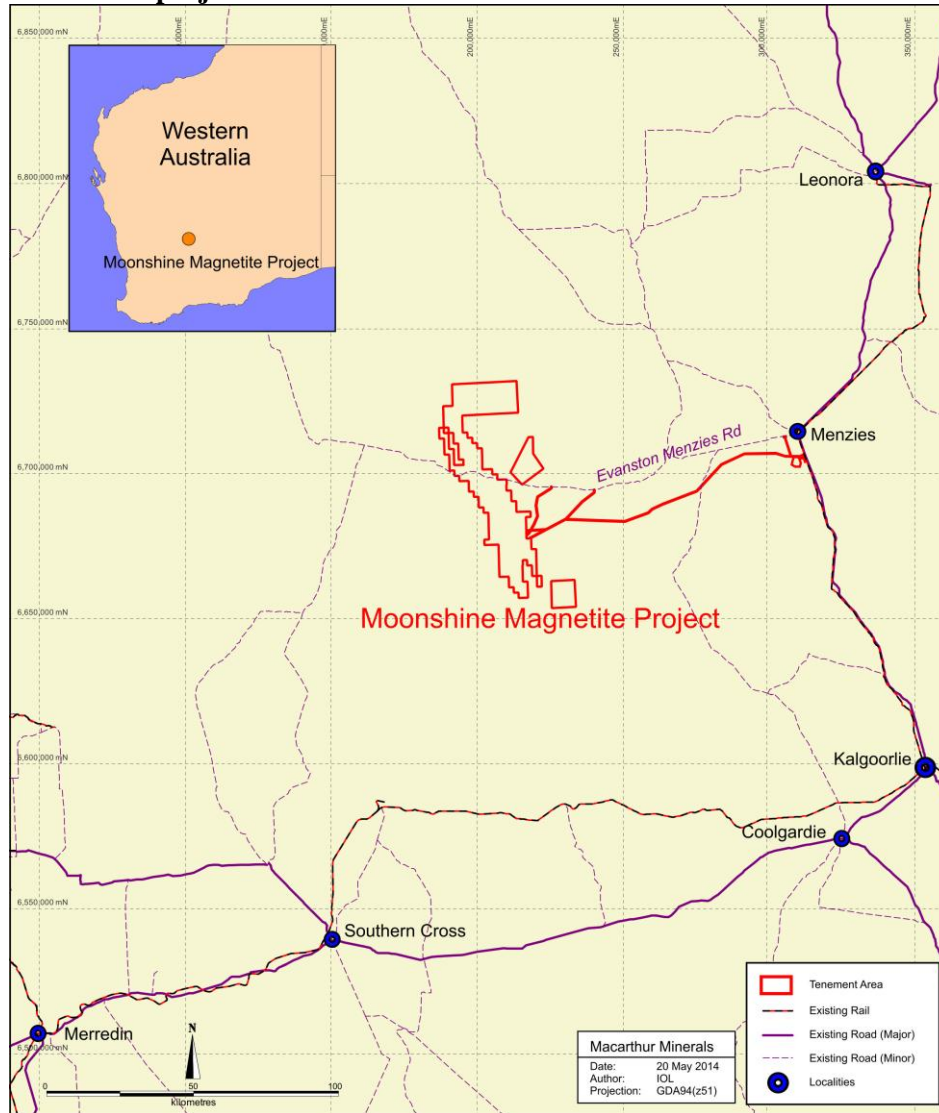
Macarthur took over the tenements then known as the Lake Giles Project in late 2005 with the purchase of Macarthur Iron Ore Pty Ltd (then called Internickel Australia Pty Ltd). Macarthur immediately continued with the ongoing exploration program for nickel and gold. In particular anomalies generated by a 2004 helicopter electromagnetic survey were visited and many were mapped and sampled, with emphasis on the search for nickel bearing gossans.

Historical Mineral Resource Estimates & Previous Mining

No known historical mineral resource or reserve estimates prior to 2007 exist for any commodity within the area now covered by Macarthur's tenements.

No mining is known to have been undertaken in the Moonshine Magnetite Project area or anywhere on Macarthur's tenements to date.

Figure 7 - Location of the project area with local infrastructure and localities.



Geological Setting

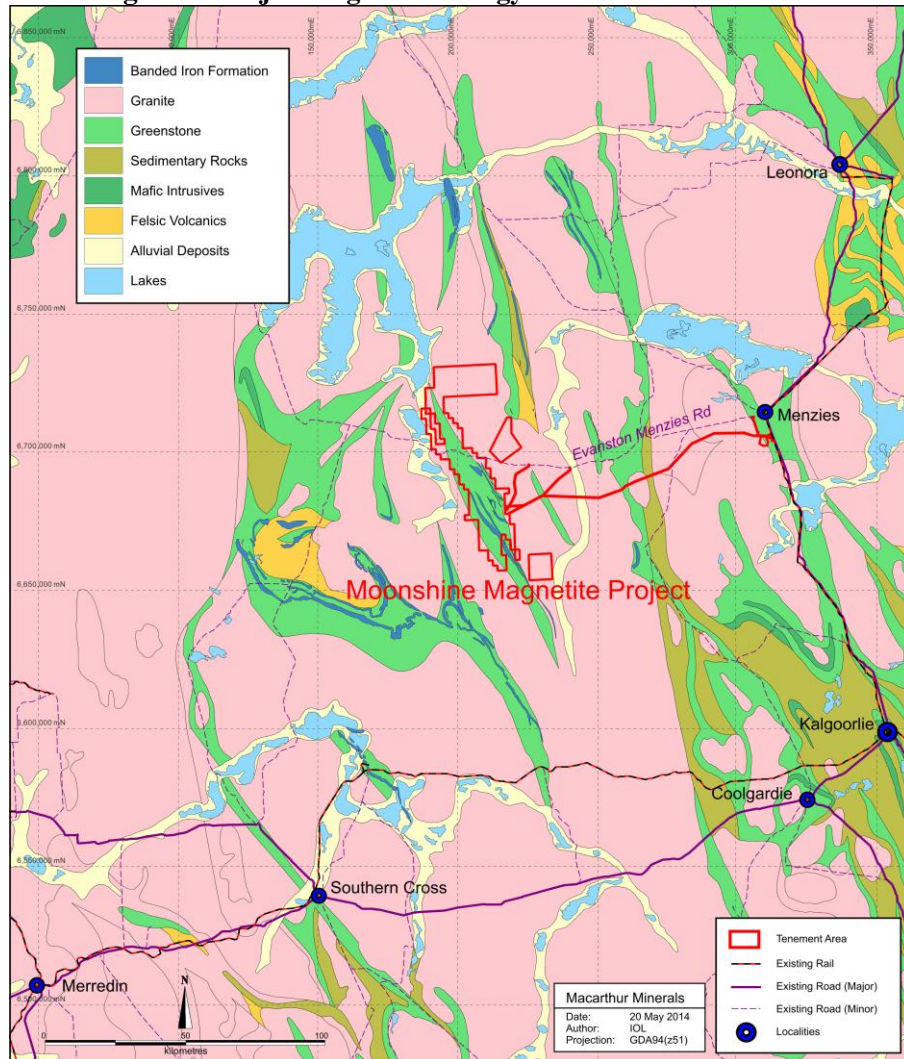
Regional Geology

The Moonshine Magnetite Project area covers a large area of the Yerilgee greenstone belt with approximately 60 km strike length trending in a NW to SE direction (**Figure 8**). The Yilgarn Craton is characterized by lenticular greenstone belts commonly partially enveloped by foliated and gneissic granitoids. The Yerilgee greenstone belt is dominated by mafic volcanic rocks, with subordinate felsic and mafic intrusive rocks, and minor sedimentary and felsic volcanic rocks. The rocks have been metamorphosed to greenschist facies, and subjected to multistage deformation with the development of an early, layer-parallel fabric which was deformed during a period of mainly east west compression coincident with a major period of granitoid intrusion.

Moonshine Magnetite Project Prospect and Local Geology

Margins of the Yerilgee greenstone belt are defined by major north-northwest trending fault zones. Rocks exposed in the project area have intensely folded with large synclinal structures on both the eastern and western sides of the belt. Several sinistral fault zones with a north-westerly trend have been mapped in the area, and these structures are interpreted to successively repeat the layered succession. The synclinal folds have north-westerly and north-northwesterly trending, steeply dipping fold axes and, where mapped in detail, plunge to the north at 30 to 60°. Folding appears to be contemporaneous with faulting, and is interpreted to represent drag fold structures.

Figure 8 - Moonshine Magnetite Project Regional Geology



Exploration

Geological Mapping and Sampling

During March 2006 Cooper Geological Services Pty Ltd (“**Cooper**”) (a company independent of Macarthur) was commissioned by Macarthur to map and grab sample six sites where historic sampling showed anomalously high iron values, associated with outcropping oxidized BIF units. These sites included Clark Hill North, Moonshine, Moonshine North, Snark, and Sandalwood. The outcropping geology was mapped at a 1:25,000 scale by Cooper and Macarthur geologists by traversing the outcropping units. The outcrop map was transferred into a digital format and is used to target the iron mineralisation for drilling. The Cooper chip sample programme returned grades between 38.1% Fe to 62.5% Fe with 80% of the 45 samples above 50% Fe. The geological

mapping has aided the interpretation of the iron mineralisation and has subsequently increased the confidence in the interpretation.

Mineralization

A number of extensive BIF units have been mapped in the Moonshine Magnetite Project area. The BIF units can be clearly traced from aeromagnetic surveys, and commonly form variably prominent ridges. BIF associated with goethite and hematite alteration of oxidized BIF and deeper fresh rock magnetite with mineralization generally 50 metres in depth.

Oxidised Zone Interpretation

The oxide (weathering) boundary was interpreted as a likely constraint on depth to the top of the magnetite mineralization. Based on logging of weathering, magnetism of drill chips, the DTR % recovery and the calculated % Fe recovered the base of oxidation was interpreted for magnetite areas.

Drilling

Drilling Completed by Macarthur

Macarthur's drilling to date at the Moonshine Magnetite Project totals 253 RC drill holes and 11 diamond drill holes. Three of these holes were drilled during November 2012 to January 2013 in the Moonshine north prospect. They were part of a co-funded drill program by Exploration Incentive Scheme, GSWA, Department of Mines and Petroleum targeting high grade magnetite mineralization

In the Moonshine and Moonshine North prospects, most of the drill holes are drilled perpendicular to strike of the BIF units, intersections approximate the true thickness of the BIF units. In Moonshine, most of the drill holes are -60° to 080 or -60° to 240, with a minor number of drill holes have a dip -90° or -60° to 030. Moonshine North, the azimuths ranges from 240 to 280 but all dip -60 towards the west.

In both prospects the drill hole spacing varies from 50 m to 300 m. RC and diamond drilling completed at the Moonshine Magnetite Project, is summarized in **Table 16**.

Table 16 - Macarthur's Drilling completed at the Moonshine Magnetite Project as at the date of the AIF

Prospect	RC Drilling		Diamond Drilling	
	No. of Holes	Metres	No. of Holes	Metres
Moonshine/Moonshine North	161	34,435.4	6	1,439
Snark	17	3,183.0	-	-
Clark Hill North and South	48	8,166.0	5	1,002.3
Sandalwood	27	5,825.0	-	-
Total	253	51,609.4	11	2,441.3

In addition 17 RC holes were drilled in the Cody's Ridge prospect in 2010.

RC Drilling Procedures

All holes drilled up until February 2007 were drilled by Ausdrill Limited with supervision by Macarthur field personnel. From March 2007, RC and diamond drilling was completed by Orbit Drilling with supervision by Macarthur field personnel and contractors. Similar field procedures were adopted for all RC drilling phases.

Planned drill hole collar positions were marked by GPS, and if clearing was required to provide a suitable drill site, then planned collar positions were re-marked after clearing. To assist with drill rig alignment, two sighter pegs were placed at appropriate distances from the collar position using a sighter compass. After drilling, all

drill hole collars, including all drill holes included in the current Inferred Mineral Resource estimates were surveyed by high accuracy RTKGPS. RTKGPS surveys, which were undertaken by surveyors from Minecomp Pty Ltd are accurate to within 50 millimetres in three dimensions.

After the drill rig set up on each hole, Macarthur staff checked hole inclinations with a clinometer. All drill holes were surveyed by Surtron Technologies Pty Ltd using a down hole gyro on 10 metre intervals. By using the down hole gyro equipment this eliminates the risk of interference from magnetism related with the surround rocks and drilling equipment, therefore making the data extremely accurate and reliable.

Macarthur's field geologists log the RC holes directly into a Microsoft Excel spreadsheet. These spreadsheet files are then reviewed, and summarized by Macarthur geologists and the summary logs entered into Macarthur's drill hole database. The summarizing includes some combination of shorter units into broader zones.

Diamond Drilling Procedures

The first five diamond drill holes were all drilled at Clark Hill North and were geologically logged by contract geologists. The diamond core logging and condition of the core was described as less than acceptable. The 2010 and 2011 diamond drilling of the six LGDD series holes was managed by Macarthur.

The core was taken for the purpose of metallurgical testwork, and a fillet cut for general assay work. The core drilling was additionally used in the geological interpretation for the corresponding mineral resources.

Sampling and Analysis

Drilling practices were focused on maximising sample recovery and minimising sample contamination. During RC drilling at the end of each six metre drill rod, drilling paused while compressed air was blown through the rods to flush cuttings from the hole, sample hoses and cyclone to minimise sample contamination, and to ensure there were no blockages in the sample stream. The cyclone was regularly inspected and cleaned as necessary. Samples were collected over one metre down-hole intervals.

The five metre composite samples for magnetite assaying were composited by the assay laboratory from the one metre samples on an equal weight basis. Identifying sample numbers were assigned to samples by drill hole and depth. All head grade and DTR analyses were undertaken by a company that is independent of Macarthur, Amdel laboratories. The NATA has accredited Amdel laboratories in accordance with ISO/IEC 17025, which includes the management requirements of ISO9001:2000.

No drilling, sampling or recovery factors were identified that could material impact the accuracy or reliability of results.

Sampling Procedure for Reverse Circulation Drilling

The RC drill programs which provide the sampling data for the current Moonshine Magnetite Project Mineral Resource estimates were supervised by Macarthur's field staff, or contractor field staff. Field procedures were similar for all drilling phases. Drilling practices were focused on maximizing sample recovery and minimizing sample contamination. At the end of each six metre drill rod, drilling paused while compressed air was blown through the rods to flush cuttings from the hole, sample hoses and cyclone to minimize sample contamination, and to ensure there were no blockages in the sample stream. The cyclone was regularly inspected and cleaned as necessary. Samples were collected over one metre down-hole intervals and a sub-sample collected in a calico bag by splitting through a three tier riffle splitter. The calico bag sub-samples were labelled with the drill hole and depth range and placed on top of the remnant bulk sample in labelled plastic bags in rows of 20 alongside the drill collar. The plastic bags were folded to minimize subsequent sample contamination. For drill phases one to three which represent the RC drilling undertaken between July 2006 and February 2007, Macarthur geologists used a sampling spear to take a representative sample from each plastic bag, which were then composited to 5m sample intervals for DTR assaying.

For drill phases four, and subsequent phases, which represent the RC drilling undertaken between September 2007 and March 2011, the individual one metre rifle split calico bag samples were submitted to the assay laboratory. The five metre composite samples for assaying were composited by the assay laboratory from the one metre samples on an equal weight basis. Identifying sample numbers were assigned to samples by drill hole and depth, for example sample LGRC_03_185_190 represents the 180 to 190 metre interval from drill hole LGRC03.

Sampling Recovery

Although Macarthur's RC drilling procedures did not include routine recording of sample recoveries, that sample recovery was generally very good. The reported high sample recoveries are consistent with observations during site visits in August 2007 and July 2008. Inspection on the remaining bagged sample material for a number of drill holes and noted that recovered sample volumes were consistently high. Sample bags were typically well-filled demonstrating the generally high, and consistent sample recovery.

Sampling Procedure for Diamond Core Drilling

Diamond core drilling procedures are documented in Macarthur's Diamond Drilling and Geotechnical Logging Standard Operating Procedures. No diamond core assays were available to be used in the Mineral Resource estimates covered by the Moonshine Magnetite Project Technical Reports.

Diamond and Reverse Circulation Drill Samples

For the Phase One to Three RC drilling, the generally five metre sub-samples were collected by spear sampling of from one metre bulk sample bags. These samples were submitted to either Genalysis (Phase One to Two) or Amdel (Phase Three) for preparation and head grade analysis. All Davis Tube recovery analysis was performed by Amdel laboratories.

For the Phase Four and subsequent RC drilling, the generally five metre assay samples were produced from one metre riffle split samples by the assay laboratory on an equal weight basis. All head grade and Davis Tube recovery analyses were undertaken by Amdel laboratories.

One metre samples are labelled before filling at the drill, collected by Macarthur geologists from the drill site and transported by a Macarthur contractor to the laboratory.

The NATA has accredited both Genalysis and Amdel laboratories in accordance with ISO/IEC 17025, which includes the management requirements of ISO9001:2000.

Drillhole Data Summary

Drilling has been carried out over ten phases. The ninth and tenth (2011) phases were specifically targeted to define the potential DSO lenses of hematite-goethite mineralization identified and mapped in late 2009 and early 2010 and are not relevant to the Moonshine Magnetite Project.

Drillhole data was supplied to CSA and Snowden as a Microsoft Access database. It was exported as comma separated text files (csv format) and imported to Datamine.

The assay tables in the database previously included fields for XRF analyses for the whole rock, plus DTR in weight percent, and separate Davis Tube Head grade and concentrate grade analyses. In 2010 the head grade fields have been consolidated.

A table of laboratory duplicate samples from stages 1-8 and a table of field duplicates from Stage 9 were included.

Macarthur has surveyed drillholes using an Eastman camera, and had ground surveyors pick up all drillhole collars used in the Mineral Resource.

Data Verification, Corrections and Loading

On loading the data a number of text strings and character values were identified and substituted. Most of these were of two classes:

- Below limit of detection analyses expressed as <0.01, <0.020, <0.005 and similar. These were substituted with a numeric value of half the stated limit value.
- Character strings such as -, nd, I.S., L.N.R. and X. These strings were substituted with absent values. Information on the original meanings of these codes was not available.

Density Measurements

Macarthur has provided density data and recommendations for potentially beneficiable magnetite BIF.

Early density measurements were based on two data types:

- Pycnometre measurements from RC drill chips.
- Whole diamond core measured by the weight-in-water, weight-in-air method.

The pycnometre (or specific gravity bottle) method of determining density can give the particle density of a powder, to which the usual method of weighing cannot be applied. The powder is added to the pycnometre, which is then weighed, giving the weight of the powder sample. The pycnometre is then filled with a liquid of known density, in which the powder is completely insoluble. The weight of the displaced liquid is then determined, and hence the specific gravity of the powder.

The whole-core method usually involves a square-cut piece of diamond core, but can be done on rough chunks. The sample is weighed in air and weighed again suspended in water, and the specific gravity directly calculated. If the sample is porous or absorbs water it can be coated in wax or spray lacquer or even plastic cling film. For square cut diamond core the length and diameter can be measured with calipers to calculate volume as a cross check.

Macarthur did not provide descriptions of the density methods used, and the density readings provided all came from other deposits in the same area. Density samples were taken from Clark Hill and Snark but not taken at Moonshine.

Analysed densities from the provided data, broken down by drilling campaign and by measurement type. The plotted density against Fe and used the regression line to estimate density of the model cells.

To improve the density data in 2010, Macarthur undertook the following:

- A downhole geophysical logging program, of 2000m over 11 drillholes at Moonshine.
- Density measurements on diamond core taken for metallurgical testing – 40 measurements over 4 holes.
- Surface sampling for density tests – 30 tests.

In mid April 2010 a program of surface sampling was undertaken within the Banjo and Moonshine North prospects. The purpose of this program was to provide samples that could be analysed and their DBD determined, as well as the geochemistry. The reason for getting both the DBD and the chemistry was so that comparisons could be made with the hope of determining a reliable correlation between Fe% and density.

The sampling programme involved the collection of 15 rock samples from Moonshine North (DS_1-15) and 15 from Banjo (DS_16-30). The samples were collected in a way that was deemed to make the data suitably representative. Sampling locations were selected across the outcrops of the DSO areas so that at least 1 sample was collected for each part of the resources.

The technique used was to select one in situ piece of outcrop which was representative of the specific location and break this off using a hammer, retaining it in one piece. Each sample was given a unique sample name (e.g.

DS_1); this was recorded along with a description of the geology of each sample and the co-ordinates of its location.

The locations, measured density and selected analyses of these 30 grab samples are shown in **Table 17**. Note that the average density is 3.50, and average Fe of these samples is 60.6, somewhat higher than the average grade of the deposit.

Table 17 - Density measurements, locations and analyses for surface-collected enriched samples

Sample	GDA Easting	GDA Northing	Density g/cm3	Fe %	SiO2 %	Al2O3%
DS_01	787893	6675135	3.91	63.7	1.49	0.49
DS_02	787987	6675032	3.64	60.6	4.96	1.73
DS_03	788017	6674943	3.53	62.0	4.33	1.22
DS_04	788051	6674834	3.58	62.6	1.77	1.47
DS_05	788102	6674763	3.70	60.1	3.54	.90
DS_06	788117	6674720	3.33	60.2	2.05	1.93
DS_07	788123	6674654	3.73	63.2	1.60	1.25
DS_08	787984	6674923	3.83	64.1	2.63	0.92
DS_09	788049	6674809	2.66	57.6	4.52	1.41
DS_10	788072	6674734	2.89	57.3	4.30	2.55
DS_11	788135	6674555	2.92	51.3	17.00	1.45
DS_16	210833	6675035	3.37	58.1	7.14	2.47
DS_17	211025	6674903	3.69	61.3	6.25	0.49
DS_18	211100	6674827	4.05	61.9	4.40	2.60
DS_19	211175	6674746	3.16	59.6	6.39	1.61
DS_20	211247	6674679	3.37	59.2	4.60	2.53
DS_21	211347	6674619	3.58	58.5	4.88	2.76
DS_22	211395	6674563	3.21	61.0	5.51	1.27
DS_23	210693	6675314	3.62	57.1	7.01	5.28
DS_24	789172	6675885	3.78	61.8	3.06	2.49
DS_25	789040	6676006	3.89	64.2	1.97	0.99
DS_26	788805	6676098	3.96	63.0	2.89	1.75
DS_27	788933	6676040	3.39	59.9	4.96	3.06
DS_28	788945	6675950	3.55	62.2	2.16	1.08
DS_29	788890	6676007	3.36	62.9	2.11	1.71
DS_30	788832	6675755	3.29	62.5	1.92	0.87

In addition, Macarthur arranged for downhole geophysical logging to be carried out on 11 drillholes at Moonshine.

A total of 1,916 m over the 11 drill holes were logged, which included 1,461 m logged as BIF, and just 18 m of hematite mineralized BIF which was in any case BIF grade not potential DSO.

To support this data a number of samples were tested for DBD from the 2010 diamond drilling program, both for magnetite and hematite. The results from this backs up the data gathered from surface samples and downhole survey work.

Quality Control Measures (QAQC)

QAQC practices and processes, which involve collecting QAQC samples, have been implemented by Macarthur for the drilling programs.

During phases one to six, the initial QA/QC program implemented by Macarthur provided a low level of QAQC data. CRM were inserted by the laboratory for Phases three to seven, field duplicates have been taken since phase one. Both the Lake Giles Iron Ore Report and the Moonshine Report supporting the Moonshine Magnetite Project consider the QAQC practises adequate for an Inferred Mineral Resource estimate.

Security of Samples

Samples have been collected at the drill sites by Macarthur staff and transported to camp. Then weekly despatches of samples have been given to laboratories in Perth. Both the Lake Giles Iron Ore Report and the Moonshine Report supporting the Moonshine Magnetite Project consider the way in which the Macarthur handles its samples as adequate.

Mineral Resource Estimates

The Mineral Resources estimates for magnetite discussed in this section are drawn from:

- the Lake Giles Iron Ore Report for an Inferred Mineral Resource estimate for 1,050.7Mt at 28.3% Fe; and
- the Moonshine Report increasing the Inferred Mineral Resource estimate for Moonshine and Moonshine North from 511Mt at 27.8% Fe to 710Mt at 30.6% Fe.

The 1,050.7Mt at 28.3% Fe reported in the Lake Giles Iron Ore Report was later increased by 66.5Mt due to new geological interpretation and mapping over the 2009 field season. The increase to 1,117Mt at 27.8%Fe was announced in the press release dated February 23, 2010. This was not considered by the Company to be a material finding and therefore no NI 43-101 technical report was produced in respect to the increase.

The aggregate Inferred Mineral Resource estimate for magnetite for the Macarthur Magnetite Project was increased from 1,117Mt at 27.8% Fe to 1,316Mt at 30.1% Fe as a result of the increase identified in the Moonshine Report.

Inferred Mineral Resource Estimate for magnetite in the Lake Giles Iron Ore Report is presented in **Table 18**.

Table 18 - Inferred Mineral Resources Estimate on Magnetite (from the Lake Giles Iron Ore Report)

Area	Tonnes Mt	Head Fe (%)	DTR (%)	Concentrate Mt	Cons Fe (%)	Cons P (%)	Cons SiO2 (%)	Cons Al2O3 (%)	Cons LOI (%)	Cons S (%)
Snark	26.3	27.5	22.5	5.92	64.3	0.027	9.60	0.15	-2.50	0.27
Clark Hill North	130.0	25.8	33.2	43.16	62.1	0.040	12.50	0.16	-2.58	0.230
Sandlewood	335.0	31.1	33.1	110.88	64.0	0.031	9.64	0.07	-2.77	0.160
Moonshine	510.9	27.8	25.5	130.3	65.7	0.017	6.00	0.09	-2.50	0.442
Clark Hill South	48.5	21.9	20.8	10.1	61.8	0.020	10.70	0.18	-2.20	0.220
Total	1,050.7	28.3	28.6	300	64.5	0.025	8.27	0.10	-2.58	0.311

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

As evidenced in **Table 18**, the Inferred Mineral Resources estimate for the Moonshine deposit was estimated by CSA to be 510.9 Mt at a Fe head grade of 27.8%, reported in accordance with JORC Code (2004). Following further drilling by Macarthur during 2010, Snowden have completed an updated resource estimate for the Moonshine deposit, increasing the total Inferred Mineral Resources estimate for the Moonshine deposit to 710 Mt at a Fe head grade of 30.2%, which is presented in **Table 19**.

Table 19 - Inferred Moonshine and Moonshine North Mineral Resource Estimate summary, at a 30 % Fe cut-off as at January 2011 (from Moonshine Report)

Prospect	Tonnes (MT)	Fe (%)	SiO2 (%)	P (%)	Al2O3 (%)	S (%)	DTR (%)	LOI (%)
Moonshine	427.1	29.3	42.1	0.05	1.1	0.5	31.3	0.02
Moonshine North	283.4	31.4	22.7	0.04	0.7	0.2	31.6	0.89
Total	710.5	30.2	34.4	0.05	0.9	0.4	31.4	0.36

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

Mining Operations

Scale of Operation

The Moonshine PEA made the assumption of a weight recovery of 38% from the mined ore. Hence, in order to achieve 10 Mtpa of iron ore concentrate, the amount of ore feed to the magnetite process plant (concentrator) is 26 Mtpa. Additionally, a waste/low grade to ore strip ratio of 3:1 has been assumed for use in the Study from early resource mapping giving a total mining operation of 105 Mtpa.

The Moonshine PEA considered that the options to mine the ore body are:

- Mining shall be conducted by conventional drill, blast, load and haul mining methods
- Ore shall be hauled to the ROM pad for crushing and then ore product conveyed to a concentrate plant. Concentrate product shall then be transported to port, by rail and/or in slurry form via a pipeline, for export sale.

The mining at the Moonshine Magnetite Project would be by open pit and based on conceptual resource size and production rates of 10 Mtpa concentrate. A contractor would be engaged to undertake drill and blast, load and haul to the primary crusher and waste/low grade stockpile.

Ore Processing

The development of the concentration process for the Moonshine Magnetite Project would be influenced by several key elements. These include conservation of water, minimum power consumption, the competent and abrasive nature of the ore, and the presence or otherwise of asbestiform minerals within sections of the mineralisation. Whilst addressing all of these issues it is likely that the primary crusher(s) would be located close to the plant operation. While processing plant must also achieve efficient and economic recovery of the contained magnetite.

The product would be stored in a stockpile to supply surge capacity between the mine and the plant. In the HPGR option the ore may be secondary crushed before stockpiling.

Primary milling would be by Autogenous, Semi-Autogenous grinding or by HPGR crushing. Any of these options would be in closed circuit with screening to produce an appropriate size feeding the first stage of wet low intensity magnetic separators (“LIMS”), known as cobbbers. The cobbing stage should reject most of the tailings while maintaining a high level of magnetite recovery. A coarse tails is produced at this stage and, as water is often of major consideration in tailings treatment, a water recovery system should be included. Cobber concentrate would need to be reduced again in size. Either pebble mills or ball mills would be used for this purpose. These would be in closed circuit with cyclones and/or screens. This sizing is usually an intermediate stage and would be within a large range, providing a good start point for the rougher cleaning stage, another set of LIMS drums. This “good” point is defined by a combination of ore testing and equipment choices to balance between the first stage and the final stage.

Economic Analysis

The Moonshine PEA is preliminary in nature and it includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the Moonshine PEA will be realised. The technical and financial evaluations in the Moonshine PEA have concluded that, whilst there are challenges in meeting the Moonshine Magnetite Project’s key objectives, there appear to be no fatal flaws that have been identified at this stage.

The following are the assumptions relating to the financial model:

- Mining rate of 26.3Mt per annum, producing 10Mt of magnetite iron ore concentrate per annum.
- Project life of 26 years or 710Mt.
- Long term iron ore price of USD 95/t (for 65% Fe). 10% premium added to iron ore price due to high grade magnetite product
- Mass recovery of 38%.
- 68% iron content.
- 5% royalty rate.
- 30% tax rate.
- Operating costs are as outlined in the Moonshine PEA, are subject to a rebate during their first 5 years of production due to heavy investment in port infrastructure. The net effect of this is that for the first 5 years option 2 has an operating cost of \$54.82/t as opposed to \$58.46/t. Similarly option 7 operates at \$54.72/t as opposed to \$59.27/t for the initial 5 years of production.
- Capital costs are as outlined in the Moonshine PEA. Additional to this, there is deferred capital and sustaining capital which is dealt with in the financial model. There is an additional \$74m related to tailings transport and the construction of the second half of the tailings dam which is applied in the financial model after 5 years of waste production. \$34m of sustaining capital is included in the financial model for each year of production.

Moonshine PEA Highlights

Highlights of the Moonshine PEA are:

- Base case project life 26 years.
- Saleable concentrate per annum 10mt.
- Operating costs estimated at A\$52.3/t fob.
- Capital direct cost A\$2,272M.
- NPV at 10% discount rate A\$2,651M.
- Internal Rate of Return 23%.
- Magnetite concentrate grade 68%.
- Mass recovery 38% and a favorably high magnetite grain liberation size.
- Project NPV at 10% A\$2,651M.
- No terminal value added to the NPV, which assumes no extension to the plant and/or mine life.
- Total Project costs (direct & indirect, including contingency of A\$ 300M) are estimated at A\$ 2,913M.

Discounted Cash Flow Analysis

A discount cash flow model was used to derive a NPV for the Project. The assumptions used to derive this were:

- Discount rate of 10%.
- Model over project life of 26 years.
- No terminal value has been added to the NPV, reflecting any extension to the plant and/or mine life.

The summary of the Project NPVs for the studied option is below in **Table 20**.

Table 20 – Moonshine Project NPV

Scenario	NPV A\$m	IRR %	Payback (Nom)
Option 1 – Karara - Oakajee	2,651	23%	3.95
Option 2 – Menzies - Esperance	2,577	24%	3.73
Option 7 – Jaurdi - Bulk Berth 5	2,525	23%	3.77
Option 8 – Jaurdi - James Point	2,626	25%	3.62

Approvals

The environmental approvals process is the critical path for the project. Based on government approvals criteria the Moonshine Magnetite Project will need to be referred to the State (“**EPA**”) and federal (“**SEWPac**”) departments for formal environmental assessment. A Public Environmental Review level of assessment would be required given the magnitude of the project (extracting >10 Mtpa of material (waste plus ore)). Outback Ecology Pty Ltd has completed desktop studies for flora, fauna (including short range endemics) and subterranean fauna. These desktop studies cover the entire tenement area, including the Moonshine deposit and proposed infrastructure. The first phase of field surveys will follow on from these desktop studies. These field surveys would be used to support the environmental documents and approvals for the Moonshine Magnetite Project.

Exploration and Development

The Company is considering taking more metallurgical samples and conducting further process testwork. The testwork would be focused on confirming the response of the different ore zones within the deposit, and developing a more robust process flow design for the project.

Some engineering work could also be undertaken during this period to further refine some of the logistics and port designs of the Moonshine Magnetite Project in order to ensure that the environmental approvals process stay on track. The environmental surveys for the site area are intended to be covered under the Ularring Hematite Project. However, environmental surveys need to be conducted on other impacted areas such as slurry pipeline routes, water pipeline routes and rail sidings.

The next phase of the Moonshine Magnetite Project’s development would be to undertake a PFS. The underlying objectives of the study would be to achieve the following:

- challenge assumptions made within the Moonshine PEA;
- undertake additional field and test work to prove the concepts suggested;
- develop base concepts identified within the scoping study based on the additional data received from field and test programs;
- undertake further detail in design in order to refine the capital and operating estimates;
- reduce areas of risk previously identified;
- initiate consultation in relevant political and public areas; and
- improve investor and market confidence in the Moonshine Magnetite Project’s viability.

GOLD AND NICKEL EXPLORATION

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

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

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

By way of example, the company announced the results for nickel of drilling conducted in 2013 at the Macarthur Iron Ore Projects (Press Release, Update on Macarthur Minerals’ Iron Ore Projects News Release, January 14, 2014). Macarthur drilled diamond hole LGDD_054, to test high grade magnetite. This hole was collared in ultramafic and was seen to contain unusual textures and veins of a black mineral thought to be after sulphide. Assaying of the core returned from 4.5 m to 28.0 m (23.5 m) 0.85% nickel (“Ni”) and this included 1.03% Ni

over an 11.5 m interval from 10.5 m to 22.0 m at an estimated true width of around 8 m. The intersection also shows very low calcium and high magnesium and chromium. The rock is highly weathered and is therefore not conclusive evidence for presence of nickel sulphides, but is encouraging.

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

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

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

DIVIDENDS

The Company has not declared nor paid dividends on its Shares. The Company has no present intention of paying dividends on its Shares, as it anticipates that all available funds will be invested to finance the growth of its business.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company's authorized capital consists of an unlimited number of Shares without par value of which 44,830,630 Shares were issued as of March 31, 2014 and 44,830,630 Shares were issued as of June 25, 2014. All of the issued Shares are fully paid and non-assessable.

The shareholders are entitled to one vote for each Share on all matters to be voted on by the shareholders. Each Share is equal to every other Share and all Shares participate equally on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets ("**Reorganization**") among our shareholders for the purpose of winding up our affairs after the Company has paid out its liabilities. The shareholders are entitled to receive pro rata such dividends as may be declared by the board of directors out of funds legally available therefore and to receive pro rata the remaining property of the Company upon dissolution. No Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the *Corporations Act 2001 (C'th)* and the Articles of the Company.

Warrants

The Company currently does not have any Warrants on issue.

Options

The Company, in accordance with the policies of the TSX, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of the options is fixed by the Board at no lesser than the discounted market price of the shares at the time of grant, subject to all applicable regulatory requirements. The options can be granted for a maximum term of 5 years. Options granted to employees, directors and officers vest fully at the grant date. Options issued to consultants performing investor relations activities must vest in stages over 12 months with one quarter of the options vesting in any three month period.

The option holder does not have rights or interests as a holder of Shares of the Company. In the event of a Reorganization, the vesting provisions and/or expiry date of the options may be accelerated to allow the option holders to participate.

As at March 31, 2014 there were 4,175,000 stock options outstanding. Since March 31, 2014, the Company issued 75,000 options, making a total of 4,250,000 stock options outstanding as at June 25, 2014

Constraints

There are no constraints imposed on the ownership of Shares to ensure that Macarthur has any required level of Canadian ownership.

MARKET FOR SECURITIES

Trading Price and Volume

The following table provides information as to the high and low prices of the Company's Shares during the financial year ending March 31, 2014 as well as the volume of Shares traded for each month on the TSX.

Month	High (C\$)	Low (C\$)	Volume
April, 2013	0.30	0.20	763,369
May, 2013	0.28	0.185	384,000
June, 2013	0.21	0.19	636,050
July, 2013	0.25	0.185	288,300
August, 2013	0.21	0.16	1,206,230
September, 2013	0.18	0.15	145,500
October, 2013	0.155	0.10	1,200,431
November, 2013	0.135	0.12	78,700
December, 2013	0.15	0.11	1,494,097
January, 2014	0.35	0.15	1,699,981
February, 2014	0.27	0.14	364,961
March, 2014	0.265	0.165	75,800

Prior Sales

There are no securities of the Company that were sold but not listed on the TSX during the most recently completed financial year of the Company.

ESCROWED SECURITIES

There are no securities of the Company held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

The following persons are the directors and officers of the Company:

Name & Position ⁽¹⁾	Principal Occupation or Employment during the past 5 years	Period of Service as an Officer or Director
Alan Phillips , Chairman, President, Chief Executive Officer Queensland, Australia	Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 40 years. Mr Phillips has experience in a broad range of industries, but predominantly in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.	October 19, 2005.
John Toigo ^{(2) (3) (4)} Independent Director Queensland, Australia	Mr Toigo is the managing partner of ClarkeKann Lawyers, an Australian based corporate and commercial law firm with offices in both Brisbane and Sydney. Mr Toigo has over 25 years' experience as a corporate & resources lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation, resource projects, corporate governance, corporate finance and complex commercial transactions. He holds a Bachelor of Laws (Hons) and a Graduate Diploma in Applied Finance and Investment. Mr Toigo is a member of Australian Institute of Company Directors, Queensland Law Society, Law Society of New South Wales, and the Resources and Energy Law Association.	August 31, 2009 Re-elected for a further term at office on August 29, 2013.
Jon Starink ⁽²⁾ Non Executive Director Berkshire, United Kingdom	Mr Starink has 35 years' experience in the mining industry. He is a Chartered Professional Engineer, a Chartered Scientist and Chartered Chemist. His corporate experience includes board level corporate governance, executive corporate management and administration, corporate finance and strategic business development, technical and financial project audit and evaluation, introductions to capital markets and investment risk management. Mr Starink holds a Bachelor of Science (Hons1), Bachelor of Chemical Engineering (Hons1), Master of Applied Science and holds the following grades and memberships of professional bodies, FAusIMM, FIEAust, FIChemE, MRACI and MTMS.	June 23, 2011 Re-elected for a further term at office on August 11, 2011.
Jeffrey Wall, CBE ^{(2) (3) (4)} Independent Director Queensland, Australia	Mr Wall, CBE, is a political advisor, company director and Chairman of Ferguson Cannon, lawyers. Over the past 40 years he has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea; as a senior advisor to federal and state Ministers in the Federal and Queensland Governments; and as an advisor to the Lord Mayor of Brisbane. He also acted as a consultant to the World Bank and to the Queensland Government on issues relating to Papua New Guinea and the South Pacific. He began his working life as a journalist, and has served in administrative roles in rugby league, the Anglican Church, and several charities. In 1992 he was made an Officer of the Order of the British Empire (OBE) and in 2010 a Commander of the Order of the British Empire (CBE) for services to government and community in Papua New Guinea.	June 15, 2012 Re-elected for a further term at office on August 29, 2012.
Richard Patricio ^{(2) (3) (4)} Independent Director Ontario, Canada	Mr Patricio is vice president legal and corporate affairs at Pinetree Capital Ltd ("Pinetree"). Having joined Pinetree in 2005, Mr Patricio is responsible for Pinetree's merger and acquisition activity, corporate transactions, compliance, corporate governance and the administration of Pinetree. Mr Patricio currently holds directorships with several Australian and Canadian based resource companies. Mr Patricio received his law degree from Osgoode Hall, was called to the Ontario bar in 2000 and previously practised law at Oslers LLP in Toronto.	September 18, 2012 Re-elected for a further term at office on August 29, 2013.

Name & Position ⁽¹⁾	Principal Occupation or Employment during the past 5 years	Period of Service as an Officer or Director
Simon Hickey⁽²⁾ Independent Director New Mexico, United States of America	Mr Hickey is CEO of investment companies Clavell Holdings Pty Ltd and UIL LLC and a marketing company Performance Marketing Solutions Inc., a marketing company. He is also founder and chairman of a public unlisted oil and gas company with assets based in Western Australia. Mr Hickey has experience as a director of ASX and TSX listed companies in the resource sector over 20 years. Mr. Hickey holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance and Investment and is a member of the Australian Institute of Company Directors	February 22, 2005 Re-elected for a further term at office on August 29, 2012. Resigned on August 30, 2013
David Taplin Chief Financial Officer & Company Secretary Queensland, Australia	Mr Taplin has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX and TSX-V companies and government-owned corporations, with a particular focus on resources and energy. Mr Taplin has worked extensively in corporate law, corporate governance and corporate finance both in Australia and internationally. He has regularly instructed courses in corporate governance at some of Australia's leading business schools and professional institutions. Mr Taplin holds Bachelor of Laws, Master of Business Administration (AGSM), Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Business Management, and is a solicitor, CPA, Chartered Secretary (AGIS and FGIA) and member of the Australian Institute of Company Directors.	CFO and Company Secretary since August 31, 2009
Joe Phillips Chief Operating Officer Queensland, Australia	Mr Phillips has had an extensive 16 year career in public administration with 8 years as the General Manager for Economic Development for the City of Brisbane, followed by a period as a member of the executive of Energex, the Queensland Government owned Electricity Company and completing this career as the executive responsible for the privatization of Queensland Government owned lottery business. Prior to joining the government, he had a successful private sector role in transport and spent 2 years in the United States as a Senior Project Manager for a company commercializing technology for the Princeton University in New Jersey. Educated at the University of Queensland he combines strong project management skill with a discipline in economics and a detailed understanding of the operation of public administrations and the elected governments in Australia.	COO since October 15, 2010

Notes:

1. The information as to place of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.
2. Director's term of office expires at each annual general meeting of shareholders of the Company in accordance with the Company's Constitution and TSX requirements.
3. Member of Audit Committee, Mr Toigo is the Chair.
4. Member of Remuneration and Nomination Committee, Mr Wall is the Chair.

As at March 31, 2014 there were 44,830,630 Shares issued, directors and officers of the Company as a group owned or controlled approximately 2,555,933 Shares of the Company, representing approximately 5.70% of its issued and outstanding Shares.

As of June 25, 2014 there were 44,830,630 Shares issued, directors and officers of the Company as a group own or control approximately 2,555,933 Shares of the Company representing approximately 5.70% of its issued and outstanding Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company, that: (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers of Macarthur are directors, officers and/or shareholders of other private and publicly listed companies, including companies that engage in mineral exploration and development and companies that hold common shares or other securities of Macarthur. To the extent that such other companies may participate in or be affected by ventures involving Macarthur, these directors and officers of Macarthur may have conflicting interests in negotiating, settling and approving the terms of such ventures.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the Company’s financial reporting procedures, internal controls and the performance of the Company’s external auditors. The Audit Committee Charter is attached hereto as Schedule “B”.

Audit Committee Composition and Background

The Audit Committee is comprised of John Toigo (Chairman), Jeffrey Wall and Richard Patricio. All three members of the Audit Committee are independent, financially literate, meaning they are able to read and understand the Company’s financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. In addition to each member’s general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below:

John Toigo, Committee Chairman – Managing partner of ClarkeKann Lawyers, a corporate and commercial law firm with offices in Brisbane and Sydney. Over 25 years’ experience as a corporate lawyer with particular

emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation. Mr Toigo holds a Bachelor of Laws (Honours) and a Graduate Diploma in Applied Finance and Investment.

Richard Patricio, - is vice president legal and corporate affairs at Pinetree. Having joined Pinetree in 2005, Mr Patricio is responsible for Pinetree's merger and acquisition activity, corporate transactions, compliance, corporate governance and the administration of Pinetree. Mr Patricio currently holds directorships with several Australian and Canadian based resource companies. Mr Patricio received his law degree from Osgoode Hall, was called to the Ontario bar in 2000 and previously practised law at Oslers LLP in Toronto.

Jeffrey Wall, CBE, - is a political advisor, company director and Chairman of Ferguson Cannon, lawyers. Over the past 40 years he has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea; as a senior advisor to federal and state Ministers in the Federal and Queensland Governments; and as an advisor to the Lord Mayor of Brisbane.

Reliance on Certain Exemptions

Since June 15, 2012, the Company has not relied on any of the exemptions regarding the Audit Committee provided in section 3.5 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the board of directors to review the performance of the Company's external auditors and approve in advance the provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Chairman of the Audit Committee is authorized to approve any non-audit services or additional work which the Chairman deems as necessary and is required to notify the other members of the Audit Committee of such non-audit or additional work.

External Auditor Service Fees

The aggregate fees billed by the Company's current external auditors, Pilot Partners and Davidson & Company LLP, in each of the last two fiscal years are as follows.

	Year Ended March 31, 2014	Year Ended March 31, 2013⁽⁵⁾
Audit Fees ⁽¹⁾	\$94,776	\$99,690
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	-	-
All Other Fees ⁽⁴⁾	-	\$2,400

Notes:

1. The aggregate fees billed for audit services.
2. The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, which are not included under the heading "Audit Fees".
3. The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
4. The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".
5. Crowe Horwath was the Company's Australian auditors until their resignation on 29 August 2013.

REMUNERATION AND NOMINATION COMMITTEE

The board of directors on July 26, 2011 resolved to form the Remuneration and Nomination Committee. The Remuneration and Nomination Committee Charter is attached hereto as Schedule “C”. The Remuneration and Nomination Committee is comprised of Jeffrey Wall (Chairman), John Toigo and Richard Patricio.

The Remuneration and Nomination Committee, under the supervision of the board:

- has overall responsibility for recommending levels of executive compensation that are competitive and motivating in order to attract, hold and inspire the CEO, CFO and Company Secretary, COO, other senior officers and other key employees and for recommending compensation for directors; and
- has responsibility for monitoring and assessing the functioning of the board, committees of the board and the individual members of the board.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

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

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

Regulatory Actions

There are no penalties or sanctions that were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company’s most recently completed financial year, nor any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company’s most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Company’s outstanding voting securities, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the most recently completed financial year that has materially affected or is reasonably expected to materially affect the Company.

PROMOTERS

No person or company has acted as a promoter of the Company or a subsidiary of the Company within the two most recently completed financial years of the Company or during the current financial year.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Davidson & Company LLP, of Vancouver, British Columbia have been the auditors for the Company in Canada since August 15, 1997. Pilot Partners, Australia have been the Company's auditors in Australia since August 29, 2013, prior to that the Company's Australian Auditors were Crowe Horwath, Melbourne.

The Company's transfer agent is Computershare Investor Services Inc. and registrars for its Shares are:

- **Canada** - Computershare Investor Services Inc, 510 Burrard St, 3rd Floor, Vancouver, British Columbia, V6C 3B9, Canada.
- **Australia** – Computershare Investor Services Pty Ltd, 117 Victoria Street, West End, Brisbane, QLD, 4101, Australia.

MATERIAL CONTRACTS

No material contracts were entered into by the Company other than in the ordinary course of the Company's business of mineral property evaluation, acquisition and divestiture and exploration, including raising the funding since April 1, 2013 (being the commencement of the Company's most recently completed financial year) that are still in effect.

INTERESTS OF EXPERTS

Names of Experts

The following persons, firms and companies are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by the Company during, or relating to, the Company's most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person, firm or company.

Name	Description
Davidson & Company LLP	The independent auditor of the Company within the meaning of the Rules of Professional Conduct of the Institute of the Chartered Accountants of British Columbia. Provided an auditor's report in respect of the Company's consolidated financial statements for the years ended March 31, 2014 and March 31, 2013.
Pilot Partners	The independent auditor of the Company with the requirements of the <i>Corporations Act 2001 (C'th)</i> . Provided an auditor's report in respect of the Company's Australian Annual Report for the years ended March 31, 2014.
Ian S Cooper, B.Sc., A.R.S.M., F.G.S. FAusIMM	A "Qualified Person" as defined in NI 43-101, who is a part time employee of the Company, collated, reviewed and approved the scientific and technical information in this AIF and the news release dated January 23, 2014.
David Larsen, BSc, MAIG	A "Qualified Person" as defined in NI 43-101, who was a full time employee of the Company, collated, reviewed and approved news releases dated February 29, 2012 and June 14, 2012.
Kent Bannister, ADMineEng, FAusIMM	A "Qualified Person" as defined in NI 43-101, who is a full time employee of CSA Global Pty Ltd, collated, reviewed and approved the scientific and technical information news releases dated; August

Name	Description
David Williams, BSc (Hon), MAIG	16, 2012 and NI43-101 Technical Report dated September 27, 2012. A “Qualified Person” as defined in NI 43-101, who is a full time employee of CSA Global Pty Ltd, collated, reviewed and approved the scientific and technical information news releases dated; June 14, 2012, June 29, 2012, August 16, 2012 and NI43-101 Technical Report dated September 27, 2012.
Alan Dickson, BSc (Eng), AusIMM	A “Qualified Person” as defined in NI 43-101, who is a full employee of Alan Dickson & Associates Pty Ltd, collated, reviewed and approved the scientific and technical information in NI43-101 Technical Report dated June 29, 2012.
Damian Edward Gerard Connelly, BApp Sc, AusIMM	A “Qualified Person” as defined in NI 43-101, who is a Director, Principal Engineer of Mineral Engineering Technical Services Pty Ltd, collated, reviewed and approved the scientific and technical information in news releases dated August 16, 2012 and NI43-101 Technical Reports dated June 29, 2012 and September 27, 2012.
Jon Starink, BSc (Hons1), BChemE (Hons1), MAppSc, AusIMM, IEAust, IChemE, MRACI and MTMS	A “Qualified Person” as defined in NI 43-101, who is a non-executive director and consultant to the Company collated, reviewed and approved the scientific and technical information news releases dated June 1, 2012.
Chris Allen, BSc (Hons), MBA, MAIG	A “Qualified Person” as defined in NI 43-101, who was an employee of CSA prepared the NI43-101 Technical Report entitled “Lake Giles Iron Ore Project Western Australia” dated December 17, 2009 and August 21, 2009.
Michael Andrew, MSc. Geology, Post Grad Dipl. Mineral Geostatistics, a Member of AusIMM	A “Qualified Person” as defined in NI 43-101, who is an employee of Snowdens prepared the technical report entitled “Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron, Western Australia”.
Shane Fieldgate, MSc., Post Grad Dipl. Mineral Exploration and Mining Geology, a member of AIG and AusIMM	A “Qualified Person” as defined in NI 43-101, who is an employee of Snowdens prepared the technical report entitled “Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron, Western Australia”.

Interests of Experts

The Company’s Canadian auditors, Davidson & Company LLP, have prepared the audit report attached to the Company’s audited consolidated financial statements for the most recent year end for lodgment in Canada. The Company’s Canadian auditors have reported that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

The Company’s Australian auditors, Pilot Partners have prepared the audit report attached to the Company’s Australian Annual Report for the most recent year end for lodgment in Australia. The Company’s Australian auditors have reported that they are independent of the Company in accordance with the requirements of the *Corporations Act 2001 (C’th)*.

None of the other experts listed above, or any “designated professional” of such expert, has any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or any of its associates or affiliates.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of

Macarthur's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Information Circular dated July 23, 2013. Additional financial information is available in Macarthur's comparative audited consolidated financial statements, together with the auditor's report thereon, and the related Management Discussion and Analysis for its most recently completed fiscal year ended March 31, 2014.

A copy of this AIF, the Information Circular, the Financial Statements and the MD&A, as well as any interim statements from the past fiscal year may be found on the SEDAR website at www.sedar.com or the Company's website www.macarthurminerals.com.

SCHEDULE “A”

GLOSSARY ON MINING TERMS

The following is a glossary of certain mining terms used in this AIF:

%	Percentage
Al ₂ O ₃	Alumina
A\$m	Millions of Australian Dollars
BIF	banded iron Formation
C	Celsius
C\$	Canadian dollar
CRM	Certified reference materials
CSA	CSA Global Pty Ltd, author of reports NI 43-101 Technical Report, Macarthur Minerals Limited: Hematite Mineral Resource, Ularring Hematite Project, Western Australia, dated September 27, 2012, (filed October 1, 2012) and NI 43-101 Technical Report “Lake Giles Iron Ore Project”, filed December 17, 2009.
Datamine	A proprietary computer program to mode, view, analyse and report on survey, geological and mining data.
DBD	Dry bulk density
DDH	Diamond drill core
DEC	Department of Conservation
DMP	Department of Mines and Petroleum
DSO	Potential direct shipping ore
DTR	David Tube Recovery
EP	Environmental Protection Act 1986 (WA)
EPA	Environment Protection Authority
EPBC	Environmental Protection and Biodiversity Conservation(1999)Act
EPSL	Esperance Port Sea and Land (operator of the Port of Esperance)
ESA	Environmentally Sensitive Area
Fe	Iron
GDA94	National co-ordinate system used in this area.
GIS	Geographical Information System
GPS	Global Positioning System
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
Indicated Mineral Resource	That part of Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
IRR	Internal Rate of Return
JORC	An acronym for Joint Ore Reserve Committee which administered the JORC Code, the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Sets the regulatory enforceable standards for the Code of Practice

for Public Reports to the Australian Stock Exchange. The code is endorsed by the Minerals Council of Australia, the Australian Institute of Mining and Metallurgy, and the Australian Institute of Geoscientists.

km ²	Square Kilometres
km	kilometer
LGDDL0I	Lake Giles Diamond Drilling
LOI	Loss of ignition
m	Metre
m ³	Cubic metre
Macarthur	Macarthur Minerals Limited. ACN 103 011 436
Macarthur Iron Ore Projects	Macarthur Iron Ore Projects consist of two separate projects; the Ularring Hematite Project and the Moonshine Magnetite Project.
Mineral Reserve	The term for the economic quantities and grade of valuable materials as strictly applied in compliance with the definition in the National Instrument 43-101.
Mineral Resource	The term for the estimate of the quantities and grad of valuable materials but with no economic considerations as strictly applied in compliance with the definition in the National Instrument 43-101.
Mineralization	The presence of materials of possible economic value or the description of the process by which the concentration of valuable minerals occurs
MIO	Macarthur Iron Ore Pty Ltd ACN 081 705 651 (formerly, Internickel Australia Pty Ltd)
MSP	MSP Engineering Pty Ltd.
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
NATA	National Association of Testing Authorities
NPV	Net Present Value
P	Phosphorus
PEA	Preliminary Economic Assessment
PFS	Preliminary Feasibility Study
QAQC	Quality Assurance Quality Checked
QP	Qualified Person
RC	Reverse Circulation (refer to drilling method)
ROM	Run of Mine, generally referring to stockpiles ahead of crusher.
RNE	Register of National Estates
RTKGPS	Real Time Keeping Global Positioning System
S	Sulphur
SiO ₂	Silica
TEC	Threatened Ecological Communities
WA	Western Australia
XRF	X-ray Refraction (analytical method)

SCHEDULE “A”

AUDIT COMMITTEE CHARTER



MACARTHUR MINERALS LIMITED
ACN 103 011 436

AUDIT COMMITTEE CHARTER

(Adopted by the Board of Directors on 16 March 2012)

ARTICLE 1 - PURPOSE

The overall purpose of the Audit Committee (the “Committee”) is to:

- (a) ensure that the management of Macarthur Minerals Limited (the “Company”) has designed and implemented an effective system of internal financial controls for reviewing and reporting on the Company’s financial statements;
- (b) oversee, review and report on the integrity of the Company’s financial disclosure and reporting;
- (c) review the Company’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts; and
- (d) be directly responsible for:
 - (i) the recommendation to the Board of Directors (“Board”) of a firm of external auditors to be proposed for election as the external auditors of the Company,
 - (ii) the oversight of the work of the Company’s external auditors, and
 - (iii) subject to the grant by the shareholders of the authority to do so, if required, recommend to the Board the compensation of the external auditors of the Company.

ARTICLE 2 - COMPOSITION, PROCEDURES AND ORGANIZATION

2.1 Number of Members

The Committee shall be comprised of a minimum of three non-executive members of the Board.

2.2 Member Qualifications

- (a) The Committee member must be a director of the Company
- (b) Every Committee member must be “independent¹” within the meaning of all applicable legal and regulatory requirements (except in the circumstances, and only to the extent, permitted by all applicable legal and regulatory requirements).

¹ Whether a director is “independent” will be determined in accordance with all applicable laws and regulations, including the applicable securities laws of Canada and the United States and the regulations and policies of any stock exchange or quotation system on which the Company’s securities are listed or quoted.

- (c) All of the members of the Committee will be “financially literate²”, at least one member of the Committee will have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).

2.3 Member Appointment and Removal

- (a) The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, or by way of circulating resolution thereafter, will appoint the members of the Committee for the ensuing year.
- (b) The Board may at any time remove or replace any member of the Committee.
- (c) To fill any vacancy in the Committee following the death, disability or resignation of a member, the new appointee may be exempt from the requirement of section 2.2(b), independence, or section 2.2(c), being financially literate, for a period of up to six months or until the next Annual General Meeting whatever is the shorter. Such an appointment is subject to the board determining that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of NI52-110.

2.4 Committee Structure and Operations

(a) *Chair*

Each year, the Board shall appoint one member of the Committee to be the Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board. If in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

Unless the Board has appointed a chair of the Committee, the members of the Committee will elect a chair from among their number.

(b) *Meetings*

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings. However, the Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties.

The Chair or any two members of the Committee may call a meeting.

(c) *Notice*

Notice of the time and place of every meeting shall be given in writing to each Committee member, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company at least one week prior to the time fixed for such meeting.

² An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally compatible to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The external auditor of the Company shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat.

If requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

(d) *Quorum*

The quorum for meetings will be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other. Decisions by the Committee will be by the affirmative vote of a majority of the members of the Committee, or by consent resolutions in writing signed by each member of the Committee.

(e) *Secretary*

The Committee may select an individual to act as secretary for the Committee, who will be either:

- (i) A member of the Committee other than the chair;
- (ii) the Corporate Secretary; or
- (iii) Another individual who is not a member of the management of the Company. or

The Secretary, in conjunction with the Chair shall draft an agenda, which will be circulated at least one week prior to each meeting.

(f) *Records*

Minutes of meetings of the committee shall be recorded and maintained by the Secretary to the Committee and shall be subsequently presented to the committee for review and approval. The minutes of each Committee meeting shall be submitted to the Board for information.

(g) *Attendees*

The Committee will have access to such officers and employees of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The internal accounting staff, any external accounting consultant(s) and the external auditors will have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in, or consultant of, the Company as it deems necessary, and any employee of, or consultant to, the Company may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

The Committee may, in its sole discretion, retain, at the expense of the Company, such legal, financial or other advisors or consultants as it may deem necessary or advisable in order to properly and fully perform its duties and responsibilities hereunder.

(h) *Liaison*

The Company's Chief Financial Officer shall act as management liaison with the Committee.

ARTICLE 3 - DUTIES AND RESPONSIBILITIES

3.1 The overall duties and responsibilities of the Committee will be as follows:

- (a) be directly responsible for:
 - (i) the recommendation to the Board of a firm of external auditors to be proposed for election as the external auditors of the Company,
 - (ii) the oversight of the work of the Company's external auditors, and
 - (iii) subject to the grant by the shareholders of the authority to do so, if required, recommendation to the Board the compensation of the external auditors of the Company;
- (b) to review with the management of the Company (and, in the case of the annual audited statements, with the external auditors) the annual audited consolidated and unaudited consolidated quarterly financial statements, including the notes thereto, to ensure that such statements present fairly the financial position of the Company and the results of its operations and, if appropriate, to recommend to the Board as to the approval of any such financial statements;
- (c) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements;
- (d) to establish and maintain a direct line of communication with the Company's internal accounting staff and any external accounting consultant(s) and assess their performance;
- (e) to undertake the following in relation to risk management:
 - (i) review and evaluate the internal processes for determining and managing key risk areas;
 - (ii) monitor and assess the Company's risk management system and require Management to report major risks at least annually to the Board;
 - (iii) require periodic reports from nominated senior managers:
 - A. confirming the operation of the risk management system including advice that accountable management have confirmed the proper operation of agreed risk mitigation strategies and controls; and
 - B. detailing material risks.
- (f) to ensure that the management of the Company has designed, implemented and is maintaining an effective and appropriate system of internal financial controls; and

- (g) to report regularly to the Board on the fulfilment of its duties and responsibilities including:
 - (i) assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
 - (ii) assessment of the management processes supporting external reporting;
 - (iii) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - (iv) recommendations for the appointment or, if necessary, the removal of the external auditor;
 - (v) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that provision of those services has not compromised the auditor's independence;
 - (vi) assessment of the performance and objectivity of the internal audit function; and
 - (vii) the results of the committee's review of risk management and internal control systems.

3.2 The duties and responsibilities of the Committee as they relate to the external auditors will be as follows:

- (a) to recommend to the Board a firm of external auditors to be proposed by management of the Company to the shareholders for election by the shareholders as the external auditors for the Company, and to verify the independence of such proposed external auditors;
- (b) to review and recommend to the Board the fee, scope and timing of the annual and any other audit performed by the external auditors;
- (c) to review and evaluate the qualifications, performance and independence of the lead partner of the external auditors of the Company;
- (d) to discuss with management of the Company the timing and process for implementing the rotation of the lead audit partner and the reviewing partners of the external auditors of the Company;
- (e) to obtain confirmation from the external auditors of the Company that they will report directly to the Committee;
- (f) to obtain confirmation from the external auditors of the company that they will report in a timely matter to the Committee all critical accounting policies and practices to be used, all alternative accounting policies and practices, the ramifications of each of such accounting policies and practices and the accounting policy and practice preferred by the external auditors of the Company, for the financial information of the Company within

applicable accounting principles which have been discussed with management of the Company and will provide a copy of all material written communications between the external auditors of the Company and management of the Company including, without limitation, any management letter or schedule of unadjusted differences;

- (g) to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Company;
- (h) to review and pre-approve all non-audit services to be provided to the Company (or any of its subsidiaries) by the external auditors;
- (i) review the audit plan of the external auditors prior to the commencement of the audit;
- (j) to review with the external auditors, upon completion of their annual audit:
 - (i) the contents of their report,
 - (ii) the scope and quality of the audit work performed,
 - (iii) the adequacy of the Company's financial and accounting personnel,
 - (iv) the co-operation received from the Company's personnel and any external consultants during the audit,
 - (v) the scope and nature of the internal resources used,
 - (vi) any significant transactions outside of the normal business of the Company,
 - (vii) any significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems, and
 - (viii) the non-audit services provided by the external auditors during the year under audit;
- (k) to discuss with the external auditors not just the acceptability, but also the quality, of the Company's accounting principles; and
- (l) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3.3 The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:

- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal accounting, the use of and services provided by any external accounting consultant(s), insurance, information services and systems and financial controls, management reporting and risk management, and to ensure that the Company maintains:

- (i) the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Company's financial transactions,
 - (ii) effective internal control systems, and
 - (iii) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud;
- (b) establish procedures for:
- (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
 - (ii) the confidential, anonymous submission by employees or any external consultants of the Company of concerns regarding questionable accounting or auditing matters;
- (c) to periodically review this policy and recommend to the Board any changes which the Committee may deem appropriate;
- (d) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company;
- (e) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal accounting staff, by any external accounting consultant(s) or by the external auditors have been implemented;
- (f) assist in the preparation of any internal control report by management, which provides that management of the Company is responsible for establishing and maintaining an adequate control structure and procedures for financial reporting by the Company, assessing the effectiveness of such control structure and procedures, and ensuring that the external auditors of the Company attest to, and report on, the assessment of such control structure and procedures by management of the Company;
- (g) assist the Chief Executive Officer and the Chief Financial Officer of the Company in their assessment of the effectiveness of the Company's internal control over financial reporting and in determining whether there has been any material change in the Company's internal control over financial reporting which has materially affected or could materially affect such internal control subsequent to the date of the evaluation; and
- (h) assist the Chief Executive Officer and the Chief Financial Officer of the Company in identifying and addressing any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial information and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

3.4 The Committee is also charged with the responsibility to:

- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
- (b) review and approve the financial sections of:
 - (i) the annual report to shareholders;
 - (ii) the annual information form (if any);
 - (iii) any quarterly or annual management discussion and analysis;
 - (iv) prospectuses; and
 - (v) other public reports requiring approval by the Board,and report to the Board with respect thereto including, without limitation, as to the approval (or otherwise) thereof by the Board;
- (c) prior to public disclosure review regulatory filings and decisions as they relate to the Company's consolidated annual and interim financial statements, including any press releases with respect thereto;
- (d) ensure that all non-audit services approved by or on behalf of the Committee are disclosed in the periodic reports of the Company;
- (e) ensure that each annual report and, to the extent required by any applicable legal or regulatory requirement, any quarterly report of the Company includes disclosure with respect to all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities which may have a current or future effect on the Company in accordance with all applicable legal and regulatory requirements;
- (f) ensure that all financial statements and other financial information, including pro forma financial information, included in any report filed by the Company with any regulatory authority or contained in any public disclosure or press release of the Company is presented in a manner which does not contain a material misstatement or omission;
- (g) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- (h) review and report on the integrity of the Company's consolidated financial statements;
- (i) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;

- (j) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and
- (k) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board within a reasonable time following each annual general meeting of shareholders.

3.5 The Committee shall have the authority to determine:

- (a) subject to the grant by the shareholders of the authority to do so, if required, the compensation to be received by the external auditors of the Company in connection with all audit services, and non-audit services, to be performed by the auditors;
- (b) the compensation to be received by any legal, financial or other advisors or consultants engaged by the Committee to assist it in performing its duties and responsibilities hereunder; and
- (c) the appropriate funding for the ordinary administrative expenses of the Committee.

The Committee discharges its responsibilities by making recommendations to the Board. The Committee does not have any executive powers to commit the Board or Management to their implementation. The Committee is not responsible for supervising the performance of executives and does not become involved in day-to-day operations, management functions or decision making.

ARTICLE 4 – GENERAL

4.1 The Committee will:

- (a) prepare any report or other disclosure, including any recommendation of the Committee, required by any applicable legal or regulatory requirement to be included in the annual proxy or information circular of the Company;
- (b) review this Charter at least annually and recommend any changes herein to the Board;
- (c) report the activities of the Committee to the Board on a regular basis and make such recommendations thereto as the Committee may deem necessary or appropriate;
- (d) review and recommend to the Board an annual performance evaluation of the Committee, which performance evaluation must compare the performance of the Committee with the requirements of this Charter and be conducted in such manner as the Committee deems appropriate. Such report to the Board may be in such form as the Committee determines, which may include being in the form of an oral report by the chair of the Committee or by another member of the Committee designated by the Committee to make such report; and
- (e) adopt, as it sees fit, any policies and procedures for pre-approval of non-audit services in accordance with all applicable legal and regulatory requirements.

- 4.2 No member of the Committee will receive any compensation from the Company, other than fees for being a director of the Company, or a member of a committee of the Board.
- 4.3 In addition to the foregoing, the Committee will perform such other duties as may be assigned to it by the Board from time to time or as may be required by any applicable stock exchanges, regulatory authorities or legislation.

SCHEDULE “B”

REMUNERATION AND NOMINATION COMMITTEE CHARTER

REMUNERATION AND NOMINATION COMMITTEE CHARTER

(Adopted by the Board of Directors on 31 October 2012)

ARTICLE 1 PURPOSE

The general purpose of the Remuneration and Nomination Committee (the “**Committee**”) is to assist the board of directors (the “**Board**”) of Macarthur Minerals Limited (the “**Company**”) in:

- (a) evaluating, reviewing and recommending all forms of remuneration for the CEO, CFO, COO and other key employees’ (the “**Management**”);
- (b) recommending the annual remuneration budget to the Board;
- (c) recommending compensation for existing directors;
- (d) providing nominations for directors;
- (e) evaluating the collection of tangible and intangible skills, and qualities necessary for an effective board and planning for the succession of the Board;
- (f) reviewing recruitment, retention and termination policies for Management;
- (g) monitoring and assessing the functions of the Board, committees of the Board and individual members of the Board; and
- (h) considering and reviewing diversity and strategies for managing diversity and remuneration by gender within the Company and on the Board.

ARTICLE 2 COMPOSITION, PROCEDURES AND ORGANIZATION

2.1 Number of Members

The Committee shall be comprised of a minimum of three non-executive members of the Board.

2.2 Member Qualifications

- (a) Every Committee member must be a director of the Company.

- (b) Every Committee member must be “independent¹” within the meaning of all applicable legal and regulatory requirements (except in the circumstances, and only to the extent, permitted by all applicable legal and regulatory requirements).
- (c) All members of the Committee shall meet all requirements and guidelines for remuneration committee service as specified in applicable securities and corporate laws and the rules of the Toronto Stock Exchange.

2.3 Member Appointment and Removal

Members of the Committee shall be appointed by the Board for such terms as the Board deems appropriate and shall hold office for such time or until they are removed by the Board or cease to be directors of the Company.

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Committee, and shall be filled by the Board if the membership of the Committee falls below three directors.

2.4 Committee Structure and Operations

(a) Chair

Each year, the Board shall appoint one member of the Committee to be the Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board. If in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

If the Chair of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

(b) Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings. However, the Committee shall meet at least two times per year and as many additional times as the Committee deems necessary to carry out its duties.

The Chair or any two members of the Committee may call a meeting.

(c) Notice

Notice of the time and place of every meeting shall be given in writing to each Committee member, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company at least one week prior to the time fixed for such meeting.

¹ Whether a director is “independent” will be determined in accordance with all applicable laws and regulations, including the applicable securities laws of Canada and the United States and the regulations and policies of any stock exchange or quotation system on which the Company’s securities are listed or quoted.

The external auditor of the Company shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat.

If requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

(d) *Quorum*

A majority of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

(e) *Attendees*

The Committee may invite such directors, officers and employees of the Company and advisors as it sees fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of matters relating to the Committee. The Committee shall meet without management present whenever the Committee deems it appropriate.

(f) *Secretary*

The Committee may select an individual to act as secretary for the Committee, who will be either:

- (i) A member of the Committee other than the chair;
- (ii) the Corporate Secretary; or
- (iii) Another individual who is not a member of the management of the Company.

The Secretary, in conjunction with the Chair shall draft an agenda, which will be circulated at least one week prior to each meeting.

(g) *Records*

Minutes of meetings of the Committee shall be recorded and maintained by the Secretary to the Committee and shall be subsequently presented to the Committee for review and approval.

Confidential matters may be recorded in a confidential minute book and not be circulated to the Board.

(h) *Liaison*

The Company's Chief Financial Officer shall act as management liaison with the Committee.

2.5 Reporting to the Board

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held excluding confidential minutes.

2.6 Authority of the Committee

The Committee discharges its responsibilities by making recommendations to the Board. The Committee does not have any executive powers to commit the Board or Management to their implementation. The Committee is not responsible for supervising the performance of executives and does not become involved in day-to-day operations, management functions or decision making.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

The Committee has the authority to engage and compensate any outside advisor that it determines to be necessary or advisable to permit it to carry out its duties. For greater certainty, the Committee has sole authority to retain and terminate any consulting firm to be used to evaluate the Chief Executive Officer or the remuneration of the Chief Executive Officer or any other officers or senior management personnel.

2.7 Committee and Charter Review

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter, in accordance with the process developed by the Board. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines recommended by regulators or the Toronto Stock Exchange and shall recommend changes to the Board thereon.

ARTICLE 3 DUTIES AND RESPONSIBILITIES

3.1 General

The Committee is responsible for reviewing the Company's overall remuneration philosophy.

3.2 CEO remuneration

With respect to remuneration of the CEO, the Committee is responsible for:

- (a) reviewing and approving corporate goals and objectives relevant to CEO remuneration;
- (b) evaluating the CEO's performance in light of those corporate goals and objectives; and
- (c) determining or making recommendations to the Board with respect to the CEO's remuneration level based on this evaluation.

In setting corporate goals and objectives relevant to CEO remuneration, the Committee should consider both short-term and long-term remuneration goals, including analysis of the short and long-term tax, accounting, cash flow and dilution implications of the remuneration package. In determining the long-term incentive component of the remuneration of the CEO, the Committee shall consider the Company's performance and relative shareholder return, the value of similar incentive remuneration given to CEO's at comparable companies and the remuneration given to the CEO in past years.

The Committee shall annually review and assess the competitiveness and appropriateness of the remuneration package of the CEO. In conducting such review, the Committee shall consider:

- (a) the remuneration package of the CEO for the prior year;
- (b) the Committee's evaluation of the performance of the CEO;
- (c) the Company's performance and relative shareholder return, as well as other key measures of performance;
- (d) whether the remuneration package reflects an appropriate balance between salary and incentive remuneration, as well as the mix between short and longer-term incentives to improve performance of the Company;
- (e) the competitiveness of the remuneration package, including the value of similar incentive awards and benefits such as pensions and supplementary executive retirement plans, paid to equivalent officers and positions at comparable companies;
- (f) the impact of the level and form of awards on the Company and its shareholders from a tax, accounting, cash flow and dilution perspective; and
- (g) the awards given to the CEO.

3.3 Remuneration of Management

With respect to remuneration of Management, the Committee is responsible for:

- (a) recommending the process and criteria to be used to evaluate the performance of Management;
- (b) reviewing and approving the performance evaluations of the Company's Management; and
- (c) In consultation with the CEO, the Committee shall oversee the evaluation of Management and shall make recommendations to the Board with respect to the total remuneration package for Management other than the CEO.

The Committee should consider all forms of remuneration when determining the level of remuneration paid to Management, including long-term incentives and benefits. The Committee should also consider information regarding other companies, the nature of the Company's business, the need to obtain qualified individuals, short-term and long-term performance goals and actual performance and shareholder returns and evaluations and remuneration in previous years.

3.4 Remuneration of Directors

The Committee shall, on an annual basis:

- (a) review the adequacy, amount and form of the remuneration to be paid to each director;
- (b) consider whether such remuneration realistically reflects the time commitment, responsibilities and risks of the directors;
- (c) the effectiveness of the Board, each committee and each director in achieving its mandate, and
- (d) make recommendations to the Board thereon.

With assistance of Management, the Committee will monitor trends in compensation of directors and review the Company's compensation policies and plans and make recommendations to the Board.

The Committee also shall make recommendations to the Board on minimum share ownership requirements for directors of the Company.

3.5 Incentive-remuneration Plans

With respect to incentive-remuneration plans, the Committee is responsible reviewing and making recommendations to the Board with respect:

- (a) the adoption and amendment of executive incentive-remuneration plans and all awards under such plans.

- (b) all payments made under the Company's short and long-term incentive plans; and
- (c) any Management change of control contracts, special benefits and any other senior officer financial arrangements or changes thereto.

3.6 Equity-Based Plans

With respect to equity-based plans, the Committee is responsible for periodically reviewing and making recommendations to the Board regarding equity-based remuneration plans that the Company establishes for, or makes available to, its employees and/or consultants, including the designation of those who may participate in such plans, share and option availability under such plans and the administration of share purchases thereunder.

With respect to equity-based plans, the Committee is responsible for reviewing such plans and making recommendations to the Board the number of securities, and the terms thereof, that may be issued under any such plan during any particular period.

In addition, the Committee shall review periodically the extent to which these forms of remuneration are meeting their intended objectives, and shall make recommendations to the Board regarding modifications to more accurately relate such remuneration to employee performance.

The Committee will conduct periodic reviews of the status of any equity-based plans, and submit recommendations for Board consideration and approval with respect to any proposed material amendments to, and any proposed grants (or changes to previous grants) under such plans.

3.7 Disclosure

With respect to disclosure, the Committee is responsible for:

- (a) obtaining advice on and tracking disclosure requirements related to executive remuneration disclosure;
- (b) reviewing executive remuneration disclosure information before the Company publicly discloses this information; and
- (c) in particular, reviewing the "Executive remuneration" and "Indebtedness" sections and preparing the "Report on Executive remuneration" section of the management information circular (or similarly captioned disclosure).

ARTICLE 4 NOMINATION RESPONSIBILITIES

4.1 General Duties

The Committee shall be responsible for:

- (a) annual review of the indemnification policies of the Company and D&O insurance policy, if any;

- (b) establishment and oversight of new director orientation and ongoing education;
- (c) determine the number of independent directors who should sit on the Board;
- (d) reviewing the proportion of women at all levels in the Company and address strategies on Board gender diversity and diversity in general; and
- (e) review of Board succession plans

4.2 Recruitment

With respect to the director recruitment in general, the Committee will be responsible for:

- (a) adopting a formal and transparent process for the selection, appointment and reappointment of directors to the Board to promote investor understanding and confidence in that process;
- (b) analysis of the collection of tangible and intangible skills and qualities necessary for an effective Board given the Company's current operational and financial condition, the industry in which it operates and the strategic outlook of the Company;
- (c) periodically comparing the tangible and intangible skills and qualities of the existing Board members with the analysis of required skills and identifying opportunities for improvement; and
- (d) recommending, as required, changes to the selection criteria used by the Board to reflect the needs of the Board.

If the Company is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of the Committee.

4.3 Identification of Nominees

With respect to the identification of potential nominees, the Committee will be responsible for:

- (a) identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders;
- (b) defining roles and expectations of Board members; and
- (c) identifying and maintaining a list of potential directors that possess the qualifications established by the Committee.

4.4 Recommendation of Nominees

In making its recommendations to the Board, the Committee will consider:

- (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
- (b) the qualities such as integrity, business judgment, independence, business or professional expertise, international experience, residency and familiarity with geographic regions relevant to the Company's strategic priorities
- (c) the competencies and skills that the Board considers each existing director to possess; and
- (d) the competencies and skills each new nominee will bring to the boardroom.

4.5 Membership Qualifications

With respect to membership qualifications, the Committee is responsible for monitoring director membership to ensure qualifications under applicable laws are maintained.

Every year, the Committee will review the credentials and performance of nominees proposed for election to the Board. In doing so, it will consider director qualifications under applicable laws, regulations and rules, as well as the needs of the Company and the talents already represented on the Board.

4.6 Board & Committee Review

The Committee shall conduct an annual review of the size, composition, mandate and performance of the Board and various committees of the Board, and make recommendations for appointment, removal of directors or adjustment as appropriate.