ACN 103 011 436

Management's Discussion and Analysis

(Form 51-102F1)

For the Year ended March 31, 2014

Information as of June 25, 2014 unless otherwise stated

Note to Reader

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur" or the "Company") for the year ended March 31, 2014 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of June 25, 2014 (unless otherwise stated).

This MD&A should be read in conjunction with the Company's Audited Annual Financial Statements for the year ended March 31, 2014, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the year and the Annual Information Form. The Audited Annual Financial Statements for the year ended March 31, 2014 are prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward-Looking Information

This MD&A includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements in this MD&A, other than statements of historical facts, are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including but limited to statements regarding: 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 FS 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; and plans to secure mining approvals under the *Mining Act*, are forward-looking statements. Although the Company believes that expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. The material factors or assumptions used to develop forward-looking information include prevailing and projected market prices, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions. Factors that could cause actual results to differ materially from those in forward-looking statements include but are not limited to: unforeseen technology changes that results in a reduction in iron or magnetite demand or substitution by other metals or materials; the discovery of new large low cost deposits of iron magnetite; the general level of global economic activity; future changes in strategy regarding core mining, road and rail inputs with respect to the Project; final Project costs varying from those determined from the EOI program; failure to successfully negotiate a BOO arrangement for the Project; failure to complete the FS; failure of the FS to reflect currently anticipated increases annual production and decreases in expected costs at the Project; the results of infill drilling being insufficient to reclassify current inferred mineral resources on the Project as indicated mineral resources; failure to receive a license for the Menzies rail siding; failure to repeal the MRRT; and failure to obtain mining approvals under the *Mining Act*.

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

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

Overall Performance

Background

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

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

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

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

The Macarthur Iron Ore Projects are located on exploration, mining and miscellaneous tenements covering approximately 1,148 km^2 (as at June 13, 2014) located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements, at least 75 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

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

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

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

ULARRING HEMATITE PROJECT ("Project")

A. Mineral Reserve and Resource

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

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

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

Overall Performance (Cont'd)

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

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

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

Table 2 - Ularring Hematite Project Mineral Resource at June 2012

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

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

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

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

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

B. Exploration Activities

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

1) Drilling

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

2) Soil Sampling

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

Overall Performance (Cont'd)

3) Tenement mapping

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

C. Development Activities

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

1) Financing and Investment Activities

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

2) Work on Revising Cost Estimates for the Project

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

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

Variation of Costs from the 2012 PFS

Table 4 below provides an overview of the outcomes of the 2012 PFS and the variation from Project optimisation during 2013/2014.

Overall Performance (Cont'd)

Table 4. 2012 PFS and 2013/14 Revised Estimates

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

Operating Costs

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

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

Overall Performance (Cont'd)

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/t to produce 58%-60% Fe saleable product delivered FOB to port ($78/t in 2012). A summary of revised estimated operating costs elements is shown in Table 5 below.

Table 5. Estimated Operating Costs

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

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

Capital Cost Estimate

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

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

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

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

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

Overall Performance (Cont'd)

Table 6. Capital Costs

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

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

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

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

During 2013, the EPSL continued its expansion process and bids were lodged by two shortlisted consortia, Qube-Brookfield and the Yilgarn Esperance Solution submitted their Request for Proposal ("RFP") tenders in November 2013. The RFPs indicated 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 August 6 2012 for 2 Mtpa capacity for the MUIOF.

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

As reported in "*Development Activities since the period ended March 31, 2014*" below, 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.

Overall Performance (Cont'd)

4) Metallurgy & Processing

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

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

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

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

5) Logistics

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

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

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

1) Financing and Investment Activities

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

2) Feasibility Study Planning

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

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

Overall Performance (Cont'd)

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

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

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

D. Environmental Activities

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

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

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

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

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

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

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

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

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

MOONSHINE MAGNETITE PROJECT

A. Mineral Resource

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

Overall Performance (Cont'd)

Table 7 - Moonshine Magnetite Project Mineral Inferred Resource Estimate

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

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

B. Exploration Activities

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

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

C. Development Activities

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

GOLD AND NICKEL EXPLORATION

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

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

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

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

Overall Performance (Cont'd)

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

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

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

TENEMENTS

At March 31, 2014 the Company held and/or managed mineral tenure totalling 46 tenements consisting of 18 Mining Leases, 21 Exploration Licences, and 7 Prospecting Licences, covering a total area of approximately 680km^2. This includes an Exploration Licence E30/317, with an area of 28.5 km^2, of which the Company manages and maintains an option to acquire, pursuant an option agreement dated June 16, 2011. In addition the company also held 8 Miscellaneous Licences, covering 458 km^2, which are held for infrastructure purposes such as haul roads, and water exploration licences which do not have associated expenditure commitments. This combines a total tenement coverage of 1,138 km^2.

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

Since March 31, 2014, the Company was granted two additional Miscellaneous License for infrastructure purposes. As June 13, 2014 the Company holds tenure covering approximately 1,148km^2.

Live Mineral Tenure

As at June 13, 2014, the Company's 100% owned Macarthur Iron Ore Projects consists of:

Tenement Number	Area[1]		Grant Date	Expiry Date
E30/0240	27	SB	23-Oct-00	22-Oct-14
E30/0318	11	SB	24-Nov-08	23-Nov-18
E30/0321	5	SB	08-Aug-07	07-Aug-17
E30/0322	27	SB	30-Mar-07	29-Mar-17
E30/0323	5	SB	30-Mar-07	29-Mar-17
E30/0349	5	SB	21-Dec-11	20-Dec-16
E30/0384	1	SB	16-Feb-10	15-Feb-15
E30/0385	2	SB	16-Feb-10	15-Feb-15
E30/0386	2	SB	16-Feb-10	15-Feb-15
E30/0387	7	SB	16-Feb-10	15-Feb-15
E30/0392	15	SB	16-Feb-10	15-Feb-15
E30/0398	3	SB	07-May-10	06-May-15
E30/0407	1	SB	07-Sep-10	06-Sep-15
E30/0410	7	SB	15-Sep-10	14-Sep-15
E30/0411	3	SB	19-Aug-10	18-Aug-15
E30/0443	10	SB	02-Nov-12	01-Nov-17
E30/0444	12	SB	15-Feb-13	14-Feb-18
E30/0447	2	SB	08-Mar-13	07-Mar-18
E30/0448	1	SB	08-Mar-13	07-Mar-18
E77/1299	6	SB	02-May-11	01-May-16
L16/0107	7,599	HA	28-Nov-13	27-Nov-34
L29/0125	125	HA	24-Apr-14	23-Apr-35
L29/0129	789	HA	16-Jan-14	15-Jan-35
L30/0049	628	HA	24-Aug-11	23-Aug-32
L30/0050	844	HA	24-Aug-11	23-Aug-32
L30/0051	2,205	HA	28-Dec-11	27-Dec-32
L30/0053	24,489	HA	02-Jan-14	01-Jan-35
L30/0054	8,957	HA	17-Dec-13	16-Dec-34
L30/0056	308	HA	24-Feb-14	23-Feb-35
M30/0206	893	HA	02-Jul-07	01-Jul-28
M30/0207	892	HA	02-Jul-07	01-Jul-28
M30/0208	892	HA	02-Jul-07	01-Jul-28
M30/0213	894	HA	13-Jun-11	12-Jun-32
M30/0214	894	HA	13-Jun-11	12-Jun-32
M30/0215	894	HA	13-Jun-11	12-Jun-32
M30/0216	893	HA	13-Jun-11	12-Jun-32
M30/0217	893	HA	13-Jun-11	12-Jun-32
M30/0218	893	HA	13-Jun-11	12-Jun-32
M30/0219	893	HA	02-Jul-07	01-Jul-28
M30/0227	595	HA	13-Jun-11	12-Jun-32
M30/0228	594	HA	02-Jul-07	01-Jul-28
M30/0229	889	HA	02-Jul-07	01-Jul-28
M30/0248	2,825	HA	22-Feb-12	21-Feb-33
M30/0249	3,812	HA	22-Feb-12	21-Feb-33
M30/0250	1,887	HA	05-Mar-13	04-Mar-34
M30/0251	2,287	HA	27-Nov-12	26-Nov-33
M30/0252	609	HA	27-May-13	26-May-34
P30/1070	40	HA	21-Dec-11	20-Dec-15
P30/1071	124	HA	21-Dec-11	20-Dec-15
P30/1083	72	HA	27-Oct-09	26-Oct-17
P30/1085	24	HA	11-Jul-11	10-Jul-15
P30/1089	24	HA	25-Oct-11	24-Oct-15
P30/1095	193	HA	14-May-13	13-May-17
P30/1096	26	HA	14-May-13	13-May-17

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

Live Mineral Tenure (Cont'd)

As at June 13, 2014, the Company held under option:

Tenement Number	Area(1)	Grant Date	Expiry Date
E30/0317	10 SB	01-Sep-06	31-Aug-15

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

Corporate Update

Corporate Activities during the year ended March 31, 2014

(i) Tracker Resources Pty Ltd de-registered

On May 10, 2013 the Directors 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 Australian Securities and Investment Commission ("ASIC") for approval. ASIC notified the Company that Tracker was deregistered on July 24, 2013.

(ii) 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.

(iii) 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. Under the Option Agreement, the Company is required to keep the tenement in good standing and the option exercise fee remains the same at $10,000,000. See "Option E30/317 extended for a further 18 months" below.

(iv) 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.

(v) 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.

(vi) Issue of Options

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

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

Corporate Update (Cont'd)

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

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

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

Corporate Activities since the year ended March 31, 2014

(i) 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.

(ii) Issue of Options

On June 10, 2014 pursuant to the Company's Employee Share Compensation Plan, 75,000 incentive stock options were granted to an employee of the Company. The options are exercisable for a 3 year period at CAD$0.30 per share and have no vesting conditions.

(iii) 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, 2015. See "Option E30/317 extended for 12 months" above.

Results of Operations and Financial Condition

(All amounts in Australian dollars)

Selected Financial Information

The following table sets forth selected financial information of the Company for, and as at the end of, each of the last three financial years up to and including March 31, 2014. This financial information is derived from the Audited Annual Financial Statements of the Company. The Company prepares financial information according to IFRS and all information is reported in Australian dollars.

Australian $	2014	2013	2012
Income from continuing operations	269,160	939,410	2,195,673
Net profit (loss) for the year	(3,806,341)	(4,062,124)	(2,565,966)
Net profit (loss) per share	(0.08)	(0.09)	(0.06)
Total Assets	63,287,845	67,688,947	72,974,863
Total Long-term financial liabilities	13,967	52,117	37,190

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

During the last 3 financial years, the Company has reported operating net losses. The most significant factor affecting operating losses during the last 3 financial years is continuing administrative expenses, which includes personnel fees, professional fees, office and general expenses and share based compensation.

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

Exploration and Evaluation Expenditures

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

Australian $	Year Ended March 31, 2014	Year Ended March 31, 2013
Capitalized expenses	3,169,605	10,960,481

For the year ended March 31, 2014, the Company expended $3,169,605 on exploration and evaluation activities compared with $10,960,481 for the year ended March 31, 2013. This decrease in expenditure of $7,790,876 reflects the Company's migration from primarily exploration to a focus on development. The largest elements of exploration and evaluation costs during the 2014 financial year were personnel and contractors representing 54% and rent and rates 24%. Personnel and contractor costs reduced by 46% during the year compared to the corresponding year representing a $1,472,052 saving.

Administrative Expenses

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

Australian $	Year Ended March 31, 2014	Year Ended March 31, 2013
Administration Expenses	4,075,501	5,001,534

The largest elements of administrative expenses for the year ended March 31, 2014 were personnel fees of $1,620,485, professional fees of $1,208,273 and office and general expenses of $383,577. Professional fees include legal fees relating to the LPD and FSDC (in liquidation) legal actions.

Compared to the corresponding year ended March 31, 2013, total administrative expenses decreased by 18.5% or $926,033. The 18.5% decrease was mainly due to reduced personnel costs of $328,709 and professional fees of $322,269.

Results of Operations and Financial Condition (Cont'd)

Income

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

Australian $	Year Ended March 31, 2014	Year Ended March 31, 2013
Interest Income	269,160	939,410

For the year ended March 31, 2014 the Company earned interest income of $269,160. Compared to the corresponding year ended March 31, 2013 interest income decreased by $670,250 due to interest earned on a decreased cash balance.

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

Income Taxes

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

The Australian Government passed legislation on 19 March 2012 for the MRRT which applies to coal and iron ore projects and was implemented from 1 July, 2012.

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

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

Net Losses

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

Australian $	Year Ended March 31, 2014	Year Ended March 31, 2013
Net loss	3,806,341	4,062,124

The net loss for the year ended March 31, 2014 was $3,806,341 compared with $4,062,124 for the corresponding year ended March 31, 2013. This decreased net loss of $255,783 was mainly attributable to reduction in personnel costs and professional fees.

Results of Operations and Financial Condition (Cont'd)

Change in Financial Position

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

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

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

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

The Company's net working capital at March 31, 2014 was $3,610,444 compared with net working capital of $10,163,790 at March 31, 2013. The decrease in the net working capital mainly results from a decrease in cash balance resulting from exploration, evaluation and administrative expenditure.

Year to Date Cash Flows

Australian $	Year Ended March 31, 2014	Year Ended March 31, 2013
Operating Activities	(3,189,458)	(3,679,176)
Investing Activities	(3,773,397)	(12,189,809)
Financing Activities	(81,456)	(47,550)
Total cash movement	(7,044,311)	(15,916,535)

Cash outflow from operating activities during the year ended March 31, 2014 was $3,189,458 compared with $3,679,176 for the prior corresponding year. The decreased cash outflow was mainly due to reduced trade payables.

Cash outflow from investing activities during the year was $3,773,397 compared with $12,189,809 in the prior year. The outflow in both comparative years related primarily to exploration and feasibility study activities. The reduction in cash outflow relates to the Company transitioning from exploration to feasibility and development activities.

Cash outflow from financing activities during the year was $81,456 compared with $47,550 for the prior year. The outflow relates to one motor vehicle finance lease (residual) paid out in December 2013.

Results of Fourth Quarter

Exploration and Evaluation Expenses

Australian $	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Exploration and Evaluation costs	235,204	2,478,394

Exploration and evaluation costs for the quarter ended March 31, 2014 were $235,204 compared to the previous March quarter of $2,478,394. The decrease of $2,243,190 is attributable to the Company's transition from exploration to evaluation and development activities. The Company also received $505K in February 2014 for a Research and Development claim granted by the Australian Government. The income has been offset against current quarter's capitalized exploration and evaluation costs.

Administrative Expenses

Australian $	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013
Administration expenses	867,420	1,328,085

For the quarter ended March 31, 2014 the Company incurred administrative expenses of $867,420 compared to $1,328,085 for the quarter ended March 31, 2013.

The largest elements of administrative expenses for the quarter ended March 31, 2014 were personnel costs of $380,493 and professional fees of $146,520. Compared to the corresponding quarter ended March 31, 2013 total administrative expenses decreased by $460,665, mainly due to reduced personnel costs.

Income

Income is mainly comprised of interest income. For the quarter ended March 31, 2014 the Company earned interest income of $42,031. Compared to the corresponding quarter ended March 31, 2013 interest income decreased by $96,662, due to interest earned on a decreased cash and cash equivalents balance.

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

Net Losses

The net loss for the quarter ended March 31, 2014 was $825,389 compared with the net loss for the corresponding quarter ended March 31, 2013 of $1,189,392. The net loss for the quarter ended March 31, 2014 was mainly due to administrative expenses. During the quarter ended March 31, 2014 professional fees reduced by $274,133, and personnel costs reduced by $120,106, compared to the corresponding quarter.

Summary of Quarterly Information

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with March 31, 2014. This financial information is derived from the Annual Audited Financial Statements of the Company.

	Jun 30 2012 $	Sept 30 2012 $	Dec 31 2012 $	Mar 31, 2013 $	Jun 30, 2013 $	Sept 30, 2013 $	Dec 31, 2013 $	Mar 31, 2014 $
Interest Income	350,711	257,035	192,971	138,693	101,163	72,939	53,027	42,031
Net profit/(loss)	(662,542)	(1,145,917)	(1,064,273)	(1,189,392)	(972,117)	(1,067,585)	(941,250)	(825,389)
Net profit/(loss) per share	(0.01)	(0.03)	(0.02)	(0.03)	(0.02)	(0.03)	(0.02)	(0.02)

Summary of Quarterly Information (Cont'd)

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

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

Income is predominantly derived from interest income. Other minor receivables include overnight camp accommodation and camp fuel reimbursement.

Liquidity and Capital Resources

At March 31, 2014, the Company has net working capital of $3,610,444.

The Company did not issue any shares or other equity instruments during the year ended March 31, 2014. The Company's only external borrowings consist of a financial lease arrangement for motor vehicles, which at the reporting date totaled $15,436.

Over the next 4 quarters (12-months), the Company anticipates its cash expenditure requirements will remain stable as the Company transitions to the development stage and prior to raising project financing. Upon project financing being raised, expenditure will significantly increase.

Related Party Transactions

Balances and transactions between the Company and its wholly owned subsidiaries ("Group"), which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this MD&A. There were no transactions between the Company and related parties in the wholly owned Group during the year ended March 31, 2014 other than remuneration for key management personnel, details are disclosed below. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that an entity would have adopted if dealing on an arm's length basis.

Key Management Personnel

The following persons were key management personnel of the Company during the year ended March 31, 2014.

Chairman, President and Chief Executive Officer ("CEO")

A S Phillips

Non-Executive Directors

S Hickey (resigned August 30, 2013)
J Toigo
J Starink
J Wall
R Patricio
Other key management personnel

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

Other company executives

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

Related Party Transactions (Cont'd)

Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 21 of the Audited Annual Financial Statements for the year ended March 31, 2014.

Other transactions with key management personnel

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

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

Commitments

Lease agreements

At the March 31, 2014 balance sheet date the Company had the following commitments:

	Vehicle leases $	Building leases $	Total $
Within one year	3,638	197,005	200,643
Later than one year but no later than five years	11,798	139,670	151,468
	15,436	336,675	352,111

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

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures are set out in Note 12 to the Audited Annual Financial Statements for the year ended March 31, 2014.

Option agreement

The Company's option over E30/317, under an Option Agreement entered into 16 June, 2011, was extended for a further 12 months until June 16, 2014. Since the year end March 31, 2014 the Company further extended the option for 18 months until December 16, 2015. Under the Option Agreement, the Company is required to keep the tenement in good standing and the option exercise fee remains the same at $10,000,000.

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

Off-Balance Sheet Arrangements

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

Risks and Uncertainties

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

GENERAL

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

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

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

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 and Uncertainties (Cont'd)

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.

Risks and Uncertainties (Cont'd)

Risk that the Company has a Limited Operating History

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

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at March 31, 2014 the Company's deficit was $26,985,772.

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.

Risks and Uncertainties (Cont'd)

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.

Risks and Uncertainties (Cont'd)

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. During the year ended March 31, 2014, the per share price of the Company's shares fluctuated from a low of CAD$0.11 to a high of CAD$0.32.

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

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

Risks and Uncertainties (Cont'd)

Shares Reserved for Issuance: Dilution Risk

Capital raisings to meet funding and property commitments will result in dilution to the Company's shareholders. It is likely any additional capital required by the Company, as described above, will be raised through the issuance of additional equity securities which will result in dilution to the Company's existing shareholders. Further, the Company, from time to time, is required to issue Shares to earn its interests in properties. Such property share issuances will also result in dilution to the Company's existing shareholders.
As at March 31, 2014, there were 4,175,000 stock options outstanding.

Share Liquidity Risk

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

Risks and Uncertainties (Cont'd)

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 MD&A. The Company may not have sufficient funds to: make the minimum expenditures to maintain its properties in good standing under Canadian and Australian law; and make the minimum expenditures to earn its interest in 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.

Risks and Uncertainties (Cont'd)

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.

Risks and Uncertainties (Cont'd)

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.

Risks and Uncertainties (Cont'd)

The Australian Government passed legislation on March 19, 2012 for the MRRT which applies to coal and iron ore projects and was implemented from July 1, 2012. The MRRT will be payable when the Company has commenced iron ore production and generates MRRT assessable profits of over $75 million after taking into account inbuilt allowances. A bill which will has the effect of repealing the MRRT, was passed in the lower house of Parliament in November 2013. If the bill passes the senate, the MRRT would be abolished from July 1, 2014.

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.

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.

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.

Risks and Uncertainties (Cont'd)

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.

Accounting Policies

Accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 2 to the Audited Annual Financial Statements for the year ended March 31, 2014.

Critical Accounting Estimates

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

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

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

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

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

Critical Accounting Estimates (Cont'd)

iv) The Company's management has made an assessment of the Company's ability to continue as a going concern and the consolidated financial statements continue to be prepared on a going concern basis. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Refer to Note 2(b) in the Audited Annual Financial Statements for the year ended March 31, 2014.

Financial Instruments

The Company's principal financial instruments are comprised of cash, short term deposits and payables which approximate their fair market value due to the short-term nature of these instruments. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and foreign currency risk. Refer to the Risks and Uncertainties section above and Note 3 to the Audited Annual Financial Statements for the year ended March 31, 2014.

Disclosure Controls and Procedures

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

The Company's CEO and CFO have overseen the evaluation of the effectiveness of the Company's disclosure controls and procedures as at March 31, 2014 and concluded that they are effective and provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

Internal Controls Over Financial Reporting ("ICFR")

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

The CEO and CFO have overseen the evaluation of the design and effectiveness of the Company's ICFR based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company's ICFR was effective as of March 31, 2014.

There were no significant changes that occurred during the year ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The Company has not in any way limited the design of the ICFR and there were no material weaknesses related to its design as at March 31, 2014.

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

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

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

Outstanding Share Data as of June 25, 2014:

Authorized and issued share capital:

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

As at June 25, 2014 there were 4,250,000 stock options outstanding.

Other Information

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

Competent Person's Statement

Technical aspects of this MD&A were prepared and verified by Mr Ian S Cooper, B.Sc., A.R.S.M., F.G.S. FAusIMM, who is a Fellow of the Australasian Institute of Mining and Metallurgy (membership number 107348). Mr Cooper is a part time employee of Macarthur and is a Qualified Person as defined by National Instrument 43-101. Mr Cooper is in charge of Macarthur's exploration program and has reviewed the technical information contained in this MD&A and has consented to the public filing of the MD&A.

By order of the Board

"*Alan Phillips*"

Alan Phillips
Chairman, President and CEO

"*John Toigo*"

John Toigo
Director