MACARTHUR
Minerals Limited

ACN 103 011 436

Management's Discussion and Analysis

(Form 51-102F1)

For the Quarter ended June 30, 2016

Information as of August 29, 2016 unless otherwise stated

Note to Reader

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur" or the "Company") for the three month period ended June 30, 2016 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of August 29, 2016 (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, 2016, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the previous year. The Condensed Interim Consolidated Financial Statements for the three month period ended June 30, 2016 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. 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 fluctuations in exchange rates and certain commodity prices, uncertainties related to mineral title in the projects, unforeseen technology changes that results in a reduction in minerals demand or substitution by other minerals or materials, the discovery of new large low cost deposits of minerals and the general level of global economic activity. Readers are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty thereof. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. The forward-looking statements contained in this MD&A and are made as of the date of this press release and except as may otherwise be required pursuant to applicable laws, the Company does not assume any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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 at 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.

Discussion on Operations

Macarthur Minerals Limited is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS) currently is focused on identifying and developing high grade lithium and counter cyclical investments, with significant lithium exploration interest in Australia and has entered into an agreement to acquire a lithium project in Nevada. In addition, Macarthur retains its two valuable iron ore projects in Western Australia, which remain on hold, whilst the global iron ore market continues to recover. The Company was previously listed on the Toronto Stock Exchange ("TSX") until June 24, 2015 and the OTC Market Place, OTCQX International ("OTCQX") (symbol: MMSDF) until December 31, 2015.

Macarthur Lithium Acreage

Since February 2016, Macarthur has applied for 21 Exploration Licence Applications and prospective interest in rights to lithium covering a total area of 2,029 square kilometres (501,376 acres) (as at August 22, 2016) in the Pilbara, Ravensthorpe and the Yalgoo/Edah regions of Western Australia. In addition, the Company has also entered into an agreement to acquire the Stonewall Project in Nevada, which covers an area of approximately 5,700 acres (23 km^2).

Macarthur's lithium tenure (acreage) is held by its wholly owned subsidiary Macarthur Lithium Pty Ltd ("MLi").

On May 27, 2016 MLi entered into a Memorandum of Understanding ("MOU") with Venturex Resources Limited ("VXR") to enter into a Farm-in and Joint Venture Agreement for rights to lithium on VXR's Sulphur Springs Project ("Sulphur Springs") and Whim Creek Project ("Whim Creek"), in the Pilbara region of Western Australia, which is contiguous with some of the Company's Exploration Licence Applications.

On July 12, 2016 MLi also entered into a MOU with Zadar Ventures Ltd to enter into a Farm-in Agreement for lithium exploration on the Company's Ravensthorpe acreage, for minimum expenditure of A$2 million.

On August 15, 2016 MLi also entered into a MOU with a private gold company to purchase exclusive rights for lithium and other rare earth minerals on the private company's acreage in the Yalgoo region of Western Australia ("Yalgoo Acreage").

On August 17, 2016 the Company entered into an MOU with Voltaic Minerals Corp. to purchase the Stonewall Project in Nevada, which is prospective for lithium.

The Company is currently undertaking reconnaissance of its Exploration Licence Applications and lithium interests to identify high grade lithium mineralisation targets.

Iron Ore Projects

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

The 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 "Iron Ore Projects").

The Iron Ore Projects are located on mining and miscellaneous tenements covering approximately 137 km^2 (as at August 22, 2016) 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.

There was no change in the nature of the Group's principal activities, being mineral resource exploration and evaluation, during the quarter.

Discussion on Operations (Cont'd)

MACARTHUR LITHIUM ACREAGE

Since February 2016, the Company has made 21 Exploration Licence Applications and prospective interest in rights to lithium covering a total area of 2,029 square kilometres (501,376 acres) (as at August 22, 2016 in the Pilbara, Ravensthorpe and the Yalgoo/Edah regions of Western Australia. In addition, the Company has also entered into an agreement to acquire the Stonewall Project in Nevada, which covers an area of approximately 5,700 acres (23 km^2).

Pilbara Acreage Package

The Company has a total of 18 exploration license applications in the Pilbara covering a total area of 1,449 square kilometres (358,055 acres) (as at August 22, 2016).

The Pilbara applications cover similar geological settings to the Pilgangoora Li-Ta pegmatite deposits, which host the lithium projects of Australian Securities Exchange listed companies, Pilbara Minerals Limited (ASX: PLS) and Altura Mining Limited (ASX: AJM).

Macarthur's applications in the Pilbara are selected on the basis of geological attributes that are broadly consistent with the currently accepted exploration/mineral system model for Lithium-Caesium-Tantalum ("LCT" family or type) of the rare element class of lithium bearing pegmatites. The tenement applications cover areas of potential LCT type pegmatite host rocks such as greenstone belts (meta-volcanic sequences), earlier granitoids and gneisses. The tenement applications are located within 5–10 km of ~2.89 to 2.83 Ga[1] post-tectonic monzogranite (S-type) intrusions, which are considered to be the source of magmatic melts from which the LCT type pegmatites evolve. The fertile character of the highly fractionated younger monzogranites[2], and their potential link to lithium mineralisation, adjacent to and within the new application is supported by numerous associated occurrences of lithium (Li), tantalum (Ta), tin (Sn), and beryllium (Be).

In May 2016, the Company completed its initial heliborne reconnaissance across a portion of its acreage in the Pilbara region of Western Australia. Assay results from the initial heliborne reconnaissance sampling of pegmatites located within three of the Company's Exploration Licence Applications (E45/4702, E45/4711 and E45/4748) are encouraging.

Given the short nature of the initial reconnaissance trip and the large acreage holding, the Company is confident in locating lithium-bearing pegmatites and is currently working through the exploration strategy designed to locate economic pegmatite deposits in the company's tenement portfolio.

Reconnaissance, including sampling, was only conducted on seven of the Company's Exploration License Applications in the Pilbara and did not include all areas contained in those applications. In essence, the initial reconnaissance program only assessed the lithium potential of a fraction of the Company's acreage package.

The Company will undertake further reconnaissance of its Exploration Licence Applications.

Sulphur Springs and Whim Creek Joint Venture

On May 27, 2016, MLi and VXR entered into a MOU that serves as a framework for entering into a Farm-in and Joint Venture Agreement ("FJVA") for rights to lithium on Sulphur Springs and Whim Creek in the Pilbara region of Western Australia, which is contiguous with some of the Company's Exploration Licence Applications.

The key terms of the MOU are:

- the Company and VXR will negotiate and enter into a FJVA for lithium rights on the Sulphur Springs and Whim Creek acreage within five months.
- entry into the FJVA is conditional upon the Company conducting due diligence within four months to confirm that Sulphur Springs and Whim Creek is prospective for lithium.

[1] Ga is giga anna – 1 Billion years.
[2] S-type monzogranites are biotite-bearing granitoids considered to have formed by crystallisation of melts from metasedimentary protoliths.

Discussion on Operations (Cont'd)

- the Company will earn into 51% of the rights for lithium on Sulphur Springs and Whim Creek by paying expenditure over a period of time, thereafter the FJVA will be a contributing joint venture 51% Macarthur and 49% VXR.
- the amount of the Company's expenditure to earn 51% is to be negotiated following completion of due diligence by the Company.
- the Company will manage the FJVA and will be paid a project management fee upon the forming of a contributing joint venture.

The FJVA is subject to regulatory and TSX-V approval, if required.

Sulphur Springs covers approximately 118 km^2 (29,158 acres) of Mining Leases, Exploration Licence applications and Miscellaneous Licenses for haul road access into the project area. Sulphur Springs covers a northeast-southwest trending faulted geological contact between mafic rocks and folded sediments where the Archean greenstones and volcaniclastic rocks are folded around the intrusive Strelley Granite batholith. The acreage covers an area of potential host rock sequences ('greenstone belts') for the LCT type of pegmatites and is located within 5–10km of a monzogranite intrusion (Strelley batholith), which may be the magmatic source for LCT type pegmatites.

The Sulphur Springs acreage is adjacent to Macarthur's exploration licence applications E45/4735, E45/4732 and E45/4779.

Whim Creek covers approximately 124 km^2 (30,641 acres) of Mining Leases, Exploration Licences and Miscellaneous Licenses. The Whim Creek project area covers the Archaean Whim Creek Greenstone Belt within the North Pilbara region, consisting of heavily faulted North-East trending volcanic and sedimentary rocks wrapped around earlier granitoid batholiths. The acreage covers an area of potential host rock sequences ('greenstone belts') for the LCT type of pegmatites and are located within 5–10km of the Caines Monzogranite which may be the magmatic source for the LCT type of pegmatites.

Sulphur Springs and Whim Creek Strategy

The majority of the acreage is comprised of granted Mining Leases M45/653, M45/494, M45/587, M45/1001 and M 47/236, M 47/443, M 47/238, M47/323 and M47/324, which will allow for drilling and exploration activities for lithium to be fast-tracked, once the area is confirmed to be prospective for lithium. VXR has conducted reverse circulation (RC) drilling for zinc-copper across the Sulphur Springs acreage, which has generated a geochemical database and the opportunity to resample existing drill spoil and RC drill chips for lithium or lithium pathfinder elements.

Many of Macarthur's Exploration Licence Applications and VXR's Sulphur Springs acreage is adjacent to acreage of Australian iron ore producer, Atlas Iron Limited (ASX: AGO) ("Atlas"). Atlas announced in its May 2016 Investor Presentation that it held "prospective tenure in zones of known world-class lithium-tantalum deposits"[3] in the Pilbara region of Western Australia.

Ravensthorpe Acreage Package

The Company has applied for two exploration licenses in the Ravensthorpe district in South Western Australia covering an area of 91 km^2 (as at August 22, 2016).

On July 12, 2016 MLi entered into a MOU with Zadar Ventures Ltd ("ZAD") for entering into a Farm-in Agreement ("FIA") for lithium exploration on the Company's Ravensthorpe acreage for minimum expenditure of A$2 million.

The key terms of the MOU are:

- the Company and ZAD will enter into a FIA for the Ravensthorpe lithium acreage within 5 months.

[3] Atlas Iron Limited's May 2016 Investor Presentation, http://www.atlasiron.com.au/irm/PDF/5868/May2016InvestorPresentation

Discussion on Operations (Cont'd)

- entry into the FIA is conditional upon ZAD conducting due diligence within 3 months to confirm that the Ravensthorpe acreage is prospective for lithium and for the Company to conduct due diligence on ZAD.
- ZAD will initially earn into 51% of the Ravensthorpe lithium acreage by expending a total of A$2,000,000 within 2 years from the grant of the Ravensthorpe exploration licences.
- ZAD will earn into an additional 24% of the Ravensthorpe lithium acreage taking its total interest to 75% upon completing a positive NI43-101 Preliminary Economic Assessment ("PEA") within 3 years from the grant of the Ravensthorpe exploration licences.
- MLi have a free carried interest during and after farm-in, for the life of the Ravensthorpe tenure and any related project, of not less than 25%.
- the Company will manage the Ravensthorpe lithium exploration program and will be paid a project management fee of 15% of total expenditure until ZAD has completed a positive NI 43-101 PEA.
- ZAD will pay for all expenditure and project management fees in advance and MLi will be reimbursed all its associated costs in full.
- once ZAD has acquired 75% interest in the Ravensthorpe lithium acreage, ZAD will have the first right to offer to purchase MLi's remaining 25% interest.
- if ZAD does not meet expenditure of A$200,000 in the first 3 months after the FIA has been entered into or by the time exploration licences are granted, whichever is later, the FIA will end and 100% of the ownership of the Ravensthorpe lithium acreage will revert back to MLi.
- if ZAD does not complete a positive NI 43-101 PEA, a joint venture will be formed (ZAD 51% and MLi 49%), whereby MLi continues to have free carried interest of 25%, effectively only contributing to 24% of expenditure.

The ZAD farm-in allows the Company to accelerate its exploration activities over its large acreage package prospective for lithium, which is one of the largest for any junior listed company. This allows the Company to maximise its efforts on its Pilbara acreage.

The Company will manage the exploration program for the Ravensthorpe acreage contributing the resources of its very experienced lithium technical team.

The Canadian company plans to commence initial field reconnaissance on Macarthur Minerals' lithium acreage at Ravensthorpe in the near future.

The FIA, although not envisaged, may be subject to regulatory approval.

Edah Hill Acreage Package

The Company has made application for one exploration licence in the Mt Edah district in the greenstone terrane of the Murchison Province of the Yilgarn, Western Australia covering an area of 121 km^2 (as at August 22, 2016).

Yalgoo Lithium Project

On August 15, 2016, MLi entered into an agreement to acquire exclusive rights for lithium and other rare earth minerals on two granted exploration licenses (E59/2140 and E59/2077) covering an area of 191 square kilometres (47,161 acres) in the Yalgoo region of Western Australia ("Yalgoo Acreage"). The Yalgoo Acreage on which rights to lithium are acquired is in proximity to the Company's existing Edah Hill lithium acreage and consists of granted exploration licenses allowing immediate exploration for lithium.

Previous drilling activities by other companies on the Yalgoo Acreage has intersected buried pegmatites in 14 drill holes and buried pegmatites for up to 3.5 kilometres along strike of previously mapped pegmatites[4,5]. In addition, within five kilometres of the Yalgoo Acreage, another company's rockchip samples record significant results for Li_2O of up to 1.64% as well as elevated beryllium (Be) (96 ppm), caesium (Cs) (1,840 ppm) and rubidium (Rb) (19,200 ppm)[6,7].

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[4] Prosperity Resources Limited (2007). Melville Project Annual Technical Report for the period 1/1/06 to 31/12/06.
[5] Acacia Resources Limited (1999). Melville J.V Annual Report for the Period 1/1/99 – 31/12/99.
[6] Zen Minerals Limited (2009). Yalgoo Tantalum Project Combined Annual Reporting Group C152/2002.
[7] Jaloro Pty Ltd (2002). Yalgoo Project P59/1490 and E59/937 Annual Report.

Discussion on Operations (Cont'd)

A Qualified Person for the purpose of NI43-101 has not done sufficient work to verify the scientific and technical information concerning the Yalgoo Acreage and the adjacent properties and that the information is not necessarily indicative of the mineralisation on the Yalgoo Acreage or of current mineral resources or mineral reserves on the adjacent properties. This information was sourced from historical information that was prepared before the Company entered into the agreement to acquire the rights for lithium and other rare earth minerals on the Yalgoo Acreage and the Company is not treating the historical estimate as current mineral resources or mineral reserves.

The key terms of the agreement are:

- Macarthur will enter into a Purchase Agreement, subject to due diligence, to acquire from the private company exclusive rights to explore, mine and extract lithium and other rare earth minerals on the Yalgoo Acreage.
- Macarthur will pay the private company:
  - A$30,000 upon satisfaction of conditions precedent in the Purchase Agreement;
  - A$50,000 upon the first anniversary of the commencement of the Purchase Agreement;
  - A$250,000 upon defining a 5 million tonne JORC resource of >1.2% Li_2O; and
  - A$500,000 upon defining a 15 million tonne JORC resource of >1.2% Li_2O.
- Net smelter royalty of:
  - 2.5% for lithium concentrate produced on the Yalgoo Acreage; and
  - 50% of Western Australian Department of Minerals and Petroleum royalty rate for other rare earth minerals,

  produced on the Yalgoo Acreage.

The underlying licences on which the rights of lithium are acquired consists of granted exploration licences, allowing for immediate exploration for lithium.

Due diligence will focus on a reconnaissance trip to sample pegmatites revealed by historical records and sampling of core stored in Geological Survey of Western Australia facility.

<u>Stonewall Project</u>

On August 17, 2016 the Company entered the United States lithium supply sector through an agreement to acquire the Stonewall Project in Nevada, which is prospective for lithium ("Stonewall Project"). The Stonewall Project covers an area of approximately 5,700 acres (23 km^2) and the majority of a Salt Lake Playa in Nevada's Lida Valley Basin, the adjacent basin to the Clayton Valley Basin, which hosts the United States' only producing lithium mine. The Stonewall Project is considered essentially "drill ready" and a United States mineral exploration company is being engaged to undertake a shallow drilling program for due diligence purposes.

The Stonewall Project is located over the majority of a Salt Lake Playa consisting of 38 Placer Mine Claims, located in the Lida Valley, Nevada. The Stonewall Project is located in an intermontane basin and surrounded by Tertiary age volcanic rocks with strong potential to be the source rocks for the lithium. The potential lithium source rocks include flows and tuffs that likely extend under the alluvial cover. The Stonewall Project is located in the mining friendly Nye and Esmeralda Counties of Nevada and is serviced by excellent infrastructure with access to power, water, labour and is bisected by Veterans Memorial Highway Number 95. The regional climate also favours natural and inexpensive evaporation for brine concentration and allows year-round work.

A United States mineral exploration company is being engaged to perform the initial technical due diligence evaluation work on lithium for the Stonewall Project. The mineral exploration company will shortly conduct an initial shallow drilling program on the Stonewall Project for the purposes of collecting soil and brine samples for lithium. Nevada legal counsel has been engaged to provide a legal title report of the Stonewall Project Placer Mine Claims.

Macarthur entered into a MOU with Voltaic Minerals Corp. (TSX-V: VLT, FSE: 2P61) ("Voltaic") to enter into a Purchase Agreement for the Stonewall Project on the following key terms:

- Macarthur will issue 2 million ordinary shares to Voltaic at 10 cents per share.

Discussion on Operations (Cont'd)

- Macarthur will pay approximately US$48,000 by September 1, 2016 (refundable if no completion of purchase).
- completion of the Purchase Agreement scheduled for September 30, 2016, is subject to Macarthur carrying out satisfactory technical, legal and tax due diligence.
- following completion and transfer of unencumbered title to the Stonewall Project, payment to Voltaic of US$50,000 within 6 months.

Lithium Strategy

Macarthur is focussed on the acquisition and development of high quality lithium projects. Macarthur is currently evaluating its acreage and commencing discussions with various third parties concerning potential joint ventures to maximise the exploration effort throughout 2016.

IRON ORE PROJECTS

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

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

The Company's 100% subsidiary MIO and owns the Iron Ore Projects.

The Iron Ore Projects are located on mining and miscellaneous tenements covering approximately 137 km^2 (as at August 22, 2016) located 175 km northwest of Kalgoorlie in Western Australia.

The Iron Ore Projects remain valuable assets. There is real potential for the Iron Ore Projects to add significant value with the recovery of global iron ore markets.

As announced on October 13, 2015, the Company entered into a Share Sale Agreement with FIG Australia Pty Limited (previously named GIM Australia Pty Ltd) ("FIG") to dispose of all the shares of its wholly owned subsidiary, MIO for A$6 million ("MIO Sale Transaction"). Financial close of the MIO Sale Transaction was due on January 31, 2016. FIG was unable to complete the purchase of MIO by financial close as the MIO Sale Transaction was part of a larger consolidation of the area. The Company continues to receive interest from third parties for potential purchase of its Iron Ore Projects.

The Company's has been maintaining the core Iron Ore Projects' assets and waiting for improved market conditions, as well as looking for new project opportunities.

The Ularring Hematite Project's Mineral Resource consisting of Indicated 54.46 Mt @ 47.2% Fe and Inferred 25.99Mt @ 45.4% Fe, was previously announced on August 16, 2012 (NI 43-101 Technical Report filed October 1, 2012, titled "NI 43-101 Technical Report, Macarthur Minerals Limited, Pre-Feasibility Study, Ularring Hematite Project, Western Australia").

The Company has received approval to develop an iron ore mine for the Ularring Hematite Project and associated infrastructure at the project location under the *Environmental Protection Act 1986* ("EP Act") and the *Environmental and Biodiversity Conservation Act 1999* ("EPBC Act").

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"), with an Inferred Mineral Resource consisting of 1,316 Mt @ 30.1% Fe.

Discussion on Operations (Cont'd)

TENEMENTS

Macarthur Lithium Acreage

At June 30, 2016 the Company had applied for 20 Exploration Licenses covering a total of area of 978 km^2.

At August 22, 2016 the Company has 21 Exploration Licences Applications and has prospective interest in rights to lithium on Sulphur Springs and Whim Creek covering a total area of 2,029 km^2 (501,376 acres). In addition, the Company has also entered into an agreement to acquire the Stonewall Project in Nevada, which covers an area of approximately 5,700 acres (23 km^2).

The majority of the Company's total lithium acreage of 1,489 square kilometres[8] is expected to grant by November/December 2016.

Iron Ore Projects

At June 30, 2016 the Company held and/or managed mineral tenure totalling 15 Mining Leases covering a total area of approximately 66 km^2. In addition the Company also held two Miscellaneous Licences, covering 76 km^2, for the purpose of water exploration. These licenses do not have associated expenditure commitments. The total tenement package covered 142 km^2.

Since June 30 2016, two Mining Leases were partially surrendered and one Miscellaneous licence was surrendered. At August 22, 2016 the Company held tenure covering approximately 137 km^2.

[8] Excludes rights to lithium on Venturex Resource Limited's Sulphur Springs Project and Whim Creek Projects and Yalgoo Acreage.

Discussion on Operations (Cont'd)

LIVE MINERAL TENURE

Macarthur Lithium

As at August 22, 2016, the Company has made Exploration Licenses Applications for:

Tenement Number	Area(1)		Application Date
E45/4693	15	SB	3-Feb-2016
E45/4694	34	SB	3-Feb-2016
E45/4702	43	SB	11-Feb-2016
E45/4708	27	SB	26-Feb-2016
E45/4709	22	SB	26-Feb-2016
E45/4710	22	SB	26-Feb-2016
E45/4711	40	SB	29-Feb-2016
E45/4732	43	SB	7-Apr-2016
E45/4735	5	SB	19-Apr-2016
E45/4747	2	SB	19-Apr-2016
E45/4748	12	SB	19-Apr-2016
E45/4749	9	SB	19-Apr-2016
E45/4750	4	SB	16-May-2016
E45/4779	40	SB	26-Feb-/2016
E46/1114	35	SB	26-Feb-2016
E46/1115	21	SB	26-Feb-2016
E46/1133	31	SB	19-Apr-2016
E59/2174	40	SB	17-Feb-2016
E74/0587	2	SB	11-Apr-2016
E74/0588	30	SB	11-Apr-2016
E45/4824	66	SB	15-Aug-2016

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

Iron Ore Projects

As at August 22, 2016, the Company's 100% owned Iron Ore Projects comprises:

Tenement Number	Area(1)		Grant Date	Expiry Date
L16/0107	7,599	HA	28-Nov-13	27-Nov-34
M30/0206	188	HA	02-Jul-07	01-Jul-28
M30/0207	171	HA	02-Jul-07	01-Jul-28
M30/0213	258	HA	13-Jun-11	12-Jun-32
M30/0214	260	HA	13-Jun-11	12-Jun-32
M30/0215	521	HA	13-Jun-11	12-Jun-32
M30/0216	55	HA	13-Jun-11	12-Jun-32
M30/0217	114	HA	13-Jun-11	12-Jun-32
M30/0227	504	HA	13-Jun-11	12-Jun-32
M30/0228	362	HA	02-Jul-07	01-Jul-28
M30/0229	204	HA	02-Jul-07	01-Jul-28
M30/0248	585	HA	22-Feb-12	21-Feb-33
M30/0249	1,206	HA	22-Feb-12	21-Feb-33
M30/0250	102	HA	05-Mar-13	04-Mar-34
M30/0251	1,246	HA	27-Nov-12	26-Nov-33
M30/0252	478	HA	27-May-13	26-May-34

(1) 1 HA = 0.01km^2

Corporate Update

(i) Legal Proceedings

LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") v. Macarthur and Ors. ("Initial Proceedings") and LPD v. Macarthur and Ors. ("New Proceedings")

The Initial Proceedings were dismissed in November 2012 and the Company was awarded costs on an indemnity basis. LPD and Mayson appealed the indemnity costs order in the Queensland Court of Appeal and on October 11, 2013 the appeal was dismissed with costs of the appeal being awarded to the Company. LPD, a shareholder of the Company, and Mayson are entities associated with Mr Edward Kwok, a Director of First Strategic Development Corporation Ltd (in liquidation) ("FSDC").

LPD brought New Proceedings against the Company and some of its directors in November 2012 substantially on the same grounds, following dismissal of the Initial Proceedings. On November 26, 2013 the New Proceedings were stayed by consent pending payment of the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson.

To date, the Company has recovered costs of $476,020 from LPD and Mayson for the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson. LPD has paid $347,473.56 to the directors and officers of the Initial Proceedings for the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson.

Like the dismissed Initial Proceedings, the Company considers the New Proceedings are without merit and will continue to vigorously defend those proceedings.

First Strategic Development Corporation Ltd (in liquidation) ("FSDC") v. Sing Chuck Charles Chan, Wai Lap Victor Chan & Wai Tak (Edward) Kwok ("FSDC Directors")

Judgement and costs, on an indemnity basis, were awarded against the FSDC Directors for insolvent trading in favour of the Liquidator of FSDC in April 2014. Judgement was awarded in the amount of $1,454,696 (including statutory interest). The FSDC Directors appealed to the Queensland Court of Appeal, where upon the appeal was dismissed and the judgement was upheld. Costs were awarded to the Liquidator of FSDC on an indemnity basis for the trial and on a standard basis for the appeal in the amount of $821,419. The Liquidator of FSDC has been awarded a total of $2,276,115 for damages, interest and costs, which has been recovered in full from the FSDC Directors.

The Company, as funding creditor, has been reimbursed a total of $1,922,259 for costs, pursuant to the Court approved funding agreements with the Liquidator of FSDC.

On April 26, 2016, the Liquidator of FSDC paid a dividend of $98,321 to Macarthur, as an unsecured creditor of FSDC. In total, the Company has recovered $2,020,580 relating to the FSDC matter.

Chan, Chan and Kwok v. Macarthur Minerals Limited and Ors.

On January 20, 2016 the Company was served with another Claim in the Supreme Court of Queensland commenced by Mr Charles Chan, Mr Victor Chan (who are associated with a shareholder of the Company) and Mr Edward Kwok ("FSDC Directors' Claim"), the FSDC Directors.

The FSDC Directors are seeking damages against the Company and two of its officers relating to the debts the Supreme Court of Queensland found the FSDC Directors had incurred while trading insolvent, which became the basis of the award for damages and indemnity costs against them. In addition they claim their own legal costs of unsuccessfully defending those proceedings and their unsuccessful appeal. The FSDC Directors base the FSDC Directors' Claim on alleged misleading statements made by Company representatives.

The Company considers the FSDC Directors' Claim is without merit and will vigorously defend the FSDC Directors' Claim. Legal advisors have been appointed by the Company in respect of the FSDC Directors' Claim.

Corporate Update (Cont'd)

The Company and two of its officers have applied to the Supreme Court of Queensland to strike out the FSDC Directors' Claim, which was been listed for hearing on August 31, 2016. In addition, the FSDC Directors have had to pay into the Supreme Court of Queensland $75,000 as security for costs for the strike out application.

(ii) Stock Options

On April 14, 2016, pursuant to the Plans, an aggregate of 2,660,000 Options were granted, of which 1,590,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.05, vest immediately, and expire three years from the date of grant.

On July 11, 2016, pursuant to the Plans, an aggregate of 3,540,000 Options were granted, of which 2,610,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.0525, are subject to a four month hold, and expire three years from the date of grant.

During the period ended June 30, 2016 300,000 Options have been exercised and 1,000,000 Options have expired.

(iii) Board Changes

On July 11, 2016 Mr David Lenigas was appointed as an independent director to the Board.

The Board is comprised of Mr Cameron McCall as Non-Executive Chairman, Mr David Lenigas as Independent Director, Mr David Taplin as President, CEO and Director, and Mr Alan Phillips as Executive Director.

(iv) Non-brokered Private Placement 2016

On February 4, 2016 and March 7, 2016, the Company announced a non-brokered private placement (the "2016 Offering") of up to 15,000,000 Unit at a price of CAD$0.02 per Unit for aggregate gross proceeds of up to CAD$300,000 to Rare Earth Minerals Plc (AIM: REM, OTC: REMMY) ("Rare Earth Minerals"). Each Unit comprised of one Common Share and one Warrant at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance. The Company closed the 2016 Offering on April 12, 2016.

The Company obtained approval from the TSX-V to waive the CAD$0.05 minimum pricing requirement in accordance with TSX-V bulletin dated April 7, 2014 "Discretionary Waivers of $0.05 Minimum Pricing Requirement".

On May 9, 2016, when Rare Earth Minerals was issued the shares, Rare Earth Minerals owned approximately 15.26% of the Company's then issued and outstanding shares on an undiluted basis.

(v) Appointment of EAS Advisors LLC

On 13 June, 2016 the Company announced that it has appointed EAS Advisors LLC ("EAS") as its North American corporate advisor.

Located in New York, EAS is a boutique global advisory firm that was founded by Edward Sugar in 2008. The foundation of EAS' business is built on an outstanding reputation of picking early stage mining and industrial groups, providing introductions to US based financial markets and access to institutional capital. Having participated in over US$3.5 billion of transactions to date, EAS has an excellent track record in assisting public and private companies and providing financial support to these companies at key stages.

(vi) Warrants

On May 9, 2016, when Rare Earth Minerals was issued 15,000,000 pursuant to the 2016 Offering at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance.

During the period ended June 30, 2016, 7,323,593 warrants were exercised.

Since the period ended June 30, 2016, 16,801,768 warrants were exercised and 478,650 warrants expired raising CAD$840,088.

Results of Operations and Financial Condition

(All amounts in Australian dollars)

The following financial information should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three month period ending June 30, 2016 which are prepared in accordance with IFRS.

Exploration and Evaluation Expenses

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

Australian $	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Capitalized expenses	97,169	394,344

For the period ended June 30, 2016, the Company expended $97,169 on exploration and evaluation activities, compared with costs of $394,344 for the corresponding Quarter ended June 30, 2015, and represents a decrease in expenditure of $297,175 mainly resulting from reduced personnel and rent and rates costs. The largest elements of exploration and evaluation costs during the quarter were personnel and contractors representing 47%, and rent and rates of 44%. Personnel and contractor costs reduced by 47% during the quarter compared to the corresponding quarter representing a $140,452 saving.

During the year end March 31, 2016, the Company re-assessed its plans for the Iron Ore Projects given the continuing uncertainties in the global economic environment for iron ore, as outlined above in "*Discussions on Operations*". The value of a third party sale transaction for the Iron Ore Projects also underwent an independent valuation and fairness opinion, which concluded that the value was fair. The purchaser was unable to complete the purchase of MIO by financial close as the transaction was part of a larger consolidation of the area.

On the basis of these changing circumstances for the Iron Ore Projects, the carrying value of the exploration and evaluation assets were assessed for impairment during the year end March 31, 2016.

Recoverable value of the Iron Ore Projects is difficult to determine given current global conditions, in particular the fluctuating outlook in demand and price for iron ore. For the purpose of determining recoverable value of the Iron Ore Projects, the Company has used the Share Sale Agreement and the fairness opinion as reliable guidance.

The recoverable amount (fair value) measurement is a level 2 fair value hierarchy measurement determined as fair value less costs to sell, based on observable market data.

The recoverable amount, which is the higher of value in use or fair value less costs of disposal, was determined to be the $6,000,000 selling price. The difference between the carrying value and recoverable amount resulted in an impairment expense of $55,851,937 charged to the statement of loss and comprehensive loss for the year ended March 31, 2016. The value of Exploration and Evaluation assets will continue to be assessed on an annual basis.

Administrative Expenses

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

Australian $	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Administration Expenses	789,872	558,081

For the period ended June 30, 2016, the Company expended $789,872 on administrative expenses compared with $558,081 for the corresponding period ended June 30, 2015. The largest elements of administrative expenses for the period ended June 30, 2016 were office and general expenses of $233,062 and personnel fees of $196,407.

Results of Operations and Financial Condition (Cont'd)

Compared to the corresponding period ended June 30, 2015, total administrative expenses increased by 42% or $231,791. The increase was mainly due to office and general expenses, which include $149,068 of costs relating to Macarthur Lithium Pty Ltd.

Income

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

Australian $	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Interest Income	733	14,439
Other Income	98,321	1,879,886
Net Other Income (Gain on Sale of Asset)	1,818	58,778

For the period ended June 30, 2016 the Company earned interest income of $733. Compared to the corresponding period ended June 30, 2015 interest income decreased by $13,706 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.

For the period ended June 30, 2016 the Company earned other income of $98,321 for receipt of dividend to Ordinary Unsecured Creditors (FSDC matter), as well as $1,818 from gain on sale of office equipment.

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.

Net Losses

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

Australian $	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Net loss	627,951	455,184

The net loss for the period ended June 30, 2016 was $627,951 compared with $455,184 for the corresponding period ended June 30, 2015. This increase in net loss of $172,767 was mainly attributable to costs incurred by Macarthur Lithium Pty Ltd for tenement applications, reconnaissance visits, as well as travel costs of $123,751 incurred during the period.

Change in Financial Position

Australian $	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015
Cash and cash equivalents	361,289	1,883,971
Exploration and Evaluation assets	6,097,169	61,194,567
Property, Plant and Equipment	94,048	413,691
Total Assets	6,709,740	63,680,186
Accounts Payable and Accrued Liabilities	396,368	276,719
Total Liabilities	771,830	344,982
Net Assets	5,937,911	63,335,204
Net Working Capital	81,306 [1]	1,727,957

[1] Excludes warrant liability of $150,054.

At June 30, 2016 the Company had net assets of $5,937,910 compared to $63,335,204 at June 30, 2015. The decrease is mainly due to impairment of exploration and evaluation assets made during the year ended March 31, 2016.

Results of Operations and Financial Condition (Cont'd)

The Company's cash and cash equivalents balance was $361,289 at June 30, 2016 which was a decrease of $2,445,840 from the June 30, 2015 balance. Since June 30, 2015 exploration and evaluation assets has decreased by $54,703,054 and accounts payable and accruals decreased by $427. Refer below for the cash flow movement for the 3 months to June 30, 2016.

Property, plant and equipment was $94,048 at June 30, 2016 reflecting the depreciated book value of various site and office equipment, including vehicles.

The Company's net working capital at June 30, 2016 was $81,306 compared with net working capital of $2,514,541 at June 30, 2015. The decrease in the net working capital mainly results from a decrease in cash balance resulting from administrative expenditure.

Year to Date Cash Flows

Australian $	**3 months to June 30, 2016**	**3 months to June 30, 2015**
Operating Activities	(523,314)	(531,990)
Investing Activities	(96,261)	(390,259)
Financing Activities	713,023	(909)
Total cash movement	93,448	(923,158)

Cash outflow from operating activities during the period ended June 30, 2016 was $523,314 compared with $531,990 for the prior corresponding period. The decreased cash outflow was mainly due to the reduced personnel costs.

Cash outflow from investing activities during the period ended June 30, 2016 was $96,261 compared with $390,259 in the prior period. The outflow in both comparative years related primarily to exploration and feasibility study activities. The reduction in cash outflow relates to the Company transitioning from exploration to care and maintenance on its Iron Ore Projects.

Cash inflow from financing activities during the period was $713,023 compared with cash outflow of $909 for the prior year. The inflow in the period ended June 30, 2016 relates to gross funds received for a private placement of 15,000,000 shares and from exercise of warrants and options.

Summary of Quarterly Information

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2016. This financial information is derived from the Annual Audited Financial Statements of the Company.

	Sept 30 2014 $	**Dec 31 2014 $**	**Mar 31, 2015 $**	**Jun 30, 2015 $**	**Sept 30, 2015 $**	**Dec 31, 2015 $**	**Mar 31, 2016 $**	**Jun 30, 2016 $**
Interest Income	32,729	20,049	15,907	14,439	7,065	(1,881)	321	733
Net profit/(loss)	(823,803)	(570,292)	1,048,294[1]	(455,184)	(56,319,418)	(563,780)	(1,269,688)	(627,951)
Net profit/(loss) per share	(0.02)	(0.01)	0.02	(0.01)	(0.69)	(0.01)	(0.02)	(0.01)

[1] For the quarter ended March 31, 2015 a profit was recorded by the Company. The profit relates directly to cost order monies received for the LPD and FSDC (in liquidation) legal actions.

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

Apart from the quarter ended March 31, 2015, when legal costs were recovered, during the last 8 quarters, the Company has consistently reported net losses. The most significant factor affecting quarterly losses is continuing administrative expenses.

The Company has received other income in the last quarter relating to dividend income relating to FSDC.

Liquidity and Capital Resources

At June 30, 2016, the Company has net working capital of $81,306. Since the period ended June 30, 2016, the Company raised CAD$840,088 from the exercise of warrants.

The Company's has no external borrowings.

Over the next 3 quarters (9 months), the Company anticipates its cash expenditure requirements will remain stable as the Company continues exploration and evaluation activities.

Related Party Transactions

Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this MD&A. There were no transactions between the Company and related parties in the wholly owned Group during the period ended June 30, 2016 other than remuneration for key management personnel, details are disclosed below. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that an entity would have adopted if dealing on an arm's length basis.

Key Management Personnel

The following persons were key management personnel of the Company during the period ended June 30, 2016.

Executive Directors

Alan Phillips, Executive Director

David Taplin, President, CEO and Director

Non-Executive Directors

C McCall

Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 9 of the Condensed Interim Consolidated Financial Statements for the period end June 30, 2016.

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

The Company has no lease agreements.

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures are set out in Note 5 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2016.

Apart from the above, the Company has no other material commitments at the 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 exploration and evaluation. The following risk factors should be considered:

GENERAL

The Company is an Australian company listed on the TSX-V and engaged in the exploration and evaluation of mineral properties in Australia and in the United States.

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 evaluation 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 evaluation 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 amount of the Company's administrative expenditures is related to the level of financing and exploration and evaluation activities that are being conducted, which in turn may depend on the Company's recent exploration and evaluation experience and prospects, as well as the general market conditions relating to the availability of funding for exploration and evaluation stage resource companies. Consequently, the Company does not acquire properties or conduct exploration and evaluation 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 the Company, 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 the Company and its securities.

RISKS RELATING TO THE BUSINESS OF THE COMPANY

Going Concern (Trends)

The Company's financial success is dependent upon the discovery of commercial Mineral Resources on its 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.

Risks and Uncertainties (Cont'd)

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.

Going Concern (Funding)

The Company's continuing operations are dependent upon its ability to raise either additional equity capital or other funding, project financing or generate cash flow from operations in the future, which could include the realization through sale of part or all of the exploration asset, none of which is assured. This depends upon the realization of economic, operating and trading assumptions about future events and actions, which may not necessarily occur, and the successful implementation of management plans to commercialize its mining projects through development or sale and to manage the consolidated entity's affairs to meet its commitments until this takes place. These conditions may cast significant doubt about the Company's ability to continue as a going concern. The Company has a requirement to raise further capital.

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:

- Cameron McCall – Non-Executive Chairman
- David Lenigas – Independent Director
- Alan Phillips – Executive Director
- David Taplin – President, CEO and Director

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

Risk of the General Market and Economic Conditions

Changes in the general economic climate in which Macarthur operates may adversely affect its financial performance, its exploration and evaluation 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, 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, magnetite and lithium deposits have already been developed in 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 the projects come into production.

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at June 30, 2016 the Company's deficit was $88,265,719.

Risk of Conflict of Interest

Certain officers and directors of the Company may be 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 evaluation of minerals. 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 evaluation 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, United States or Australia or their interests abroad may adversely affect the Canadian, United States, 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 potentially putting downward pressure on prevailing commodity prices and adversely affect the Company's activities.

RISK FACTORS RELATING TO FINANCE

Liquidity Risk (Solvency Risk)

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

Risks and Uncertainties (Cont'd)

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 evaluation. 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 evaluation 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.

The Company has a requirement to raise further capital. 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 for the Iron Ore Projects ("Project Studies"). In addition, the oversupplied iron ore markets and depressed iron ore prices has severely constrained the Company's ability to fund further development of its Iron Ore Projects.

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 may be 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, United States and Australian resources sector, Canadian, United States and Australian listed entities and exploration companies in particular. During the period ended June 30, 2016, the per share price of the Company's shares fluctuated from a low of CAD$0.025 to a high of CAD$0.18.

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-V.

Risks and Uncertainties (Cont'd)

Shares Reserved for Issuance: Dilution Risk

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

As at June 30, 2016, there were 6,860,000 stock options and 33,279,576 warrants outstanding.

Share Liquidity Risk

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

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

Lack of funding to satisfy contractual expenditure obligations under any option, joint venture or farm in agreements ("Tenement Acquisition Agreements") to which the Company is a party, may result in termination of the Company's property interests in such agreements. The Company may also be unable to meet its share of costs incurred under any Tenement Acquisition Agreements and the Company may have the tenement interests subject to such agreements reduced as a result or even face termination of such agreements. In order to secure ownership of these properties, additional financing will be required. Failure of the Company to make the requisite payments in the prescribed time periods will result in the Company losing its entire interest in the subject property and the Company will no longer be able to conduct certain aspects of its business as described in this MD&A.

Risks and Uncertainties (Cont'd)

The Company may not have sufficient funds to: make the minimum expenditures to maintain its properties in good standing under United States, Canadian and Australian law; and make the minimum expenditures to earn its interest in tenements. 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 evaluation 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 potential project development.

Environmental Factors and Protection Requirements

The Company is currently engaged in exploration and evaluation 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 minerals from the projects, including, without limitation, negotiating final terms of export capacity, 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 minerals and for shipping, updating, renewing and obtaining, as required, all necessary permits including, without limitation, mining and environmental permits, local government road haulage approvals and handling any other infrastructure issues.

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

Estimates of Mineral Reserves and Resources – Iron Ore Projects

The Company's Iron Ore 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.

Risks and Uncertainties (Cont'd)

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.

Given the passage of time since the Mineral Reserve estimate was made and the continued volatility in the commodities markets, a revised analysis would need to be conducted to confirm whether the Mineral Reserve is still the economically mineable part of the Indicated Mineral Resource as demonstrated by the Project Studies.

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 – Iron Ore Projects

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 Projects

Macarthur's 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 evaluation or development (and potentially production) and, as a result, could have a material adverse effect on Macarthur.

Risk of Accuracy of Exploration Maps and Diagrams

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

RISK FACTORS RELATING TO MINING GENERALLY

Mineral Exploration and Evaluation Risk

The projects are in the exploration and evaluation stage. Evaluation of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and evaluation 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 evaluation 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.

Risks and Uncertainties (Cont'd)

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, evaluation, 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.

Risk of Greater Governmental Regulation

Exploration, evaluation, 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 future development work, which may result in it losing its interest in the subject property.

Risks and Uncertainties (Cont'd)

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

RISK FACTORS RELATING TO THE COMPANY'S LEGAL OBLIGATIONS

Contractual risk

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

Litigation Risk

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

The Company is currently involved in legal proceedings. It's unlikely that the final outcome of these 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 provided an indemnity for each director and officer 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. The Company may also hold assets in the United States.

Accounting Policies

Accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 3 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2016.

Critical Accounting Estimates

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

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

Critical Accounting Estimates (Cont'd)

(i) Exploration and Evaluation Expenditure

In the current year the Group has impaired its exploration and evaluation assets as set out in Note 12 in the Audited Annual Financial Statements for the year ended March 31, 2016.

(ii) Share-based payment transactions

The Company measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument. The fair value of equity-settled transactions is determined using the Black-Scholes options-pricing model as measured on the grant date. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate for market based vesting conditions. During the reporting period the amount of $97,841 has been shown as share-based compensation expenditure in the statement of loss and comprehensive loss.

(ii) 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, as set out in Note 6 in the Audited Annual Financial Statements for the year ended March 31, 2016.

(iii) Going concern

As set out in Note 2(b) in the Audited Annual Financial Statements for the year ended March 31, 2016, the Financial Report has been prepared on a going concern basis.

Financial Instruments

The Company's principal financial instruments are comprised of cash, short term deposits and payables which approximate their fair market value due to the short-term nature of these instruments. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and foreign currency risk. Refer to the Risks and Uncertainties section above and Note 3 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2016.

Disclosure Controls and Procedures

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

The Company's CEO and CFO oversee on an annual basis the evaluation of the effectiveness of the Company's disclosure controls and procedures and as at March 31, 2016 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")

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

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

The CEO and CFO have overseen the evaluation of the design and effectiveness of the Company's ICFR based on the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company's ICFR was effective as of June 30, 2016.

There were no significant changes that occurred during the period ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The Company has not in any way limited the design of the ICFR and there were no material weaknesses related to its design as at June 30, 2016.

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 audits annually the Company's financial statements and disclosures

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

Outstanding Share Data as of August 29, 2016:

Authorized and issued share capital:

Class	**Par Value**	**Authorized Common shares (No par value)**	**Issued**
Common	No par value	Unlimited	122,048,318

As at August 29, 2016 there were 10,400,000 stock options and 15,000,000 warrants outstanding.

Other Information

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

Competent Person's Statement

David Williams, a member of the Australian Institute of Geoscientists, is a part-time employee of CSA Global Pty Ltd and is a Qualified Person as defined in National Instrument 43-101. Mr Williams has reviewed and approved the technical information in relation to the Iron Ore Projects (excluding any corporate matters) contained in this MD&A and has consented to the public filing of the MD&A.

Ralph Porter, a member of the Australian Institute of Geoscientists, is a full-time employee of CSA Global Pty Ltd and is a Qualified Person as defined in National Instrument 43-101. Mr Porter has reviewed and approved the technical information in relation to Macarthur's lithium acreage (excluding any corporate matters and technical information under Yalgoo Lithium Project and Stonewall Project) contained in this MD&A and has consented to the public filing of the MD&A.

By order of the Board

"*Cameron McCall*"	"David Lenigas"
Cameron McCall	David Lenigas
Non-Executive Chairman	Independent Director