



MACARTHUR MINERALS LIMITED
Australian Company Number 103 011 436

ANNUAL REPORT

March 31, 2019

All amounts are in Australian dollars unless otherwise stated



MACARTHUR
Minerals



Annual Report - Year ended 31 March 2019

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Chairman's 2019 Highlights



Macarthur Minerals has the largest advanced iron ore project in the Yilgarn Region of Western Australia.

Since 2006/7 when Macarthur commenced exploration for iron ore on its Lake Giles tenements in Western Australia, over A\$62 million has been expended on exploration, resource definition, mining titles and environmental permitting.

Macarthur's Moonshine Magnetite project offers a generational supply of low cost, high-grade, low impurity iron ore, very much in demand by Chinese steel mills seeking to meet strict commercial and environmental standards. The depletion of iron reserves at the adjacent Koolyanobbing, Windarling, Mt Jackson and Deception mines (acquired by Mineral Resources Limited), has released major capacity on the Kalgoorlie to Esperance rail corridor and through the iron ore

load-out facility at the Port of Esperance. Access to a clear route to market has historically been the major hurdle that has hindered the development of the Company's iron ore resources.

The Company's corporate Strategy during 2019 has been to:

1. Re-value the iron ore assets through completion of a NI43-101 Preliminary Economic Assessment of a combined magnetite and hematite operation.
2. Reposition the non-core iron ore assets (Gold, Lithium, Copper and Nickel/ Cobalt) for further development and exploration. This has been achieved with the recent earn-in announcement between MMS and Fe Limited (ASX-FEL).



This year, the Company's focus has been on the Western Australian iron ore assets and to this end, sound progress has been made. A binding Off-Take Agreement with Glencore International AG for sale of iron ore to be produced from the Lake Giles Iron Project was entered into in March 13, 2019 that will ensure consistent long-term revenue to the Company. Further, the substantial portfolio of Pilbara based lithium and gold assets have been value added with the granting of Exploration Licenses and ground-based exploration and geophysics. Finally, Macarthur has entered into a Joint Venture arrangement for the non-iron tenements to Australian listed explorer, Fe Limited and groundwork on this portfolio has commenced. This allows the Company to focus solely on the Lake Giles iron ore portfolio which has been the Company's core project since 2006. I am excited about the potential of these assets to add real generation and transformative value for our Shareholders.

Macarthur Iron Ore Projects

The Company's prime focus during the year has been on the development of its Moonshine Magnetite and Ularring Hematite iron ore assets in the Yilgarn region of Western Australia. With over A\$62 million invested into these projects since 2006, the Company is now in a solid position for a concerted push to commercialisation.

In 2019, three additional tenement areas highly prospective for iron ore were acquired. Applications were lodged for Treppo Grande, Deception North and Mt Jackson Extension. The latter two areas are adjacent to current iron ore mining operations of Mineral Resources Limited. The key changes during 2019 that has afforded the Company some optimism around the commercialisation of these assets are:

- Commodity cycle uplift due to higher steel margins and operational disruptions in Australia and Brazil reducing seaborne supply.
- Increased iron ore pricing for high grade, low impurity material that is now very much in demand, driven by more stringent environmental conditions on Chinese steel mills to meet ultra-low emissions standards by 2020.
- Substantial reduction in output from the adjacent Koolyanobbing iron ore operation has released 'route to market' capacity on the rail and port logistics infrastructure.
- The return to commodities by the Capital Markets driven by global low interest rates and a return to growth by major economies.

These factors in combination with the Company entering in to a 10 year off-take agreement with Glencore underline the capacity to push through to commercialisation.

These recent macro changes also allow Macarthur to advance rail and port negotiations as well as producing a bankable feasibility document to support debt project financing for the combined hematite and magnetite iron projects.

Nickel and cobalt – Lake Giles

A review of the Company's previous historic shallow drill assays over the Lake Giles tenements returned over 300 anomalous nickel results and a follow up geophysics program confirmed the presence of four priority one geophysical anomalies. This type of survey assists in the identification of deep conductors such as clusters of massive sulphide hosted base metal deposits.

In December 2018, two reverse circulation (RC) drill holes confirmed the presence of a massive sulphide accumulation. Further deeper drilling is now planned to fully intersect these sulphide mineralised zones.

The Company has one of the largest unexplored sections of the Yerilgee greenstone belt, interpreted to consist of a basal sequence of high magnesium basalt flows more than one kilometer thick, overlain by komatiite ultramafic volcanic rocks with narrow inflow BIF's and in some cases, sedimentary rocks.

Pilbara gold projects

During 2017/18, Macarthur acquired large parcels of Pilbara acreage, highly prospective for gold mineralisation. These areas include the Hillside, Panorama and Bonnie Scot Projects.

The Panorama and Bonnie Scot Projects cover an extensive area of Mt Roe basalts that have demonstrated the potential for hosting conglomerate gold. The soil sampling program conducted in 2018 has now identified prospective targets for follow up exploration on these areas.

In 2018, a SkyTEM survey across the Hillside tenements identified 18 geophysical anomalies with several correlating with surface gold and copper geochemical anomalies obtained from rock and soil samples.

Hard rock lithium – Pilbara

Macarthur's Pilbara lithium portfolio of ~1,281km² now has all Exploration Licenses granted. This portfolio covers similar geological settings to that of "world class" Pilbara lithium deposits and producing spodumene mines. These areas are now the subject of the Fe Limited (FEL) earn-in Joint Venture. FEL will undertake exploration targeting lithium and base metal deposits.

**Lithium brine – Reynolds Springs, Nevada**

Macarthur holds 210 mining claims at its Reynolds Springs Lithium Brine Project in Railroad Valley, Nevada. Analysis of geochemical soil sampling found up to 405 ppm Li. This result has also been replicated by Macarthur's neighboring claim holder, American Battery Metals Corporation (formerly LithiumOre). American Battery Metals have been actively drilling and are undertaking metallurgical testing to gauge the best extraction process for lithium and other present commercially valuable minerals from the brines.

The company conducted further reviews of several historic well logs drilled on the claims and identified numerous conductive, faulted zones that indicate the presence of a brine aquifer. American Battery Metals drilling activity provides further validation to Macarthur's geological interpretations.

Looking Forward

Macarthur will, along with its key partners, actively advance its iron ore assets in Western Australia. The Company will continue to work closely with Fe Limited to advance further exploration of the high-quality lithium, gold and base metal tenements held in the Pilbara. In Nevada based on the results of American Battery Metals geological test work and metallurgical extraction review, this will determine the priority of the further review of these claims in light of the other opportunities in the Macarthur project portfolio.

Cameron McCall

Executive Chairman

Corporate Directory

31 March, 2019

Stock Exchange Listing

Macarthur Minerals Limited (the "Company" or "Macarthur Minerals") is an Australian public company and is quoted on the Official List of the TSX Venture Exchange ("TSX-V") (symbol: MMS) and OTC Markets ("OTCQB") (symbol: MMSDF). The Company is incorporated in Australia and registered in Queensland.

Directors

Cameron McCall, Executive Chairman
Alan Joseph ("Joe") Phillips, CEO and Director
David Lenigas, Independent Director
Earl Evans, Independent Director
Alan Phillips, Non-Executive Director
Andrew Suckling, Independent Director (appointed 21 May 2019)

Company Secretary

Nicola Ingram (resigned 11 January 2019)
Alan Joseph ("Joe") Phillips (appointed 11 January 2019)

Registered and Head Office

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Australian Share Registry

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Directors Report 31 March, 2019

Your directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the Group) consisting of Macarthur Minerals Limited ACN 103 011 436 and the entities it controlled at the end of, or during, the year ended 31 March 2019. All dollar amounts are presented in the Australian currency unless stated otherwise.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless stated otherwise:

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
Mr Cameron McCall Executive Chairman Member of Audit Committee	<p>Mr McCall was first appointed as Independent Director on 28 April 2015 and Non-Executive Chairman on 3 December 2015. Mr McCall was appointed an Executive Chairman on 17 October 2017.</p> <p>Mr McCall has a wealth of experience across the financial services and commercial property industries within Australia and internationally. He has been providing investment, equity capital raising and share trading advice for over 18 years to corporate entities and private clients at Hartleys Limited and Macquarie Bank Limited. Mr McCall has during his 40-year career built an extensive network of international and Australian based high net worth individuals and corporate entities. Mr McCall is currently running a corporate advisory business providing advice on asset acquisition and capital raising to international and Australian based organisations.</p>
Mr Joe Phillips CEO & Director	<p>Mr Phillips was appointed as Executive Director on 11 October 2017 and as CEO on 24 October 2017.</p> <p>Mr Phillips was previously the Company's CEO and responsible for the original funding and development of the Company's significant iron ore assets, having completed its 2012 Prefeasibility Study for the Ullaring Hematite Project and obtaining environmental approvals. Educated at the University of Queensland he combines strong project management skill with a discipline in economics and a detailed understanding of the operation of public administrations and the elected governments in Australia.</p>
Mr David Lenigas Independent Director Chairman of Audit Committee	<p>Mr Lenigas was appointed as Independent Director on 11 July 2016.</p> <p>Mr Lenigas is a Mining Engineer, with extensive experience in the lithium business. Mr Lenigas is Executive Chairman of LGC Capital Ltd listed on the TSX-V (TSX-V: QBA). In addition, he is the Executive Chairman of a bespoke agri-logistics company; London listed AfriAg plc (ISDX: AFRI) and Executive Chairman of UK oil company, Dorismus plc (ISDX: DOR). He is also director of ASX listed companies, Southern Hemisphere Mining Limited (ASX: SUH) and Auroch Minerals Limited (ASX: AUO). Mr Lenigas resigned on 21 May 2019.</p>
Mr Alan Phillips Non-Executive Director	<p>Mr Phillips was appointed to the board on 19 October 2005. Mr Phillips was President and CEO of the Company from 31 August 2009 until his resignation from those positions on 28 April 2015. Mr Phillips continued as Executive Director until his resignation as Executive Director on 1 January 2017. Mr Phillips continues as Non-Executive Director.</p> <p>Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 40 years. Mr Phillips specialises in start-up and turnaround companies across a broad range of industries, but predominantly in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.</p>

Directors Report 31 March 2019

Directors (Cont'd)

Mr Earl Evans
Independent Director

Member of Audit
Committee

Mr Evans was appointed as Independent Director on 5 February 2018.

Mr Evans has held numerous senior executive roles throughout his 26-year career in the financial services industry and is currently Joint CEO of Shaw and Partners which is one of Australia preeminent investment firms with offices in each state of Australia, managing \$14 billion in assets. Prior to this role, Mr Evans has had an impressive investment banking career spanning 11 years as Executive Director within the Macquarie Group Limited including 5 years in Canada as the Head of Banking and Financial Services for North America.

Mr Andrew Suckling
Independent Director

Chairman of Audit
Committee

Mr Suckling was appointed to the board on 21 May 2019.

Mr. Suckling is Non-Executive Chairman of the Board of Cadence Minerals PLC and has over 25 years' experience in the commodity industry. He began his career as a trader on the London Metal Exchange (LME) for Metallgesellschaft (MG). In that role, he established a trading presence in China for MG setting up a representative office in Shanghai in 1997. He then became a partner and trader with the New York based multi-billion fund manager Ospraie Management, LLC. In addition to his role as Executive Chairman at Cadence he is the founding principal and portfolio manager for Verulam, a discretionary commodity fund. Mr. Suckling is a graduate of Brasenose College, Oxford University earning a BA (Hons) in Modern History in 1993 and an MA in Modern History in 2000.

Directorships of other Listed Companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

<u>Directors</u>	<u>Company</u>	<u>Period of Directorship</u>
Cameron McCall	-	-
David Lenigas	Southern Hemisphere Mining Limited (ASX: SUH)	24 Mar 2017 – Current
	Artemis Resources Limited (ASX: ARV)	3 Nov 2016 – 5 Feb 2019
	LGC Capital Ltd. (TSX-V: QBA)	13 Jul 2016 – Current
	Auroch Minerals (ASX: AUO)	7 Nov 2016 – 5 June 2018
	AfriAg plc (ISDX: AFRI)	30 Jun 2016 – Current
	Doriemus plc (ISDX: DOR)	27 Jul 2016 – 19 June 2019
	Leni Gas Cuba Limited (now subsidiary of LGC Capital Ltd. and no longer listed (ISDX: CUBA))	15 Apr 2015 – 13 Jul 2016
Alan Phillips	-	-
Joe Phillips	-	-
Earl Evans	-	-
Andrew Suckling	Cadence Minerals PLC	21 Dec 2015 - Current

Directors Report 31 March 2019

Company Secretary

Ms Nicola Ingram resigned as company secretary on 11 January 2019 and Joe Phillips was appointed as company secretary on 11 January 2019.

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
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Ms Nicola Ingram Company Secretary	Ms Ingram has over 7 years' experience working closely with the Board and Management of Macarthur Minerals engaged in all aspects of the Company's corporate governance practices, including Australian and Canadian regulatory and exchange requirements. Ms Ingram holds a Bachelor of International Business, a Graduate Diploma in Applied Corporate Governance and is a Chartered Secretary (ACIS and AGIA). Ms Ingram resigned on 11 January 2019.
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Mr Joe Phillips Company Secretary	Mr Phillips was previously the Company's CEO and responsible for the original funding and development of the Company's significant iron ore assets, having completed its 2012 Prefeasibility Study for the Ularring Hematite Project and obtaining environmental approvals. Educated at the University of Queensland he combines strong project management skill with a discipline in economics and a detailed understanding of the operation of public administrations and the elected governments in Australia. Mr Phillips was appointed on 11 January 2019.
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Principal Activities

Macarthur Minerals is an Australian public company listed in Canada on the TSX-V (symbol: MMS) and OTC marketplace OTCQB (symbol: MMSDF). Macarthur Minerals has three iron ore projects in the Yilgarn region of Western Australia. The Company has also established multiple project areas in the Pilbara, Western Australia for conglomerate gold, hard rock greenstone gold and hard rock lithium. In addition, Macarthur Minerals has significant lithium brine interests in the Railroad Valley, Nevada, USA.

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

Dividends

No dividends were paid or recommended for payment during the financial year.

Report on Operations and State of Affairs

OPERATING RESULTS

	Year ended 31 March 2019 \$	Year ended 31 March 2018 \$
Operating Expenses	(2,347,095)	(4,290,054)
Net profit(loss) for the year	51,117,215	(3,389,034)

The Group's consolidated profit for the year ended 31 March 2019 amounted to \$51,117,215 after income tax. This result included an impairment reversal adjustment of \$55,851,937. As an exploration and evaluation company, the Company will continue to report losses until such time as profit is earned from potential production activities.

Directors Report 31 March 2019

Report on Operations and State of Affairs (Cont'd)

FINANCIAL POSITION

Australian \$	Year ended March 31, 2019	Year ended March 31, 2018
Cash and cash equivalents	318,028	1,370,288
Exploration and Evaluation assets	62,993,644	6,204,026
Property, Plant and Equipment	15,667	48,873
Total Assets	63,432,987	7,769,595
Accounts payable and accrued liabilities	364,667	443,762
Total Liabilities	3,006,154	640,522
Net Assets	60,426,833	7,129,073
Net Working Capital ^[1]	16,230	1,036,446

^[1] Excludes warrant liability of \$2,579,901.

At 31 March 2019 the Group had net assets of \$60,426,833 compared to \$7,129,073 at 31 March 2018. The increase is due to impairment reversal adjustment, offset by operating loss.

The Group's cash and cash equivalents balance was \$318,028 at 31 March 2019 which was a decrease of \$1,052,260 from 31 March 2018.

The Group's net working capital at 31 March 2019 was \$16,230 compared with net working capital of \$1,036,446 at 31 March 2018.

The Group'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 realisation through sale of part or all exploration assets, none of which is assured. This depends upon the realisation of economic, operating and trading assumptions about future events and actions, which may not necessarily occur, and the successful implementation of management plans to commercialise its mining projects through development or sale and to manage the Group's affairs to meet its commitments until this takes place. These conditions may cast significant doubt about the Group's ability to continue as a going concern.

During the year ended 31 March 2019, the Group raised funds from new equity of \$1,704,308.

The Company has prepared a business plan to manage operations and expenditures over the coming twelve months, in order to ensure that the Company has sufficient funds to meet its obligations as they become due. In particular, the Company has advanced its plans for its Iron Ore projects, and lithium and gold projects, as well as having entered a range of commercial agreements which include commitments for funding of US\$6.0 million by way of convertible notes.

WESTERN AUSTRALIAN IRON ORE PROJECTS

Lake Giles Projects

Macarthur Minerals' Lake Giles Iron Ore Projects ("Lake Giles Projects") are located on mining tenements covering approximately 62 km², 175 kilometres ("km") northwest of Kalgoorlie in Western Australia. Within the tenements, at least 33 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.

The Lake Giles Projects are situated in the Yilgarn Region of Western Australia. The Yilgarn Region is host to many significant mineral deposits that have been, or are being, mined for iron ore. The tenements cover the Yerilgee greenstone belt which is some 80 km in length and lies within the Southern Cross Province of the Yilgarn.

Report on Operations and State of Affairs (Cont'd)

The Lake Giles Projects are approximately 90 km from the existing Perth Kalgoorlie Railway that has a direct connection to the Port of Esperance in Western Australia, where it is intended that ore from the Projects will be shipped. Export is subject to available capacity, which is not certain.

The Lake Giles Projects comprise of two mineral projects:

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

Exploration for the Ularring Hematite and Moonshine Magnetite Projects has been sufficient to allow the estimation of Mineral Resources for both projects.

The Ularring Hematite Project's Mineral Resources are comprised of Indicated Mineral Resources of approximately 54.5 Mt @ 47.2% Fe and approximately 26Mt @ 45.4% Fe Inferred resources.

The Mineral Resource estimates were prepared by CSA Global on behalf of Macarthur Minerals (N143-101 Technical Report, 2012¹) and reported in accordance with the JORC Code.

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* and the *Environmental and Biodiversity Conservation Act 1999*.

The Inferred Mineral Resource estimate for the Moonshine Magnetite Project was initially prepared by CSA Global (NI 43-101 Technical Report, 2009²) and was updated by Snowden Mining Industry Consultants in 2011 (NI 43-101 Technical Report, 2011³). The Moonshine Magnetite Project has an Inferred Mineral Resource consisting of approximately 1,316 Mt @ 30.1% Fe. This mineral resource is beneficiated to produce a plus 68% Fe magnetite concentrate.

In February 2011, Macarthur released its Preliminary Economic Assessment ("2011 PEA") for the Moonshine Magnetite Project for the production of 10 Mtpa of high-grade magnetite concentrate (press release dated February 7, 2011⁴). The 2011 PEA outlined several logistical and port scenarios including slurry transport 110 km to a dewatering plant and rail siding south of the town of Menzies.

Similarly, in September 2012, Macarthur released its Prefeasibility Study ("2012 PFS") (press release dated August 16, 2012⁵;) for the Ularring Hematite Project, which focused on mining 2 million tonnes per annum ("Mtpa") of hematite/goethite iron ore in the Yilgarn region of Western Australia. The 2012 PFS outlined a wet beneficiation process that would produce a +60% Fe sinter fines product featuring low levels of the deleterious elements of Silica, Alumina, Phosphorus and Sulphur. The final product would then be road hauled 110 kilometers on a public road to a rail siding south of the town of Menzies. From here the iron fines would be transported along existing rail infrastructure to the Port of Esperance for export.

Since the release of those studies, the iron ore market has undergone a dramatic shift where low grade iron ore <60% Fe is currently heavily discounted while the high-grade market, including magnetite concentrate is attracting premium pricing.

In response, Macarthur has revised its strategy to align the Projects with current and forecast market conditions, capital markets and available capacity of regional infrastructure. The greatest impediment to development of the Moonshine Magnetite Project envisaged by the 2011 PEA is the substantial capital cost. Moreover, the planned production exceeds current capacity at the Port of Esperance.

1 NI 43-101 Technical Report filed 1 October, 2012, titled "NI 43-101 Technical Report, Macarthur Minerals Limited, Pre-Feasibility Study, Ularring Hematite Project, Western Australia."

2 NI 43-101 Technical Report filed December 17, 2009, titled "NI 43-101 Technical Report on Lake Giles Iron Ore Project: Western Australia."

3 NI 43-101 Technical Report filed March 25, 2011, titled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron Project, Western Australia, NI 43-101 Technical Report – Preliminary Assessment".

4 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"

5 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"

Directors Report 31 March 2019

Report on Operations and State of Affairs (Cont'd)

Macarthur has therefore reduced the output of the Projects to a modest 3 Mtpa and streamlined project infrastructure to reduce capital cost.

With the exit of Cleveland Cliffs Inc. and subsequent reduction in production at the Koolyanobbing operation which is located adjacent to Lake Giles Projects by current owner, Mineral Resources Limited, there is now capacity on the Perth to Kalgoorlie rail line. This rail line is far superior to the originally proposed Menzies line and translates into a significant reduction in rail haulage tariffs. Additionally, the cessation of Cleveland Cliffs Inc. has made available approximately 800 rail wagons which have been acquired at a significantly discounted price by Macarthur's preferred rail operator. Furthermore, the rail car dumper ("RCD") at the port of Esperance previously owned and monopolised by Cleveland Cliffs Inc., has become open access for the available capacity that is expected to be at least 6 Mtpa.

These logistical changes and access to regional infrastructure greatly improve the Project's economics and attractiveness to offtake and funding partners. For the first time, Macarthur has a direct route through a port with little competition for capacity.

Based on the logistical changes described above, Macarthur has re-evaluated the economics of a combined magnetite and hematite DSO operation. In June 2019, Macarthur released the results of its Preliminary Economic Assessment on the Lake Giles Iron Ore Project.⁶

The key elements that have been revised contributing to substantial cost savings include:

- road haulage along a private haul road 90 km to rail south of the Project
- access to the export infrastructure at the Port of Esperance
- utilisation of the open access rail line running between Perth and Kalgoorlie
- removal of slurry transport in favour of road haulage to a rail terminal
- product stream consisting high grade >65% Fe magnetite and hematite fines concentrate
- reducing the size of the magnetite project from 10 to 3 Mtpa
- reducing the estimated operating cost of hematite to A\$44.71/t shipped FOB
- confirming the estimated operating cost of magnetite to A\$53.47/t FOB

The revised cost estimates from the 2019 PEA are as follows:

	Hematite 2012 PFS	Magnetite 2011 PEA	Hematite 2019 Revised Estimate	Magnetite 2019 Revised Estimate
Opex (/t FOB)	A\$78.14	A\$52.3 to 59.3	A\$44.71	A\$53.47
Capex (million)	A\$262.7	A\$2,459 to 2,913	A\$466.3	

Treppo Grande Iron Ore Project

On February 15, 2018, the Company's wholly owned subsidiary, Esperance Iron Ore Export Company Pty Ltd ("EIOEC") made an application for Exploration Licence E77/2521 for the Treppo Grande Iron Ore Project ("Treppo Grande Project").

The Treppo Grande Project covers an area of 68 km² and is located approximately 32 km west of the Lake Giles Projects. The project is also 35km east of Mineral Resource Ltd's (MRL) Koolyanobbing Iron Ore Operations and is in close proximity to established rail infrastructure to the Port of Esperance.

This area has been held by a private exploration company wholly owned by renowned Kalgoorlie Prospector Mel Dalla-Costa for the past 8 years under an Exploration License (EL77/1208). During this time, approval was granted for an exploration program of diamond drilling and geophysical mapping. The Treppo Grande Project has already benefited from flora and fauna baseline surveys indicating that the conservation values of Mt Manning are a lower priority than surrounding BIF ridges.

⁶ Refer to the Company's news release dated June 17, 2019.

Report on Operations and State of Affairs (Cont'd)

In addition, an ethnographical cultural heritage survey by the Traditional Owners has cleared the area for sites of significance.

The Treppo Grande Project was explored in recent years for high grade hematite iron ore mineralisation. Historical exploration identified three potentially economic styles of Direct Shipping Ore ("DSO") mineralisation including massive dense haematitic ironstones, specular hematite and oxidised 'Indurated Detrital Ironstone'. A drilling programme consisting of two diamond holes penetrated the haematitic ironstone at the J-Hook prospect. Significant intercepts include 17.5m @ 65.49% Fe from 2.5m from hole MMS002 and 40.4m @ 55.77% Fe from 3.6 m from hole MMS001. The iron-rich mineralisation (> 55% Fe) is centered on the J-Hook prospect that contains occurrences of massive, fissile and specular hematite.

The Company also has two iron ore exploration areas (E77/2543 and E77/2542) in the Yilgarn region, adding an additional 42km² to the Company's portfolio. These tenements are adjacent to the Mt Jackson and Deception iron ore deposits owned by MRL.

The Company has been reviewing its iron ore projects in light of the emergence of rail and port capacity through to the Port of Esperance given the reduced output of MRLs Koolyanobbing Operation and cessation of mining at MRLs Carina project.

WESTERN AUSTRALIAN GOLD PROJECTS

Hillside Gold Project

The Hillside Gold Project encompasses Exploration License E45/4685, E45/4824, E45/4708 and E45/4709 held by Macarthur Lithium Pty Ltd ("MLi"), a wholly owned subsidiary of Macarthur Minerals. This group of tenements is located approximately 185 kilometres ("km") South East of Port Hedland and 50 km South West of Marble Bar (the "Hillside Gold Project") in Western Australia.

The Hillside Gold Project is highly prospective for gold and copper. The area has previously been explored by various companies for gold, copper, zinc and lead but limited drilling exists.

These tenements surround the mining lease of the historic Edelwiess gold mine. A limited drilling program consisting of six rotary percussion ("RC") holes conducted by Metana Minerals N.L in 1980 intersected gold mineralisation associated with quartz veins. Gold was recorded in three holes with an average grade of approximately 12 g/t Au and a maximum of 25.83 Au g/t. In addition, sampling along a discontinuous outcropping gossan over a strike of 18 km, showed high potential for copper mineralisation. A total of 20 results yielded above 1,000 ppm Cu to a maximum of 7.8% Cu.

The Company conducted a reconnaissance field trip to the Hillside Gold Project to further investigate the highly anomalous gold results previously reported. This trip confirmed the potential for high grade gold on the Hillside Gold Project. In late May 2018, an Airborne Electromagnetic survey was flown over the Hillside Gold Project over two areas. The aim of the survey was to define high priority targets from conductors such as clusters of massive sulphide hosted base metal deposits at depth. The survey was conducted using the SkyTEM system with 150m spaced lines. In total, the system flew 846 line-kilometers covering approximately 125 km². The survey was successful and identified 18 high priority bedrock conductors for gold including two isolated discrete bedrock conductors that correlates with historical gold workings, magnetic anomalies and fault systems. Geological mapping and geochemical sampling will be undertaken across these target areas, followed by drilling of select targets.

Panorama Gold Project

The Panorama Gold Project encompasses Exploration Licenses E45/4732 and E45/4779 held by MLi, covering a total of 265km².

The Panorama Gold Project is located 265km south-south-east of Karratha in the Pilbara Region of Western Australia. The project is prospective for lithium and gold hosted within conglomerate. The tenement group contains an extensive area of the Mt Roe Basalt which is the geological member of the Fortescue Group that overlies the conglomerate gold horizon at Artemis Resources Limited's Purdy's Reward Project near Karratha, Western Australia.

Directors Report 31 March 2019

Report on Operations and State of Affairs (Cont'd)

Artemis Resources Earn-In

On September 28, 2017 the Company entered into a binding term sheet with ASX listed Artemis Resources Limited (ASX: ARV) ("Artemis") for Artemis to earn-in up to 80% interest in two tenements of the Panorama Gold Project. The Company accepts Artemis' Notice of termination for the earn-in and joint venture letter agreement between Artemis and the Company on December 19, 2018.

Bonnie Scot Tenement

The Bonnie Scot Tenement encompasses exploration license E45/4764 covering an area of 13 km² in the Pilbara region of Western Australia ("Bonnie Scot Tenement") and is immediately adjacent to the Company's Panorama Gold Project.

In May and July 2018, the Company conducted stream sediment sampling programs across the tenement. During the geochemical survey a total of 45 samples were collected from selected drainage courses confirming several anomalous sediment values ranging from 13 ppb to 113 ppb Gold. This area was previously identified from historical rock chip sampling program with values of up to 3.5 g/t Au.

The Bonnie Scot Tenement is located approximately 42 km west-southwest of Marble Bar and 265 km east-south-east of Karratha, in the Pilbara region of Western Australia. Geological Survey of Western Australia (GSWA) mapping across the tenement shows areas of the Mt Roe Basalt which is known to overlie the conglomerate gold horizon at Artemis' Purdy's Reward. Beds of auriferous (gold containing) conglomerate up to 2 m thick at the base of the Mt Roe Basalt have been worked at the Just-In-Time and Tassy Queen mines located within 10 km of Macarthur Minerals' tenements and in close proximity to ground held by Creasy Group⁷.

WESTERN AUSTRALIAN NICKEL AND COBALT PROJECTS

The Company has identified two areas prospective for sulphide hosted base metal deposits based on historical drill results at the Snark and Moonshine prospects, located on the Company's Lake Giles Projects in the Yilgarn, Western Australia.

The Snark prospect is considered to be a highly favourable tectonic and structural setting and is well supported by surface geology featuring volcanic sequences comprising of high Mg basalts and Kambalda type komatiitic ultramafic flows in which nickel-sulfide ore bodies are hosted. In February 2018 a reconnaissance trip to the area discovered surface rock samples containing the cobalt mineral asbolite with assays reporting up to 2.6% cobalt and 2.0% nickel.

The Moonshine prospect has also been identified as prospective for nickel sulphide deposits from previous drilling. Anomalous nickel values including 0.9% Ni from 10.5 meters to 22 meters including 1 meter at 1.4% nickel were detected within the first 30 meters of a diamond drill hole completed by the company in 2012. Anomalous cobalt averaging 0.13% was also discovered from 18.5 meters to 22 meters.

The Company completed Moving Loop Electromagnetic ("MLEM") and Fixed-Loop Electromagnetic ("FLEM") surveys across three prospect areas: Moonshine, Snark and Clark Hill. Interpretation of the MLEM and FLEM survey identified three high priority nickel sulphide targets, consisting of two distinct bedrock conductors at Moonshine and a further bedrock conductor at Snark. The Company completed 395 meters of Reverse Circulation "RC" drilling at Moonshine North in October 2018. Both holes successfully intersected sulphide minerals at depth with sulphide mineralisation open at depth with the hole ending in sulphide mineralisation. Semi-massive sulphide comprising 20% pyrite/pyrrhotite was recorded over 12m in hole 18MRC002 from 185m to end of hole ("EOH").

During the year the company received assay results for the two Reverse Circulation ("RC") drill holes completed at Moonshine North. Anomalous nickel was found in hole 18MNRC001 with average 0.2% Ni over 31 meters ("m"). Potassic alteration was identified in hole 18MRC001 from 140m to 146m (20% Potassium content) marginal to the sulphide intersection in the hole. Anomalous gold associated with sulfidic chert was also found in interval 106m to 113m in hole 18MNRC001 (average gold content 159 part per billion ("ppb") over the interval). Both holes had successfully intersected sulphide minerals at depth and semi-massive sulphide comprising 20% pyrite/pyrrhotite was recorded over 12m in hole 18MRC002 from 185m to end of hole ("EOH").

⁷ Geology of the Fortescue Group, Pilbara Craton, Western Australia. Western Australia Geological Survey, Bulletin 144

Directors Report 31 March 2019

Report on Operations and State of Affairs (Cont'd)

Sulphide mineralisation is open at depth and on strike with the hole ending in sulphide mineralisation.

A follow up Stage 2 drilling program is planned to determine the extent and depth of the mineralisation and whether the sulphide mineralisation is an indicator of a nickel sulphide mineralisation system deeper in the succession or close by. The initial holes will be drilled deeper through the sequence with a diamond tail.

WESTERN AUSTRALIAN LITHIUM PROJECTS

Macarthur Minerals has 18 Exploration Licenses in the Pilbara covering a total area of approximately 1,281km².

Tambourah Lithium Project

The Tambourah Lithium Project consists of Exploration Licence E45/4848 and is located approximately 200 km southeast of Port Hedland and 80 km southwest of Marble Bar in the Pilbara region of Western Australia. Assays received from rock chip sampling returned very promising results of up to 1.47% lithium (Li₂O), confirming the presence of lithium bearing pegmatites.

The Company also holds Exploration Licence E45/5324, which is near its Tambourah Lithium Project in the Pilbara Region of Western Australia. A review of historical data indicates the area is prospective for nickel-copper-cobalt and platinum group element mineralization.

WESTERN AUSTRALIAN GOLD AND LITHIUM PROJECTS EARN-IN AGREEMENT

On May 14, 2019 Macarthur entered into an option agreement with ASX listed exploration Company Fe Ltd (ASX: FEL) to acquire up to 75% of the 18 tenements in the Pilbara. FEL will fund and manage exploration for the gold and lithium projects in the Pilbara.

NEVADA BRINE LITHIUM PROJECT

Reynolds Springs Lithium Brine Project

The Reynolds Springs lithium brine project consists of 210 new unpatented placer mining claims covering an area of 7 square miles (18 km²) located in Railroad Valley, near the town of Carrant, in Nye County, Nevada ("Reynolds Springs Project"). The Reynolds Springs Project is located approximately 180 miles (300 km) North of Las Vegas, Nevada, and 330 miles (531 km) South East of Tesla's new Gigafactory, which has a planned production capacity of 35 gigawatt-hours per year by 2020.

A total of 206 soil samples were collected across the full extent of the Reynolds Springs Project. Lithium values in the soil samples ranged from a low of 39.3 ppm to a high of 405 ppm Li. Samples were consistently high averaging 168.3 ppm Li with 85% of samples recording over 100 ppm Li and 19% greater than 200 ppm Li.

These results are considered high in comparison to the majority of non-lithium producing playas and amongst the highest we have seen outside of the Clayton Valley.

In 2018 the Company completed an assessment of downhole geophysical logs for 12 – 15 abandoned oil and gas wells that are found both within (5 wells) and in the near vicinity of the project. Several zones of high conductivity were identified that are indicative of brine aquifers. The Company is now considering obtaining a permit to either re-enter one or more of the old wells or to drill new test wells or both.

CORPORATE UPDATE

Legal Proceedings

LPD v. Macarthur and Ors. ("New Proceedings")

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. No steps have been taken in the New Proceedings by the plaintiff since January 22, 2015 and LPD cannot continue its action without first applying for leave of the Court.

Directors Report 31 March 2019

CORPORATE UPDATE (*Cont'd*)

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

Chan, Chan and Kwok ("FSDC Directors") v. Macarthur Minerals Limited and Ors.

As previously reported, the FSDC Directors were ordered to pay costs of \$31,101 in relation to the FSDC Directors' Claim.

On 14 September 2018, the FSDC Directors replead and filed a Second Amended Statement of Claim ("Second FSDC Directors' Claim"), based on Bond J's judgement of 1 March 2017.

The Company and two of its officers applied to the Supreme Court of Queensland to strike out the Second FSDC Directors' Claim on 3 December 2018. The strike out application was set down for hearing on 13 March 2019. Judgement was adjourned to allow the plaintiffs to deliver a third further amended statement of claim by 27 March 2019.

On 29 March 2019, the FSDC Directors filed a Third further Amended Statement of Claim ("Third FSDC Directors' Claim"), based on Flanagan J's judgement of 13 March 2019. The strike out application to the Third FSDC Directors' claim was submitted by the Company and two of its officers on 23 April 2019.

On 7 June 2019, the Proceedings was dismissed in its entirety and an order for costs be awarded to the Company, with an opportunity for the Company to make submissions seeking that costs be awarded on the indemnity basis, rather than on the standard basis, and also the opportunity for the plaintiffs to lodge an appeal by 5 July 2019.

The submission on costs of and incidental to the proceedings on the indemnity basis was filed by the Company on 21 June 2019.

On 5 July 2019, the FSDC Directors filed a notice of appeal to the Supreme Court of Queensland where the review will be held by the court on 28 August 2019.

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.

Private Placement

On August 16, 2018 the Company announced a non-brokered private placement (the "Offering") of up to 44,000,000 units (each, a "Unit") at a price of CAD\$0.025 per Unit ("Unit Price") for aggregate gross proceeds of up to CAD\$1,100,000. The Unit Price is equal to the closing price of the Company's TSX Venture Exchange listed shares on August 15, 2018. Each Unit shall be comprised of one common share in the capital of the Company (each, a "Common Share") and one whole warrant to acquire a Common Share at an exercise price of CAD\$0.10 per Common Share for a period of twelve months from the date of issuance.

On September 24, 2018, the Company closed the first tranche of the Offering for 14,252,400 Units at a price of CAD\$0.025 per Unit for aggregate gross proceeds of CAD\$356,310.

On November 16, 2018 the Company closed the second and final tranche of the Offering for 40,738,520 Units at a price of CAD\$0.025 per Unit for aggregate gross proceeds of CAD\$1,018,463.

The total placement was oversubscribed with both tranche subscriptions totaling 54,990,920 Units for gross proceeds of CAD\$1,374,773.

Finder's fees of CAD\$7,000 are payable in cash and 280,000 Agent's warrants were issued at an exercise price of CAD\$0.10 per Common Share for a period of twelve months from the date of issuance for tranche 2.



Directors Report 31 March 2019

CORPORATE UPDATE (*Cont'd*)

On February 22, 2019 the Company announced a non-brokered private placement (the "Offering") of up to 8,750,000 units (each, a "Unit") at a price of CAD\$0.04 per Unit ("Unit Price") for aggregate gross proceeds of up to CAD\$350,000.

The Unit Price is equal to the closing price of the Company's TSX Venture Exchange listed shares on February 18, 2019. Each Unit shall be comprised of one common share in the capital of the Company (each, a "Common Share").

On February 25, 2019, the Company closed the Offering for 7,643,950 Units at a price of CAD\$0.04 per Unit for aggregate gross proceeds of CAD\$305,758.

On 19 March 2019, the Company announced a non-brokered private placement (the "Offering") of up to US\$6 million of secured Convertible Note ("Note"). Each Note has a face value of US\$10,000 convertible at the greater of 80% of the average VWAP over 5 trading days immediately preceding the date of a notice of conversion and C\$0.10 with attaching warrant offered for one fourth of the commitment amount at an exercise price at the greater of C\$0.10 and the average VWAP in respect of Shares during the five Trading Days immediately preceding the Advance Date. Notes and Warrants are subject to a restricted (or "hold") period of 4 months and one day following the distribution date with an expiry date of 36 months from advance date.

On 10 July 2019, the Company closed the Offering for gross proceeds of US\$6,000,000 on conditional acceptance.

Warrants

The extension of the expiry date of 31,712,730 common share purchase warrants that were issued as part of the Rights Offering completed by the Company in December 2017 at a price of CAD\$0.20, to expire on December 15, 2018 was approved by the Exchange to December 15, 2019. All other terms and conditions of the warrants including the exercise price will remain the same.

During the year, 55,270,920 warrants were issued, in connection with the 2018 Private Placement at a price of CAD\$0.10. 14,252,400 warrants will expire September 24, 2019 and 41,018,520 warrants will expire November 15, 2019.

Shared Based Compensation

On December 4, 2018 pursuant to the Plan, the Company has granted an aggregate of 2,620,000 stock options ("Options") to acquire common shares of the Company pursuant to the Plans. Of which 1,720,000 were granted to a director of the Company, and the remaining options granted to employees. The Options have an exercise price of \$0.05, which is the Minimum Market Price. The Options vest immediately and expire three years from the date of grant.

On December 4, 2018 the Company also granted an aggregate of 8,500,000 restricted share units ("RSUs") to acquire common shares of the Company pursuant to the Plans, of which 4,000,000 were granted to directors of the Company, and the remaining RSUs were granted to employees and consultants. The RSUs vest in the event that the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.08 for 20 consecutive trading days and expire three years from the date of grant.

On February 25, 2019 the Company granted an aggregate of 10,000,000 stock options ("Options") to acquire common shares of the Company to various Employees, Directors and Consultants of the Company. The Options have an exercise price of C\$0.05, which is the Minimum Market Price. The Options vest immediately and expire three years from the date of grant.

The Company has also granted an aggregate of 3,500,000 restricted share units ("RSUs") to acquire common shares of the Company pursuant to the Plans, to Directors of the Company. The RSUs vest in the event that the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.08 for 20 consecutive trading days and expire three years from the date of grant.

CORPORATE UPDATE (Cont'd)

Since the year end and up to the date of signing this report the Company has issued 15,867,341 ordinary shares raising \$283,317. 11,000,000 ordinary shares were issued on vesting of RSUs.

Included in the share issues above are the exercise of 280,000 warrants, 4,500,000 options and 11,000,000 restricted share units. A total of 250,000 RSU's expired.

Engagement of Investor Relations Group

Investor Cubed Inc. has been engaged to provide investor relations and shareholder communication services Effective from January 8, 2019.

In connection with the engagement, Investor Cubed has been awarded a consulting contract of CAD\$2,500 per month for a term of twelve months.

In addition, 1,000,000 options were granted to purchase shares of Macarthur at a price of CAD\$0.10 per share. The options will vest quarterly over a period of one year and governed by the provision of Macarthur's share compensation plan.

OTCQB Listing

Effective from February 20, 2019 Macarthur Minerals Limited has joined the OTC marketplace, OTCQB under the symbol "MMSDF".

Off-take Agreement with Glencore International A.G

A binding Life-of-Mine Off-Take Agreement ("Agreement") with Glencore International A.G. ("Glencore") was entered into on 13 March 2019 for sale of iron ore to be produced from the Lake Giles Iron Project ("Project") at Lake Giles in the Yilgarn region of Western Australia from the commencement of commercial production.

Glencore secures life-of-mine of the project with commercial terms for approximately 4 million tonnes per annum average for the first 10 years, with the option to extend for a following 10 years for all tonnes of future Lake Giles iron ore production. The Agreement is secured to ensure the Company's long-term revenue and consistent sales per year.

Option Agreement with Fe Limited

Macarthur Lithium Pty Ltd ("MLi"), a wholly owned subsidiary of Macarthur entered into an exclusive option agreement ("Option Agreement") with Fe Limited (**ASX: FEL**) ("FEL") on 14 May 2019, for FEL to acquire an interest of up to 75% in the lithium and gold tenements in Pilbara region of Western Australia with a 45-day option for FEL to conduct due diligence and secure the required funding to proceed with exercising the option. The Project includes 18 tenements highly prospective for gold, copper and lithium in proximity to numerous known hard rock lithium and gold deposits in the central and eastern Pilbara.

On 2 July 2019, FEL elected to exercise its option to earn-in up to 75% interest in the Company's gold, copper and lithium tenements in the Pilbara Region of Western Australia.

Board Changes

On 21 May 2019, David Lenigas resigned as an Independent Director and Andrew Suckling was appointed as a Non-Executive Director in his replacement.

The Board is now comprised of Mr Cameron McCall as Executive Chairman, Mr Joe Phillips as CEO and Director, Mr Andrew Suckling as Independent Director, Mr Earl Evans as Independent Director and Mr Alan Phillips as Non-Executive Director

Directors Report 31 March 2019

CORPORATE UPDATE (Cont'd)

Technical Report for Lake Giles Iron Ore Project

The results of the Preliminary Economic Assessment ("PEA") undertaken by independent consultants Engenium Pty Ltd ("Engenium") for the Company's 100% owned Lake Giles Iron Ore Project ("the Project") in Western Australia was issued and filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on 17 June 2019.

The PEA was completed for a 2.5 to 3.4 Mtpa operation incorporating the Moonshine Magnetite and Ullaring Hematite Mineral Resources to produce a high-grade blended concentrate in excess of 65% Fe.

The technical and financial evaluation in the PEA indicates the Project is potentially economically viable and further project development is justified.

The independent technical report, entitled "NI43-101 Technical Report, Macarthur Minerals Limited, Preliminary Economic Assessment Lake Giles Iron Project, Western Australia, (the "2019 Technical Report") with an issue date of June 13, 2019, was prepared in accordance with the requirements of National Instrument 43-101 ("NI 43-101").

Likely future developments and expected results

Other than matters mentioned above, likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group. Business risk associated with future plans relate to the ability to successfully identify a resource and develop the Company's projects.

Environmental Regulations

The Group currently conducts exploration and evaluation activities in Australia and Nevada, USA. The Group's operations in Australia are subject to significant environmental regulation under the law of the Commonwealth and the State of Western Australia. During the year the Group met all reporting requirements under the relevant legislation. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates, including Nevada, USA. Environmental legislation is evolving in a manner which requires stricter standard 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.

The Company is currently engaged in exploration and evaluation with minimal environmental impact. The Company aims to ensure a high standard of environmental care is achieved, and as a minimum, to comply with relevant environmental regulations. There have been no known material breaches of any of the environmental conditions

Shares under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date Option Granted	Expiry Date	Issue Price of Shares (CAD\$)	Number under option
11 Jul 2016	21 May 2020	0.0525	1,200,000
22 Sep 2016	21 May 2020	0.06	2,800,000
22 Sep 2016	21 Sep 2019	0.06	6,295,263
08 Feb 2019	08 Feb 2020	0.10	1,000,000
20 Feb 2018	19 Feb 2021	0.055	4,300,000
04 Dec 2018	03 Dec 2021	0.05	2,620,000
25 Feb 2019	24 Feb 2022	0.05	8,000,000
			<hr/> 26,215,263 <hr/>

Directors Report 31 March 2019

Shares under Option (Cont'd)

No option holder has any right expect under the Plans to participate in any other share issue of the Company or of any entity of the Group, or any other entity.

Shares issued on the exercise of options

230,000 options were exercised during the year ended 31 March 2019.

Since year end and up to the date of this report 4,500,000 options were exercised.

Shares under Restricted Share Units

Unissued ordinary shares of the Company under Restricted Share Units at the date of this report are as follows:

Date RSU Granted	Expiry Date	Number of RSUs
28 Nov 2017	27 Nov 2020	4,705,882
20 Feb 2018	19 Feb 2021	550,000
		<u>5,255,882</u>

All RSUs vest upon the closing share price of the Company's shares on the TSX-V being greater than C\$0.20 for 20 consecutive trading days.

No RSU holder has any right except under the Plans to participate in any other share issue of the Company or of any entity of the Group, or any other entity.

Shares issued on the vesting of RSUs

No RSUs vested during the year ended 31 March 2019.

Since year end and up to the date of this report 11,000,000 RSUs vested and 250,000 RSU's expired.

Shares under Warrants

Unissued ordinary shares of the Company held under warrants at the date of this report are as follows:

Date Granted	Expiry Date	Issue Price of Shares (CAD\$)	Number held under warrants
15 Dec 2017	15 Dec 2019	0.20	31,712,730
25 Sept 2019	24 Sept 2019	0.10	14,252,400
16 Nov 2018	15 Nov 2019	0.10	41,018,520
			<u>86,983,650</u>

Shares issued on the exercise of warrants

55,270,920 warrants were granted in the year.

Since year end and up to the date of this report 280,000 warrants were exercised.

Directors Report

31 March 2019

Information on Directors

Particulars of directors' interests in shares, options and warrants of the Company, as at the date of this report:

Director	Ordinary Shares	Options	RSUs	Warrants
C McCall	5,739,804	4,720,000	2,352,941	333,333
A S Phillips	-	-	-	-
D Lenigas *	1,700,000	6,000,000	250,000	-
J Phillips	15,978,375	9,131,083	2,352,941	9,716,643
E Evans	2,700,000	-	250,000	-
A Suckling	-	-	-	-

* Resigned 21 May 2019

Meeting of Directors

The number of meetings of the Company's board of directors held during the year ended 31 March 2019, and the number of meetings attended by each director were:

	Number of Board Meetings Attended	Number Eligible
C McCall	4	4
A S Phillips	4	4
D Lenigas	2	4
J Phillips	4	4
E Evans	1	4

The number of meetings of the Company's Audit Committee held during the year ended 31 March 2019, and the number of meetings attended by each member were:

	Number of Audit Committee Meetings Attended	Number Eligible
C McCall	4	4
D Lenigas, Chairman of Audit Committee	2	4
E Evans	1	4

Insurance and Indemnification of Officers

Insurance Premiums

During the financial year, the Company paid premiums of \$159,803 to insure the directors, officers and employees ("D&O Insurance") of the Company and its Australian based controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against persons in their capacity as directors, officers and employees of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnification

The Company has provided an indemnity for each director to the maximum extent permitted by law, against any liability for legal costs incurred in respect of a liability incurred by them, 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.

Pursuant to an indemnity within the constitution and Deeds of Indemnity entered into with the directors and officers of the Company, the Company is indemnifying the respondent directors and officers for the reasonable legal costs of defending an action against them (subject to certain restrictions, including restrictions contained in the *Corporations Act 2001* (Cth)).

Directors Report 31 March 2019

Insurance and Indemnification of Officers (Cont'd) **Indemnification (Cont'd)**

The respondent directors have made claims against the Company's D&O Insurance policy and have instructed independent lawyers to act for them. The insurer has confirmed coverage of defence costs under the policy.

To date the Company has paid \$104,263 to cover indemnity costs not covered under the Company's D&O Insurance policy and includes \$25,000 excess fee.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001(Cth)* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001(Cth)*.

Non-audit Services

Details of non-audit services are found in Note 26 of the Financial Statements.

A copy of the Nexia Brisbane's independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 67.

Auditor

Nexia Brisbane were appointed auditors in 2015 in accordance with section 327B of the *Corporations Act 2001 (Cth)*.

Signed in accordance with a resolution of directors.



Cameron McCall
Brisbane
Executive Chairman
29 July, 2019

Consolidated Financial Statements – March 31, 2019

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

The Company's corporate office and principal place of business are detailed on page 5.

The financial statements were authorized for issue by the directors on July 29, 2019. The directors have the power to amend and reissue the financial statements.

MACARTHUR MINERALS LIMITED**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME(LOSS)
FOR THE YEARS ENDED MARCH 31**

(Expressed in Australian Dollars)

	Notes	2019 \$	2018 \$(Note 2(x))
EXPENSES			
Depreciation	5(a)	(33,206)	(33,952)
Impairment reversal – Exploration and Evaluation	5(i)	55,851,937	-
Exploration expenditure	5(f)	(30,964)	(1,486,161)
Investor relations		(12,151)	(108,967)
Office and general expenses		(274,935)	(218,572)
Personnel costs	5(b)	(666,442)	(1,274,148)
Professional fees	5(c)	(562,057)	(606,451)
Rent		(94,758)	(119,689)
Share-based compensation	5(b)	(413,725)	(112,063)
Share Registry, filing and listing fees		(110,021)	(128,429)
Travel and accommodation		(148,836)	(201,622)
		53,504,842	(4,290,054)
OTHER INCOME (EXPENSES)			
Interest income	5(d)	4,465	9,043
Other income - cost recoveries	5(e)	41,323	530,000
Change in fair value of warrant liability	5(h)	(2,433,415)	361,977
Net profit(loss) before income tax		51,117,215	(3,389,034)
Income tax expense	6	-	-
Net profit(loss) for the year		51,117,215	(3,389,034)
Other comprehensive income for the year, net of tax		-	-
Net comprehensive income(loss) for the year		51,117,215	(3,389,034)
Basic earnings(loss) per ordinary share	7	0.19	(0.02)
Diluted earnings(loss) per ordinary share	7	0.19	(0.02)

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

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

	Notes	2019 \$	2018 \$
ASSETS			
Current			
Cash and cash equivalents	8	318,028	1,370,288
Other receivables	9	49,898	79,908
Security deposits	10	55,750	66,500
Total current assets		423,676	1,516,696
Non-Current			
Plant and equipment	11	15,667	48,873
Exploration and evaluation assets	12	62,993,644	6,204,026
Total non-current assets		63,009,311	6,252,899
Total assets		63,432,987	7,769,595
LIABILITIES			
Current			
Trade and other payables	13	364,667	443,762
Provisions	14	42,779	36,488
Warrant liability	16	2,579,901	146,486
Total current liabilities		2,987,347	626,736
Non-Current			
Provisions	14	18,807	13,786
Total non-current liabilities		18,807	13,786
Total liabilities		3,006,154	640,522
Net assets		60,426,833	7,129,073
SHAREHOLDERS' EQUITY			
Contributed equity	15(a)	99,671,850	98,702,139
Reserves	15(b)	4,539,152	10,570,183
Accumulated losses		(43,784,169)	(102,143,249)
Total shareholders' equity		60,426,833	7,129,073

Nature and continuance of operations (Notes 1 and 2)
Commitments (Notes 12 and 22)

Subsequent events (Note 24)
Contingent liabilities (Note 23)

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Australian Dollars)

	Number of Shares	Contributed Equity \$	Accumulated losses \$	Reserves \$	Non-Controlling Interests \$	Total \$
Balance at April 1, 2017	139,800,973	92,996,404	(98,705,129)	10,458,120	1,418,954	6,168,349
Net loss for the year	-	-	(3,389,034)	-	-	(3,389,034)
Share-based payment transactions	-	-	-	112,063	-	112,063
Derecognition of non-controlling interests	-	-	(49,086)	-	(1,418,954)	(1,468,040)
Private placements	41,975,407	2,116,829	-	-	-	2,116,829
Rights Offering	31,712,730	1,945,576	-	-	-	1,945,576
Exercise of warrants	22,892,317	1,307,678	-	-	-	1,307,678
Shares issued for exploration and evaluation	2,067,045	136,226	-	-	-	136,226
Bonus Shares to Executives	3,852,942	295,968	-	-	-	295,968
Share issuance costs	-	(96,542)	-	-	-	(96,542)
Balance at March 31, 2018	242,301,414	98,702,139	(102,143,249)	10,570,183	-	7,129,073
Net profit for the year	-	-	51,117,215	-	-	51,117,214
Share-based payment transactions ^[1]	-	-	-	413,725	-	413,725
Private placements ^[2]	62,634,870	1,761,718	-	-	-	1,761,718
Exercise of options ^[2]	230,000	12,035	-	-	-	12,035
Share issuance costs ^[2]	-	(6,933)	-	-	-	(6,933)
Appropriations of equity ^[3]	-	(797,109)	7,241,865	(6,444,756)	-	-
Balance at March 31, 2019	305,166,284	99,671,850	(43,784,169)	4,539,152	-	60,426,833

^[1] Refer to Note 18 - Share based payments

^[2] Refer to Note 15 - Share issues

^[3] Refer to Note 15 - Reserves

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Australian Dollars)
FOR THE YEARS ENDED MARCH 31

	Notes	2019 \$	2018 \$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,917,281)	(3,415,997)
Interest received		4,465	9,043
Other Income – cost recoveries		41,323	530,000
Interest Paid		(9,906)	(8,768)
Net cash flows used in operating activities	8	(1,881,399)	(2,885,722)
INVESTING ACTIVITIES			
Net purchases of plant and equipment		-	(3,621)
Exploration and evaluation additions		(868,236)	(139,110)
Net cash flows used in investing activities		(868,236)	(142,731)
FINANCING ACTIVITIES			
Proceeds from share issues		1,704,308	3,628,054
Share issuance costs		(6,933)	(36,542)
Net cash flows provided by financing activities		1,697,375	3,591,512
Change in cash and cash equivalents during the year		(1,052,260)	563,059
Cash and cash equivalents, beginning of the year		1,370,288	807,229
Cash and cash equivalents, end of year	8	318,028	1,370,288

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019

(Expressed in Australian Dollars)

Note 1: Nature and Continuance of Operations

Macarthur Minerals Limited (the “Company”) is an Australian public company listed in Canada on the TSX Venture Exchange (“TSX-V”) (symbol: MMS) and OTC Markets (“OTCQB”) (symbol: MMSDF). Macarthur Minerals has three iron ore projects in the Yilgarn region of Western Australia. The Company has also established multiple project areas in the Pilbara, Western Australia for conglomerate gold, hard rock greenstone gold and hard rock lithium. In addition, Macarthur Minerals has significant lithium brine interests in the Railroad Valley, Nevada, USA.

As at March 31, 2019, the Company has the following subsidiaries (who are collectively the “Group”):

- 100% of Macarthur Australia Limited, which holds the following 100% subsidiaries:
 - 100% of Macarthur Lithium Pty Ltd (“MLi”) which holds the Macarthur Lithium Projects;
 - 100% of Macarthur Iron Ore Pty Ltd (“Macarthur Iron Ore” or “MIO”) which owns the Iron Ore Projects
- 100% of Macarthur Lithium Nevada Limited (incorporated in Nevada)
- 100% of Esperance Iron Ore Export Company Pty Ltd (previously Macarthur Midway Pty Ltd)
- 100% of Macarthur Marble Bar Lithium Pty Ltd (previously Bachelor Project Pty Ltd) (a dormant subsidiary); and
- 100% of Macarthur Minerals NT Pty Ltd (“MMNT”) and MMNT’s 100% subsidiary, Macarthur Tulshyan Pty Ltd.

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

The Company maintains its corporate head office and principal place of business at G03, 555 Coronation Drive, Toowong, Queensland 4064, Australia.

The financial statements were authorized for issue on 29 July 2019 by the directors of the Company.

Note 2: Summary of Significant Accounting Policies

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

a) Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001 (Cth). The financial report complies with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The separate financial statements of the parent entity have been presented within this financial report as permitted by the Corporations Act 2001 (Cth).

Except for cash flow information, the financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b) Going concern

This financial report has been prepared on a going concern basis which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company’s cash and cash equivalents balance at the reporting date is \$318,028.

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

b) *Going concern (cont'd)*

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 realisation through sale of part or all exploration assets, none of which is assured. This depends upon the realisation of economic, operating and trading assumptions about future events and actions, which may not necessarily occur, and the successful implementation of management plans to commercialise its mining projects through development or sale and to manage the Group's affairs to meet its commitments until this takes place. These conditions and matters indicate the existence of a material uncertainty that may cast significant doubt about the Company's and the Group's ability to continue as a going concern.

The Company has prepared a business plan to manage operations and expenditures over the coming twelve months, in order to ensure that the Company has sufficient funds to meet its obligations as they become due. In particular, the Company has advanced its plans for its Iron Ore projects, and lithium and gold projects, as well as having entered a range of commercial agreements (refer Notes 12 & 24), which include commitments for funding of US\$6.0 million by way of convertible notes.

On the basis of these arrangements, and the ability of the Company to raise further capital as and when needed, the Directors have prepared the financial report on a going concern basis.

This financial report does not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital, financing or generate cash from operations in the future and thus be unable to continue as a going concern.

c) *Principles of consolidation*

(i) *Subsidiaries*

The financial report incorporates the assets, liabilities and results of all subsidiaries controlled by the Company.

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent.

d) *Mineral exploration and evaluation assets*

The Company is currently in the exploration and evaluation stage of its exploration projects and applies the following policies.

(i) *Exploration and evaluation properties*

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

Note 2: Summary of Significant Accounting Policies (cont'd)**d) Mineral exploration and evaluation assets (cont'd)**

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

All other exploration and evaluation expenditure are expensed as incurred. Exploration and evaluation expenditure previously capitalised but which no longer satisfies the above policy is impaired and expensed to profit and loss.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

In keeping with the foregoing policy, an impairment reversal adjustment has been made this financial year in relation to the carrying value of the iron ore assets.

e) Plant and equipment

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

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

Depreciation in assets is calculated as follows:

Plant & Equipment	5% to 33.33% Straight-line Method 22.5% Diminishing Value Method
Office Equipment	10% to 33.33% Straight-line Method 37.5% Diminishing Value Method

The assets' residual values and useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting period.

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

Depreciation is calculated to write-off the asset's cost over its estimated useful life, commencing from when the asset is first ready for use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit and loss.

Note 2: Summary of Significant Accounting Policies (cont'd)**f) *Impairment of non-financial assets***

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) *Financial Instruments*

The Company has adopted new accounting standard AASB 9: Financial Instruments, from 1 April 2018 (IFRS 9: Financial Instruments). AASB 9 replaces the provisions of AASB 139 (IAS 39) that relate to the recognition, classification and measurement of financial assets and financial liabilities. Application of AASB 9 had no impact on the Company's financial statements, nor on its accounting policies.

(i) *Recognition*

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

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

(ii) *Subsequent measurement*

Financial instruments are subsequently measured at either fair value through profit or loss, and amortised cost using the effective interest rate method.

Amortised cost is calculated as:

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

(iii) *Impairment*

All financial assets are considered to be low credit risk. The Company assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in profit and loss using the General Approach under AASB 9(IFRS 9). The Company has a zero expected loss rate.

(iv) *De-recognition*

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

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

h) Cash and cash equivalents

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

i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's and its subsidiaries functional and presentation currency.

(ii) Transactions and balances

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

j) Segment Reporting

The chief operating decision-maker has been identified as the CEO of the Company. The Group has identified one reportable segment (the exploration of mineral resources). All such operations and substantially all the capital assets of the Group are situated in Australia as at the reporting date.

k) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The balance is recognised as a current liability, amounts are unsecured and are usually paid within 30 days of recognition of the liability.

l) Leases

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

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

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

m) Provisions

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

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the reporting period date.

Note 2: Summary of Significant Accounting Policies (cont'd)**n) Employee benefits****(i) Wages and salaries, annual leave and superannuation**

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

(ii) Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(iii) Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods to represent the value of services rendered. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to a reserve. The fair value of equity instruments is determined using the relevant options pricing model. The number of instruments expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

o) Provision for closure and restoration

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

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

p) Goods and services tax

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

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

Note 2: Summary of Significant Accounting Policies (cont'd)**p) Goods and services tax (cont'd)**

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

q) Income tax

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

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

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

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

(i) Deferred Tax Balances

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

(ii) Tax consolidation legislation

The Company and its wholly owned Australian incorporated subsidiaries are a tax-consolidated group for income tax purposes. As a consequence, all members of the tax-consolidated group are taxed as a single entity.

r) Contributed equity

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

Proceeds from warrant unit placements are allocated between shares and warrants issued. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Where warrants are denominated in a currency other than the Company's functional currency, they are considered a derivative liability and marked to market at each period using the Black-Scholes model.

s) Earnings per share**(i) Basic earnings per share**

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

Note 2: Summary of Significant Accounting Policies (cont'd)**s) Earnings per share (cont'd)****(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive if their exercise price exceeds the average market price of ordinary shares during the period.

However, where their conversion would decrease the loss per share from continuing operations, then this calculation is treated as anti-dilutive.

t) Revenue recognition

The Company has adopted new accounting standard AASB 15: Revenue (IFRS 15), from 1 April 2018. Application of the new standard had no impact on the Company's financial statements. The Company's only sources of revenue are other income items such as interest and cost recoveries. The Group recognises revenue when the amount can be readily measured, and it is probable that future economic benefit will flow to the entity (control).

Interest income is recognised on a time proportion basis using the effective interest method.

u) Fair Value Measurement

Fair value is determined by reference to an orderly transaction between independent, knowledgeable and willing market participants. There are no assets or liabilities measured at fair value on a recurring basis after initial recognition, other than the warrant liability (Note 16). For financial assets and liabilities their fair values approximate carrying values due to their short-term nature.

v) Critical accounting estimates and judgements

The preparation of the financial report 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.

(i) Exploration and Evaluation Expenditure (Note 12)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely and is based on assumptions about future events or circumstances.

Recoverable value of exploration assets is based on the assessment of current economic conditions.

(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.

(iii) Going concern

As set out in Note 2(b), the Financial Report has been prepared on a going concern basis.

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

v) Critical accounting estimates and judgements (cont'd)

(iv) Share-based payment transactions (Note 17)

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 relevant Black-Scholes 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 equity, and the estimated forfeiture rate for market based vesting conditions.

(v) Warrant liability (Note 16)

The valuation of the liability is based on assumptions including the expected price volatility of the Company's common shares.

w) New Accounting Standards for Application in Future Periods

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

AASB 16(IFRS 16), "Leases" is effective for annual periods beginning on or after January 1, 2019.

New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting. This standard has not yet been adopted by the Company and is being evaluated to determine its impact, but will result in recognition of the Company's premises lease on the Statement of Financial Position.

x) Comparative Figures

Certain comparative figures have been reclassified to conform to changes in the current year's presentation, with no impact on prior years' net loss.

Note 3: Financial Instruments and Financial risk management

Financial risk factors

The Company's principal financial instruments are cash and cash equivalents, the main purpose of which is to fund the Company's operations. The Company has various other financial assets and liabilities such as security deposits, other receivables and trade payables, which arise directly from its operations. It is and has been throughout the years ended March 31, 2019 and March 31, 2018, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow credit risk, liquidity risk, interest rate risk, and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)

The Company's contracted financial instruments are summarised as:

	Note	Consolidated Carrying Amount	
		2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	8	318,028	1,370,288
Other receivables	9	9,630	284
Security Deposits	10	55,750	66,500
		65,380	66,784
Total financial assets		383,408	1,437,072
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	13	364,667	443,762
Total financial liabilities		364,667	443,762

a) Credit risk

The Company's primary exposure to credit risk is on its cash and cash equivalents. The Company limits its exposure to credit risk by maintaining its financial liquid assets with high-credit quality financial institutions.

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

Exposure to credit risk

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

	2019 \$	2018 \$
<i>Financial assets</i>		
Cash and cash equivalents	318,028	1,370,288
Other receivables	9,630	284
Security Deposits	55,750	66,500
	383,408	1,437,072

The Company's receivables exclude current outstanding taxation payments recoverable from the Australian Government. These statutory amounts are excluded under Accounting Standards in the above analysis

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

	2019 \$	2018 \$
Australia	369,138	1,435,574
Canada	14,270	1,498
	383,408	1,437,072

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)**b) Liquidity risk**

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

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

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 its exploration and evaluation assets. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration or development.

The Company is dependent on raising funds through equity and/or debt, or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance development of its exploration and evaluation assets, further acquisitions, undertake exploration and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising the required financing (refer Note 2(b)).

Exposure to liquidity risk

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

As at March 31, 2019

	Within 1 year	Total
Financial assets	383,408	383,408
Financial liabilities	(364,667)	(364,667)
Net cashflow	18,741	18,741

As at March 31, 2018

	Within 1 year	Total
Financial assets	1,437,072	1,437,072
Financial liabilities	(443,762)	(443,762)
Net cashflow	993,310	993,310

c) Interest rate risk

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

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

	2019	2018
	\$	\$
Interest-bearing financial instruments		
Financial assets	373,778	1,436,788

Financial assets are comprised of:

	2019	2018
	\$	\$
Cash and cash equivalents	318,028	1,370,288
Security deposits	55,750	66,500
	373,778	1,436,788

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates on the above interest-bearing financial instruments at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit or loss		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
March 31, 2019				
Interest-bearing financial instruments	3,738	(3,738)	3,738	(3,738)
March 31, 2018				
Interest-bearing financial instruments	14,367	(14,367)	14,367	(14,367)

d) Foreign currency risk

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

Exposure to currency risk

The Company's exposure to foreign currency risk at the statement of financial position date was as follows:

	AUD \$	CAD \$	AUD \$	CAD \$
	2019		2018	
Cash and cash equivalents	303,758	14,270	1,368,790	1,498
Receivables	49,898	-	79,908	-
Security Deposits	55,750	-	66,500	-
	409,406	14,270	1,515,198	1,498
Trade and other payables	303,336	61,331	307,620	136,142
Employee Benefits	61,586	-	50,274	-
Warrant liability	-	2,579,901	-	146,486
	364,922	2,641,232	357,894	282,628
Net exposure	44,484	(2,626,962)	1,157,304	(281,130)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2019	2018	2019	2018
	\$	\$	\$	\$
Canadian dollar (CAD\$)	1.0452	1.0030	1.0545	1.0109

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)*Sensitivity analysis*

A 10% strengthening of the Australian dollar against the Canadian dollar at March 31, 2019 on the above net exposure to Canadian assets and liabilities would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Equity \$	Profit or loss \$
March 31, 2019		
CAD\$	<u>277,013</u>	<u>277,013</u>
March 31, 2018		
CAD\$	<u>29,041</u>	<u>29,041</u>

A 10% weakening of the Australian dollar against the Canadian dollar at March 31, 2019 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

e) Commodity price risk

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

As the Company has not yet reached the mining stage, its exposure to price risk has no impact on the financial statements, however price risk is a critical assumption for the Group's economic studies on its Iron Ore Projects and for impairment testing.

f) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, other receivables, and accounts payable and accrued liabilities approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature. The Company's only financial instrument classified as fair value through profit or loss is the Warrant Liability, which is classified as Level 2 in the fair value hierarchy, refer to Note 16 for additional information.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 4: Capital Management

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

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

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

As set out in Note 15, further equity was issued in the year.

There were no other changes in the Company's approach to capital management during the year ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

Note 5: Revenue and expenses

Result for the year includes the following items:

	2019	2018
	\$	\$
a) Depreciation		
Depreciation	33,206	33,952
b) Employee benefits expense		
Personnel costs	666,442	1,274,148
Share-based compensation	413,725	112,063
c) Professional fees include the following significant amounts:		
- Legal costs	275,122	231,358
- External consultants	194,699	234,075
d) Finance Revenue		
Bank interest income	4,465	9,043
e) Cost Recoveries:		
- FSDC legal matter (Note 23(b))	31,101	-
- MMPS (Yalgoo Project)	-	300,000
Option Fee Income:		
- Panorama Gold Project	-	230,000
Rent & Rates Reimbursement	10,222	-
f) Exploration & evaluation expenditure costs of:		
Capitalised and written-off (Note 12)	-	777,861
Expensed	30,964	708,300
g) Other:		
- Net foreign exchange gain	1,009	7,116
- Finance costs	9,906	8,768

MACARTHUR MINERALS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019

(Expressed in Australian Dollars)

	2019	2018
	\$	\$
h) Option Fee Income:		
- Change in fair value of warrant liability (Note 16)	(2,433,415)	361,977
i) Impairment reversal		
Reversal of Impairment of Exploration and Evaluation assets (Note 12)	55,851,937	-

Note 6: Income tax

	2019	2018
	\$	\$
a) Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable		
Profit (loss) from continuing operations before income tax expense	51,117,215	(3,389,034)
Tax at Australian tax rate of 27.5%	14,057,234	(931,984)
Adjustment for the tax effect of:		
Impairment reversal – exploration expenditure	(15,359,283)	-
Change in fair value of warrant liability	669,189	(99,544)
Share based payments	113,774	30,817
Other	201	44,129
	(518,885)	(956,582)
Income tax losses and temporary differences not carried forward as deferred tax assets	518,885	956,582
Income tax expense(credit) attributable to profit(loss)	-	-
b) Change in tax rate		

Changes in tax laws and rates may affect any recorded deferred tax assets and liabilities and the Company's effective tax rate in the future. The applicable tax rate as at March 31, 2019 was 27.5% on the basis that Macarthur Minerals was a Small Business Entity for the purposes of the tax law.

Deferred tax in the year to March 31, 2019 has been measured using the effective rate that will apply in Australia to Macarthur Minerals from April 1, 2017 (i.e. 27.5%).

c) Tax consolidation

Macarthur Minerals and its wholly owned Australian subsidiaries are members of an Australian income tax consolidated group.

d) Tax losses

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

	Tax losses from operations	Tax losses on capital raising expenses	Total
	\$	\$	\$
2019			
Tax losses	78,170,869	5,217,972	83,388,841
Potential benefit	21,469,835	1,434,942	22,904,777
2018			
Tax losses	76,185,272	5,217,972	81,403,244
Potential benefit	20,950,950	1,434,942	22,429,309

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 6: Income tax (cont'd)

The tax benefit of these losses will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- The Company continues to comply with the conditions for deductibility of losses imposed by the relevant tax legislation.

In particular, the Company's tax losses can be carried forward to offset its future income and the future income of members of its tax consolidated group, subject to the satisfaction of the Continuity of Ownership Test or the Same or Similar Business Test, and having regard to the application of the "available fraction".

In this respect the ability to utilise tax losses in the future will be dependent on specific shareholding tracing in the years of losses and the future years of income, and future events including the business activity of the Company in future years of income.

Note 7: Earnings per share

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

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

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

	2019 \$	2018 \$
Net profit/(loss) for the year	<u>51,117,215</u>	<u>(3,389,034)</u>
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	<u>264,903,886</u>	188,568,114
Weighted average number of ordinary shares for diluted earnings per share	<u>264,903,886</u>	188,568,114

The Company's outstanding options warrants and RSU's that did not have a dilutive effect at March 31, 2019 are set out in Note 18. None had a dilutive effect, as the average market share price of the Company in the year was below the exercise price of these securities.

Note 8: Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	<u>318,028</u>	1,370,288
	<u>318,028</u>	<u>1,370,288</u>

The fair value of cash and cash equivalents is \$318,028 (2018: \$1,370,288).

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 8: Cash and cash equivalents (cont'd)

	2019 \$	2018 \$
<i>Reconciliation of net profit/(loss) after income tax to the net cash flows from operations</i>		
Net Profit/(Loss)	51,117,215	(3,389,034)
<i>Adjustments for:</i>		
Depreciation	33,206	33,952
Share-based payments – employees & other costs	413,725	693,690
Change in fair value of warrant liability	2,433,415	(361,977)
Impairment expense/(income)	(55,851,937)	-
<i>Changes in Assets and Liabilities:</i>		
Receivables and other assets	40,760	304,160
Payables and provisions	(67,783)	(166,513)
Net cash used in operating activities	(1,881,399)	(2,885,722)
	2019 \$	2018 \$
Cash paid during the year for interest	9,906	8,768
Cash paid during the year for income taxes	-	-

During the year ended March 31, 2019, the Company entered into the following non-cash investing and financing activities:

- a) Issued 2,568,320 common shares valued at \$69,445 capitalised to Exploration and Evaluation assets.

During the year ended March 31, 2018, the Company entered into the following non-cash investing and financing activities:

- a) Issued 30,019,864 common shares valued at \$1,468,040 to settle the buy-back of Macarthur Australia (Note 20).
b) Issued 1,067,045 common shares valued at \$64,916 capitalized to Exploration and Evaluation Assets.

Note 9: Other Receivables

	2019 \$	2018 \$
Other receivables	49,898	79,908
	49,898	79,908

Note 10: Security Deposits

	2019 \$	2018 \$
Security deposits	55,750	66,500
	55,750	66,500

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 11: Plant and equipment

	Plant & Equipment	Office Equipment	Total
	\$	\$	\$
Year ended March 31, 2018			
Opening net book value	57,232	21,972	79,204
Additions	1,811	1,810	3,621
Disposals	-	-	-
Depreciation charge	(28,992)	(4,960)	(33,952)
Closing net book amount	30,051	18,822	48,873
At March 31, 2018			
Cost or fair value	656,028	395,167	1,051,195
Accumulated depreciation and impairment	(625,977)	(376,345)	(1,002,322)
Net book amount	30,051	18,822	48,873
Year ended March 31, 2019			
Opening net book value	30,051	18,822	48,873
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	(24,742)	(8,464)	(33,206)
Closing net book amount	5,309	10,358	15,667
At March 31, 2019			
Cost or fair value	656,028	395,167	1,051,195
Accumulated depreciation and impairment	(650,719)	(384,809)	(1,035,528)
Net book amount	5,309	10,358	15,667

Note 12: Exploration and Evaluation Assets

The ultimate recoupment of the carrying value of exploration and evaluation assets is dependent on the successful development, commercial exploitation and financing of the areas of interest, or alternatively through sale.

At March 31, 2019 the Company held 100% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiaries MIO and MLI hold assets which include the Iron Ore Projects and Lithium Exploration Projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds a Lithium Exploration Project in Nevada.

The carrying value of the exploration and evaluation assets relates to the Iron Ore and Lithium Projects.

At March 31, 2019, based on the improvement in global demand and price for iron ore, coupled with the achievement of certain strategic milestones in the development of its iron ore assets, the Company is advancing their projects and has entered into a range of commercial arrangements and funding commitments (refer Note 24).

The Company has therefore re-assessed the recoverable value of the Iron Ore projects based on discounted cash flow modelling of the economic potential of the projects. The modelling includes assumptions for project development costs, sales volumes, sales prices, production volumes, production costs and foreign exchange rates. The Company engaged Engenium Pty Ltd to complete a Preliminary Economic Assessment (PEA) of the Ularring and Moonshine Projects which indicated an NPV of \$535M (using 8% WACC). The Project NPV is most sensitive to iron ore pricing, followed by operating costs and capital costs. At discounts to the forecast iron ore price of 10% and 20%, the project NPV was \$289m and \$42m, respectively. Holding the forecast iron ore price constant but applying a 20% increase in operating and capital costs, the project NPV was \$233m and \$450m, respectively. On this basis, the Company assessed the recoverable value of the projects to be in excess of historical capitalised costs. Consequently, the impairment change of \$55,851,937 raised in 2016 has been reversed.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

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

The Iron Ore projects' book value reflects the historical costs of exploration and evaluation expenditure capitalised in accordance with the Company's accounting policy and Australian accounting standards and IFRS.

Exploration expenditure of \$937,681 was capitalised during the year ended March 31, 2019 (2018, \$204,026), as per table below.

Exploration and evaluation expenditure

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Balance as at March 31, 2017	3,834,051	2,165,949	6,000,000
Incurred during the year			
Accommodation and camp maintenance	-	166,388	166,388
Drilling	-	14,676	14,676
Environmental surveys	-	1,129	1,129
Other	-	7,104	7,104
Personnel and Contractors	-	156,871	156,871
Rent and rates	-	212,038	212,038
Research and reports	-	139,497	139,497
Sampling and testing	-	60,636	60,636
Tenement management and outlays	178,590	12,290	190,880
Travel	-	16,286	16,286
Vehicle hire	-	18,387	18,387
Government Recoveries	(2,005)	-	(2,005)
Costs expensed	-	(777,861)	(777,861)
	176,585	27,441	204,026
Balance as at March 31, 2018	4,010,636	2,193,390	6,204,026
Incurred during the year			
Accommodation and camp maintenance	-	15,780	15,780
Drilling	-	78,754	78,754
Other	-	27,501	27,501
Personnel and Contractors	-	164,388	164,388
Rent and rates	-	237,987	237,987
Research and reports	-	333,717	333,717
Sampling and testing	-	31,627	31,627
Tenement management and outlays	-	23,231	23,231
Travel	-	8,169	8,169
Vehicle hire	-	18,572	18,572
Government Recoveries	-	(2,045)	(2,045)
E&E Impairment reversal	-	55,851,937	55,851,937
	-	56,789,618	56,789,618
Balance as at March 31, 2019	4,010,636	58,983,008	62,993,644

All capitalised exploration costs represent costs incurred during the exploration and evaluation phase. \$525,739 relates to lithium projects, and the remaining amount all relates to the Iron Ore project.

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

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

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

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

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

	2019	2018
	\$	\$
Not later than one year	1,301,789	1,190,963
Later than one year but not later than five years	4,754,055	4,475,235
	6,055,844	5,666,198

For the financial year ending March 31, 2020, the Company may apply for exemptions against expenditure in relation to those tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption has and may be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted (which the Company believes is highly unlikely), the Company may have to impair/expense the value of the amount capitalised to exploration and evaluation assets for those tenements.

If exemptions being applied for are approved as outlined above, the obligations not provided for in the financial statements and are payable at future dates as follows:

	2019	2018
	\$	\$
Not later than one year	775,489	720,255
Later than one year but not later than five years	4,754,055	4,475,235
	5,529,544	5,195,490

As per Note 24, the Company entered into an option agreement with FEL for its lithium and gold tenements in the Pilbara region of Western Australia. The option was exercised on 2 July 2019 and will result in a \$1,888,929 reduction in expenditure commitments over the coming years.

Note 13: Trade and other payables

	2019	2018
	\$	\$
Current		
Trade creditors	267,594	336,252
Other creditors and accruals	97,073	107,510
	364,667	443,762

Note 14: Provisions

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

	2019	2018
	\$	\$
Current		
- Short term employee obligations	42,779	36,488
Non-current:		
- Long service leave entitlements	18,807	13,786
	61,586	50,274

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 14: Provisions (cont'd)

	2019 \$	2018 \$
Opening balance		
Additional provisions	65,348	51,433
Amounts used	(54,036)	(45,148)
Closing Balance	<u>61,586</u>	<u>50,274</u>

The current portion of these liabilities represents the Company's obligations to its current employees that relate to annual/long service leave which have vested.

Note 15: Contributed equity and reserves**a) Ordinary Shares**

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

	2019 \$	2018 \$
<i>Ordinary shares</i>		
Issued and fully paid	<u>99,671,850</u>	<u>98,702,139</u>
	Number	Number
<i>Number of shares on issue</i>	<u>305,166,284</u>	<u>242,301,414</u>
	2019	2018
At the beginning of the reporting period	242,301,414	139,800,973
Shares issued during the year:		
i. July 13, 2017 (CAD\$0.07 per share)	-	1,000,000
ii. July 27, 2017 (CAD\$0.05 per share)	-	34,907,782
iii. Aug 21, 2017 (CAD\$0.05 per share)	-	1,705,690
iv. Aug 21, 2017 (CAD\$0.06 per share)	-	830,110
v. Aug 24, 2017 (CAD\$0.05 per share)	-	40,686
vi. Sept 12, 2017 (CAD\$0.05 per share)	-	4,491,139
vii. Nov 28, 2017 (CAD\$0.085 per share)	-	2,352,942
viii. Dec 13, 2017 (CAD\$0.06 per share)	-	31,712,730
ix. Feb 1, 2018 (CAD\$0.0621 per share)	-	803,944
x. Feb 13, 2018 (CAD\$0.0561 per share)	-	263,101
xi. Feb 20, 2018 (CAD\$0.06 per share)	-	1,500,000
xii. Exercise of options and warrants	230,000	22,892,317
xiii. Sept 25, 2018 (CAD\$0.025 per share)	14,252,400	-
xiv. Nov 16, 2018 (CAD\$0.025 per share)	40,738,520	-
xv. Mar 20, 2019 (CAD\$0.04 per share)	7,643,950	-
At the end of the reporting period	<u>305,166,284</u>	<u>242,301,414</u>

Details of shares issued above are outlined below:

- i. On July 13, 2017, pursuant to a Purchase Agreement, 1,000,000 shares at CAD\$0.07 per share were issued in connection with the acquisition of the Stonewall Project in Nevada, USA.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 15: Contributed equity and reserves (cont'd)**a) Ordinary Shares (cont'd)**

- ii. On July 27, 2017, 34,907,782 units at CAD\$0.05 per unit were issued in connection with Tranche 1 of Private Placement announced on July 7, 2017. One unit comprised of one share and one warrant exercisable at CAD\$0.06 per share, exercisable until February 16, 2018 (Note 18).
- iii. On August 21, 2017, 1,705,690 units at CAD\$0.05 per unit were issued in connection with Tranche 2 of Private Placement announced on July 7, 2017. One unit comprised of one share and one warrant exercisable at CAD\$0.06 per share, exercisable until February 16, 2018 (Note 18).
- iv. On August 21, 2017, 830,110 shares at CAD\$0.06 per share were issued in connection with Tranche 2 of Private Placement announced on July 7, 2017.
- v. On August 24, 2017, 40,686 unit at CAD\$0.05 per share were issued in connection with Tranche 3 of Private Placement announced on July 7, 2017. One unit comprised of one share and one warrant exercisable at CAD\$0.06 per share, exercisable until February 16, 2018 (Note 18).
- vi. On September 12, 2017, 4,491,139 shares at CAD\$0.05 per share were issued in connection with Tranche 4 of Private Placement announced on July 7, 2017. One unit comprised of one share and one warrant exercisable at CAD\$0.06 per share, exercisable until February 16, 2018.
- vii. On November 28, 2017, pursuant to the Company's Share Compensation Plan, 2,352,942 Bonus Shares were issued to Cameron McCall and Joe Phillips at a value of CAD\$0.085 per share, being the closing share price per share on the trading day immediately preceding the day on which they were issued (Note 21).
- viii. On December 13, 2017, 31,712,730 shares at CAD\$0.06 per unit were issued in connection with the Rights Offering announced on October 23, 2017. One unit comprised of one share and one warrant exercisable at CAD\$0.20 for 12 months or as accelerated by the Company (Note 18).
- ix. On February 1, 2018, pursuant to an Option Agreement, 803,944 shares at CAD\$0.0621 per share were issued in connection with the acquisition of tenement E45/4685, being \$50,000 in shares at a 20-day VWAP on exercise of the option.
- x. On February 13, 2018, pursuant to an Option Agreement, 263,101 shares were issued at CAD\$0.0561 per share in connection with the acquisition of tenement E45/4764, being \$15,000 in shares at a 5-day VWAP on exercise of the option.
- xi. On February 20, 2018 pursuant to the Company's Share Compensation Plan, 1,500,000 Bonus Shares were issued to Earl Evans at a deemed price of C\$0.06 per share, being the closing share price per Common Share on the TSX-V on the trading day immediately preceding the day on which they were issued (Note 21).
- xii. Refer to Note 18(i)(a) and (c).
- xiii. On September 25, 2018, 14,252,400 shares at CAD\$0.025 per share were issued in connection with Tranche 1 of the Private Placement announced on August 16, 2018. One unit comprised of one share and one warrant exercisable at CAD\$0.10 per share, exercisable until September 24, 2019.
- xiv. On November 16, 2018, 40,738,520 shares at CAD\$0.025 per share were issued in connection with Tranche 2 of the Private Placement announced on August 16, 2018. One unit comprised of one share and one warrant exercisable at CAD\$0.10 per share, exercisable until November 15, 2019.
- xv. On March 20, 2019, 7,643,950 shares at CAD\$0.04 per share were issued in connection with a Private Placement announced on February 22, 2019. One unit comprised of one share.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 15: Contributed equity and reserves (cont'd)**b) Reserves**

	Foreign Currency Translation Reserve \$	Share Based Payments Reserve \$	Dilution Gain Reserve \$	Total \$
As at 1 April, 2017	258,972	2,884,259	7,314,889	10,458,120
Cost of share-based payments (Note 18)	-	112,063	-	112,063
As at 31 March, 2018	258,972	2,996,322	7,314,889	10,570,183
Cost of share-based payments (Note 18)	-	413,725	-	413,725
Appropriations	(258,972)	1,129,105	(7,314,889)	(6,444,756)
As at 31 March, 2019	-	4,539,152	-	4,539,152

Foreign Currency Translation Reserve

Until the year ended 31 March 2006 the assets and liabilities of the Group were translated from what was the functional currency (Canadian dollars) to the presentation currency (Australian dollars). The exchange differences arising on the translation were taken directly to this reserve. In the current year this reserve has been appropriated to accumulated losses.

The functional currency is Australian dollars.

Share-based payment reserve

The Group has issued share options, rights and warrants on specified terms. The cost of these items is measured by reference to their fair value at the date at which they are granted and expensed over the vesting period. The fair value is determined using Option valuation models. In the current year, amounts totalling \$1,129,105 (relate to 2010 and prior) have been appropriated to this reserve from equity or accumulated losses.

Dilution Gain Reserve

The Company incurred a dilution gain of \$7,314,889 arising from the issue of shares in MIO during the financial year ended 31 March 2009. In the current year this reserve has been appropriated to accumulated losses.

Note 16: Warrant liability

During the year ended March 31, 2019, equity offerings were completed whereby 55,270,920 warrants were issued with exercise prices denominated in Canadian dollars (March 31, 2018 – 72,858,027). Where the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (Australian dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of March 31, 2019, the Company had 86,983,650 (2018 – 31,712,730) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised a loss of \$2,433,415 from changes in the fair value of the warrant liability.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 16: Warrant liability (cont'd)

The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants, with the following assumptions:

	Year ended March 31, 2019	Year ended March 31, 2018
	Weighted average	Weighted average
Share price	CAD \$0.09	CAD \$0.05
Exercise price	CAD \$0.14	CAD \$0.20
Risk-free interest rate	1.56%	1.76%
Expected life of warrants	0.59 year	0.7 year
Annualized volatility	139.01%	127.49%
Dividend rate	0%	0%

Note 17: Share Compensation Plans and Share Based Payments (refer Notes 18 and 19)

The Company, in accordance with the Company's Employee and Consultant Share Compensation Plans ("Plans") and the policies of the TSX-V, is authorized to grant incentive stock options ("Options"), award equity restricted share units, or bonus shares or issue common shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 20% of issued and outstanding ordinary shares as at August 31, 2018, being 242,301,414 Common Shares. Both of the Plans were approved on August 31, 2018 by the shareholders and replaces the Company's previous Plans.

The exercise price of the Options is fixed by the Board at no lesser than the discounted market price (as defined under the TSX-V Company Manual) of the shares on the grant date, subject to all applicable regulatory requirements. Options under the Plans can be granted for a maximum term of 5 years and may be subject to vesting criteria as determined by the Board.

The fair value of all issued Options is measured and expensed as share-based compensation at the grant date if they are fully vested upon granting, otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves (see Note 16). For further detail on the accounting treatment of share options refer to Note 2 accounting policies.

Note 18: (i): Macarthur Minerals Limited - Options, RSUs and Warrants**a) Options**

Share option transactions issued under the Plans, the number of share options outstanding and their related weighted average exercise prices are summarised below:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	27,707,009	\$0.06 (CAD\$0.06)	19,907,009	\$0.06 (CAD\$0.06)
Granted	13,620,000	\$0.05 (CAD\$0.06)	8,300,000	\$0.06 (CAD\$0.06)
Exercised	(230,000)	\$0.05 (CAD\$0.05)	-	-
Expired	(10,381,746)	\$0.06 (CAD\$0.06)	(500,000)	\$0.10 (CAD\$0.10)
Outstanding, end of year	30,715,263	\$0.06 (CAD\$0.06)	27,707,009	\$0.06 (CAD\$0.06)
Options exercisable, end of year	30,715,263	\$0.06 (CAD\$0.06)	27,707,009	\$0.06 (CAD\$0.06)

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 18: (i): Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)**a) Options (cont'd)**

Share options under the Company's Plans outstanding at March 31, 2019 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
1,100,000	CAD\$ 0.050	13 Apr 2019
2,600,000	CAD\$ 0.0525	10 Jul 2019
9,095,263	CAD\$ 0.060	21 Sep 2019
1,000,000	CAD\$0.10	08 Feb 2020
4,300,000	CAD\$0.055	19 Feb 2021
2,620,000	CAD\$0.050	03 Dec 2021
10,000,000	CAD\$0.050	24 Feb 2022

During the year the Company's share price has ranged from CAD\$0.02 to CAD\$0.15. The weighted average remaining contractual life for the share options as at March 31, 2019 is 1.63 years. The weighted average value of options issued in the year is \$0.015 (2018: \$0.01). The total share-based compensation expense related to options which granted or vested during the year ended March 31, 2019 was \$99,657 (2018: \$104,587).

Refer to Note 24 *Subsequent Events* on Options expired since the statement of financial position date.

During the year ended 31 March 2019

- (i) On December 4, 2018 pursuant to the Plans, the Company granted an aggregate of 2,620,000 stock options of which 1,720,000 were granted to directors of the Company, with an exercise price of C\$0.05 per option. The options vest immediately and expire three years from the date of grant.
- (ii) On February 8, 2019 the Company granted 1,000,000 options to a consultant with an exercise price of C\$0.10 per option. The options vest quarterly over a period of one year and expire 12 months from the date of grant.
- (iii) On February 25, 2019 pursuant to the Plans, the Company granted an aggregate of 10,000,000 stock options of which 9,000,000 were granted to directors of the Company, and the remaining options granted to employees and consultants. The Options have an exercise price of \$0.05, vest immediately and expire three years from the date of grant.

During the year ended 31 March 2018

- (i) On January 24, 2018 pursuant to the Plans, the Company granted 2,000,000 options to a consultant with an exercise price of C\$0.065 per option. The options vest immediately and expire three years from the date of grant.
- (ii) On February 20, 2018 pursuant to the Plans, the Company granted an aggregate of 4,300,000 stock options of which 4,000,000 were granted to directors of the Company, and the remaining options granted to employees and consultants. The Options have an exercise price of \$0.055, vest immediately and expire three years from the date of grant.
- (iii) On February 26, 2018 the Company granted 2,000,000 options to a consultant with an exercise price of C\$0.065 per option. The options vest immediately and expire three years from the date of grant.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 18: (i): Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)**b) Restricted Share Units***During the year ended 31 March 2019*

- (i) On December 4, 2018, 1,000,000 restricted share units ("RSUs"), were granted each to Cameron McCall, Executive Chairman, Joe Phillips, CEO, David Lenigas, Non-Executive Director, and Alan Phillips, Non-Executive Director, as part of the executive consulting contracts entered into with the Company. A further 4,500,000 RSU's were granted to employees and consultants. The RSU's vest if the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.08 for 20 consecutive trading days. The RSU's expire on December 3, 2021.
- (ii) On February 25, 2019, 700,000 restricted share units ("RSUs"), were granted each to Cameron McCall, Executive Chairman, Joe Phillips, CEO, David Lenigas, Non-Executive Director, Earl Evans, Non-Executive Director, and Alan Phillips, Non-Executive Director, as part of the executive consulting contracts entered into with the Company. The RSU's vest if the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.08 for 20 consecutive trading days. The RSU's expire on February 24, 2022.

During the year ended 31 March 2018

- (i) On November 28, 2017 2,352,941 restricted share units ("RSUs") (for the value of C\$200,000), were granted each to Cameron McCall, Executive Chairman and Joe Phillips, CEO, as part of the executive consulting contracts entered into with the Company. The RSU's vest if the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.20 for 20 consecutive trading days. The RSU's expire on 27 November 2020.
- (ii) On February 20, 2018 the Company granted an aggregate of 800,000 RSUs, of which 500,000 were granted to directors of the Company, and the remaining RSUs granted to employees and consultants. The RSUs vest if the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.20 for 20 consecutive trading days. The RSUs expire on 19 February 2021.

RSU transactions, the number outstanding and their related weighted average vesting prices are summarised as follows:

	2019		2018	
	Number of RSUs	Weighted Average Vesting Price	Number of RSUs	Weighted Average Vesting Price
Outstanding, beginning of year	5,505,882	\$0.20 (CAD\$0.20)	-	-
Granted	12,000,000	\$0.08 (CAD\$0.08)	5,505,882	\$0.20 (CAD\$0.20)
Expired	(1,000,000)	\$0.08 (CAD\$0.08)	-	-
Outstanding, end of year	16,505,882	\$0.12 (CAD\$0.13)	5,505,882	\$0.20 (CAD\$0.20)

RSUs outstanding at March 31, 2019 are all exercisable and have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
4,705,882	CAD\$0.20	Nov 27, 2020
800,000	CAD\$0.20	Feb 19, 2021
7,500,000	CAD\$0.08	Dec 3, 2021
3,500,000	CAD\$0.08	Feb 24, 2022

During the year ended March 31, 2019 a total of \$314,068 (2018: \$7,476) was recognised to profit and loss as share based compensation from RSUs.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 18: (i): Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)**b) RSU's (cont'd)**

The weighted average remaining contractual life for the RSUs as at March 31, 2019 is 2.40 years. The weighted average value of RSUs issued in the year is \$0.026 (2018: \$0.0014).

The following assumptions were used for the trinomial model valuation of RSUs granted during the year:

	Year ended March 31, 2019	Year ended March 31, 2018
	<i>Weighted average</i>	<i>Weighted average</i>
Share price	CAD \$0.03	CAD \$0.072
Exercise price	CAD \$0.08	CAD \$0.20
Risk-free interest rate	2.01%	1.46%
Expected life of RSU's	2.75 year	2.7 year
Annualized volatility	159.08%	35.21%
Dividend rate	0%	0%

c) Warrants*During the year ended 31 March 2019*

- (i) 14,252,400 warrants were issued on September 25, 2018 in connection with Tranche 1 of the Private Placement announced on August 16, 2018 at an exercise price of CAD\$0.10 per Warrant. Each whole Warrant entitles the holder to acquire one Common Share for C\$0.10 for a term of 12 months from the date of issue of the Unit, unless accelerated by the Company.
- (ii) 41,018,520 warrants were issued on November 16, 2018 in connection with Tranche 2 of the Private Placement announced on August 16, 2018 at an exercise price of CAD\$0.10 per Warrant. Each whole Warrant entitles the holder to acquire one Common Share for C\$0.10 for a term of 12 months from the date of issue of the Unit, unless accelerated by the Company.

During the year ended March 31, 2018

- (i) 41,145,297 warrants were issued during July to September 2017 in connection with the 2017 Private Placement at an exercise price of CAD\$0.06 per Warrant. All unexercised warrants expired on March 28, 2018.
- (ii) 31,712,730 warrants were issued on December 15, 2017 in connection with the 2017 Rights Offering at an exercise price of CAD\$0.20 per Warrant. Each whole Warrant entitles the holder to acquire one Common Share for C\$0.20 for a term of 12 months from the date of issue of the Unit, unless accelerated by the Company.

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

	2019		2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	31,712,730	\$0.20 (CAD\$0.20)	7,500,000	\$0.05 (CAD\$0.05)
Granted	55,270,920	\$0.10 (CAD\$0.10)	72,858,027	\$0.12 (CAD\$0.12)
Exercised	-	-	(22,892,317)	\$0.06 (CAD\$0.06)
Forfeited	-	-	-	-
Expired	-	-	(25,752,980)	\$0.06 (CAD\$0.06)
Outstanding, end of year	86,983,650	\$0.14 (CAD\$0.14)	31,712,730	\$0.20 (CAD\$0.20)

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 18: (i): Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)**c) Warrants (cont'd)**

Warrants outstanding at March 31, 2019 have the following exercise prices and expiry dates:

Number of warrants	Exercise Price	Expiry Date
31,712,730	CAD\$0.20	15 Dec 2019 ^[1]
14,252,400	CAD\$0.10	24 Sept 2019
41,018,520	CAD\$0.10	15 Nov 2019

^[1] The TSX-V consented to an extension on the expiry date for these warrants to expire on 15 December 2019 (previously expiring on 15 December 2018).

The weighted average remaining contractual life for the warrants as at March 31, 2019 is 0.59 years. The weighted average value of warrants issued in the year is \$0.10 (2018: \$0.12).

280,000 warrants with an expiry date of 15 November 2019 were exercised since March 31, 2019.

Note 19: Share Based Payments

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

The fair value calculated for options issued is expensed over their vesting period as share-based compensation and a corresponding amount is recorded to reserves. Refer to Note 18 (i)(a) for details of options granted during the year.

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

	Year ended March 31, 2019	Year ended March 31, 2018
	<i>Weighted average</i>	<i>Weighted average</i>
Share price	CAD\$0.048	CAD\$0.055
Exercise price	CAD \$0.05	CAD \$0.06
Risk-free interest rate	1.83%	1.77%
Expected life of options	2.85 years	3.0 years
Annualized volatility	198.13%	114.31%
Dividend rate	0%	0%

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

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 20: Related Party Transactions**a) *Interests in subsidiaries***

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

Name	Country of Incorporation	% Equity Interest	
		2019	2018
Esperance Iron Ore Export Company Pty Ltd	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Lithium Pty Ltd	Australia	100	100
Macarthur Minerals NT Pty Ltd	Australia	100	100
Macarthur Tulshyan Pty Ltd	Australia	100	100
Macarthur Marble Bar Lithium Pty Ltd	Australia	100	100
Macarthur Australia Limited	Australia	100	100
Macarthur Lithium Nevada Limited	U.S.A	100	100

The Company's equity interest in all subsidiaries is in direct holdings of ordinary shares. All subsidiaries operate from the Company's premises and have the same reporting date. There are no significant restrictions on the Company's ability to access or use assets, and settle liabilities, of the Group.

Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated upon consolidation. Macarthur Minerals Limited is the ultimate parent entity for all entities.

b) *Other related party transactions*

Other related parties are key management personnel – refer Note 21.

Note 21: Key Management Personnel

The following persons were key management personnel of the Company:

Non-Executive Directors

Alan Phillips, Non-Executive Director

David Lenigas, Non-Executive Director (see Note 24 Subsequent Events)

Earl Evans, Non-Executive Director

Executive Directors

Cameron McCall, Executive Chairman

Joe Phillips, CEO and Director

David Taplin, President, CEO and Director (resigned 5 February 2018)

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)*Details of Remuneration*

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

2019	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	
<i>Executive Directors:</i>	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options/RSUs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
C McCall	120,000	-	-	-	-	-	86,101	206,101
J Phillips	120,000	-	-	-	-	-	75,833	195,833
<i>Non-Executive Directors:</i>								
A Phillips	80,000	-	-	-	-	-	86,419	166,419
D Lenigas ^[2]	60,000	-	-	-	-	-	86,419	146,419
E Evans ^[1]	8,877	-	-	-	-	-	69,341	78,218
Total	388,877	-	-	-	-	-	404,113	792,990

^[1] E Evans was appointed on February 5, 2018. His letter of engagement stipulates that he will forego the first year of Director's Fees in lieu of bonus shares issued in February 2018. The amount shown for the year ended March 31, 2019 include Director Fees from February 5 to March 31, 2019.

^[2] D Lenigas resigned 21 May 2019.

Remuneration accrued and payable to key management personnel as at March 31, 2019 was \$54,209.

Total remuneration of each key management personnel of the Company for the year ended March 31, 2018 is set out below.

2018	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	
<i>Executive Directors:</i>	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options/RSUs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
C McCall ^[1]	100,000	-	-	102,660	-	-	1,499	204,159
J Phillips ^[2]	60,000	-	-	102,660	-	-	26,535	189,195
D Taplin ^[3]	277,273	-	-	-	-	-	-	277,273
<i>Non-Executive Directors:</i>								
A Phillips	80,000	-	-	-	-	-	25,085	105,085
D Lenigas	60,000	-	-	-	-	-	1,430	61,430
E Evans ^[4]	-	-	-	90,648	-	-	1,430	92,078
Total	577,273	-	-	295,968	-	-	55,979	929,220

^[1] As of October 17, 2017, C McCall became Executive Chairman. As part of his appointment as Executive Chairman, Mr McCall was issued 1,176,471 Bonus Shares, pursuant to the Share Compensation Plan, which makes up his Non-monetary benefits.

^[2] J Phillips was appointed Executive Director October 11, 2017. As part of his appointment, Mr Phillips was issued 1,176,471 Bonus Shares, pursuant to the Share Compensation Plan, which makes up his Non-monetary benefits.

^[3] D Taplin resigned on February 5, 2018.

^[4] E Evans was appointed on February 5, 2018. In lieu of fees, E Evans was issued 1,500,000 Bonus Shares, pursuant to the Share Compensation Plan, which makes up Evans' Non-monetary benefits.

Remuneration accrued and payable to key management personnel as at March 31, 2018 was \$36,326.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)*Equity instrument disclosures relating to key management personnel***a) Ordinary Shares**

The number of shares in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian accounting standards and IFRS, are set out below.

Name	Number at 1/4/18	Number Acquired	Number Disposed	Number at 31/3/19
C McCall	3,509,804	-	-	3,509,804
J Phillips	3,138,775	9,439,600	-	12,578,375
A Phillips	-	-	-	-
D Lenigas	-	-	-	-
E Evans	1,500,000	-	-	1,500,000
	<u>8,148,579</u>	<u>9,439,600</u>	<u>-</u>	<u>17,588,179</u>

b) Options

The number of options in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian accounting standards and IFRS, are set out below.

Name	Number at 1/4/18	Number Granted	Number Expired	Number at 31/3/19
C McCall	4,000,000	2,720,000	1,000,000	5,720,000
J Phillips	5,131,083	4,000,000	-	9,131,083
A Phillips	-	-	-	-
D Lenigas	4,000,000	2,000,000	-	6,000,000
E Evans	-	2,000,000	-	2,000,000
	<u>13,131,083</u>	<u>10,720,000</u>	<u>1,000,000</u>	<u>22,851,083</u>

c) RSUs

The number of RSUs in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian accounting standards and IFRS, are set out below.

Name	Number at 1/4/18	Number Granted	Other movements	Number at 31/3/19
C McCall	2,352,941	1,700,000	-	4,052,941
J Phillips	2,352,941	3,400,000	-	5,752,941
A Phillips	-	-	-	-
D Lenigas	250,000	1,700,000	-	1,950,000
E Evans	250,000	700,000	-	950,000
	<u>5,205,882</u>	<u>7,500,000</u>	<u>-</u>	<u>12,705,882</u>

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)**d) Warrants**

The number of Warrants in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Name	Number at 1/4/18	Number Acquired	Other movements	Number at 31/3/19
C McCall	333,333	-	-	333,333
J Phillips	277,043	9,439,600	-	9,716,643
A Phillips	-	-	-	-
D Lenigas	-	-	-	-
E Evans	-	-	-	-
	610,376	9,439,600	-	10,049,976

Other disclosures relating to key management personnel

During the prior year the Group entered into an earn-in arrangement with Artemis Resources Limited ("Artemis"), an entity of which Mr D Lenigas was the Executive Chairman. Total payments in the year by Artemis to enter into the arrangement was \$230,000. The arrangement provided for an earn-in interest of 65% if Artemis expends \$1 million over 3 years and an additional 15% by way of \$1 million payment to the Group. This arrangement was terminated on 19 December 2018.

Note 22: Commitments

	2019 \$	2018 \$
a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	80,979	18,750
Later than one year but not later than five years	134,318	-
Total Non-cancellable operating lease	215,297	18,750

The Company entered into an office lease for its new Brisbane Office for 3 years commencing November 1, 2018.

b) Exploration Expenditures

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

Apart from the above, the Company has no other material commitments at the reporting period date.

Note 23: Contingent Liabilities**a) Security Bonds**

The Company has a contingent liability of \$55,750 for bank guarantees issued for office leasing arrangements in Brisbane and corporate credit cards.

Note 23: Contingent Liabilities (cont'd)

b) *Supreme Court Proceedings*

LPD v. Macarthur and Ors. (“New Proceedings”)

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 26 November 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. No steps have been taken in the New Proceedings by the plaintiff since 22 January 2015 and LPD cannot continue its action without first applying for leave of the Court.

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

Chan, Chan and Kwok (“FSDC Directors”) v. Macarthur Minerals Limited and Ors.

As previously reported, the FSDC Directors were ordered to pay costs of \$31,101 in relation to the FSDC Directors’ Claim.

On 14 September 2018, the FSDC Directors replead and filed a Second Amended Statement of Claim (“Second FSDC Directors’ Claim”), based on Bond J’s judgement of 1 March 2017.

The Company and two of its officers applied to the Supreme Court of Queensland to strike out the Second FSDC Directors’ Claim on 3 December 2018. The strike out application was set down for hearing on 13 March 2019. Judgement was adjourned to allow the plaintiffs to deliver a third further amended statement of claim by 27 March 2019.

On 29 March 2019, the FSDC Directors filed a Third further Amended Statement of Claim (“Third FSDC Directors’ Claim”), based on Flanagan J’s judgement of 13 March 2019. The strike out application to the Third FSDC Directors’ claim was submitted by the Company and two of its officers on 23 April 2019.

On 7 June 2019, the Proceedings was dismissed in its entirety and an order for costs be awarded to the Company, with an opportunity for the Company to make submissions seeking that costs be awarded on the indemnity basis, rather than on the standard basis and also the opportunity for the plaintiffs to lodge an appeal by 5 July 2019.

The submission on costs of and incidental to the proceedings on the indemnity basis was filed by the Company on 21 June 2019.

On 5 July 2019, the FSDC Directors filed a notice of appeal to the Supreme Court of Queensland where the review will be held by the court on 28 August 2019.

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.

Note 24: Subsequent Events

a) *Private Placements*

On 19 March 2019, the Company announced a non-brokered private placement (the “Offering”) of up to US\$6 million of secured Convertible Note (“Note”). Each Note has a face value of US\$10,000 convertible at the greater of 80% of the average VWAP over 5 trading days immediately preceding the date of a notice of conversion and C\$0.10 with attaching warrant offered for one fourth of the commitment amount at an exercise price at the greater of C\$0.10 and the average VWAP in respect of Shares during the five Trading Days immediately preceding the Advance Date. Notes and Warrants are subject to a restricted (or “hold”) period of 4 months and one day following the distribution date with an expiry date of 36 months from advance date.

On 10 July 2019, the Company closed the Offering for gross proceeds of US\$6,000,000 on conditional acceptance.

Note 24: Subsequent Events (cont'd)

b) *Equity movements*

Since the year end and up to the date of signing this report the Company has issued 15,867,341 ordinary shares raising \$283,317. 11,000,000 ordinary shares were issued on vesting of RSUs.

Included in the share issues above are the exercise of 280,000 warrants, 4,500,000 options and 11,000,000 restricted share units. A total of 250,000 RSU's expired.

c) *Off-take Agreement with Glencore International A.G*

A binding Life-of-Mine Off-Take Agreement ("Agreement") with Glencore International A.G. ("Glencore") was entered into on 13 March 2019 for sale of iron ore to be produced from the Lake Giles Iron Project ("Project") at Lake Giles in the Yilgarn region of Western Australia from the commencement of commercial production.

Glencore secures life-of-mine of the project with commercial terms for approximately 4 million tonnes per annum average for the first 10 years, with the option to extend for a following 10 years for all tonnes of future Lake Giles iron ore production. The Agreement is secured to ensure the Company's long-term revenue and consistent sales per year.

d) *Option Agreement with Fe Limited*

Macarthur Lithium Pty Ltd ("MLi"), a wholly owned subsidiary of Macarthur entered into an exclusive option agreement ("Option Agreement") with Fe Limited (**ASX: FEL**) ("FEL") on 14 May 2019, for FEL to acquire an interest of up to 75% in the lithium and gold tenements in Pilbara region of Western Australia with a 45-day option for FEL to conduct due diligence and secure the required funding to proceed with exercising the option. The Project includes 18 tenements highly prospective for gold, copper and lithium in proximity to numerous known hard rock lithium and gold deposits in the central and eastern Pilbara.

On 2 July 2019, FEL elected to exercise its option to earn-in up to 75% interest in the Company's gold, copper and lithium tenements in the Pilbara Region of Western Australia.

e) *Board Changes*

On 21 May 2019, David Lenigas resigned as an Independent Director and Andrew Suckling was appointed as a Non-Executive Director in his replacement.

Mr. Suckling is Non-Executive Chairman of the Board of Cadence Minerals PLC, one of Macarthur's largest shareholders and has over 25 years' experience in the commodity industry. He began his career as a trader on the London Metal Exchange (LME) for Metallgesellschaft (MG). In that role, he established a trading presence in China for MG setting up a representative office in Shanghai in 1997. He then became a partner and trader with the New York based multi-billion fund manager Ospraie Management, LLC. In addition to his role as Executive Chairman at Cadence he is the founding principal and portfolio manager for Verulam, a discretionary commodity fund. Mr. Suckling is a graduate of Brasenose College, Oxford University earning a BA (Hons) in Modern History in 1993 and an MA in Modern History in 2000.

f) *Technical Report for Lake Giles Iron Ore Project*

The results of the Preliminary Economic Assessment ("PEA") undertaken by independent consultants Engenium Pty Ltd ("Engenium") for its 100% owned Lake Giles Iron Ore Project ("the Project") in Western Australia was issued and filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on 17 June 2019.

The PEA was completed for a 2.5 to 3.4 Mtpa operation incorporating the Moonshine Magnetite and Ularring Hematite Mineral Resources to produce a high-grade blended concentrate in excess of 65% Fe. The technical and financial evaluation in the PEA indicates the Project is potentially economically viable and further project development is justified.

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 24: Subsequent Events (cont'd)

The independent technical report, entitled “NI43-101 Technical Report, Macarthur Minerals Limited, Preliminary Economic Assessment Lake Giles Iron Project, Western Australia, (the “2019 Technical Report”) with an issue date of June 13, 2019, was prepared in accordance with the requirements of National Instrument 43-101 (“NI 43-101”).

Note 25: Parent Information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

<u>Statement of Financial Position</u>	2019	2018
	\$	\$
<u>ASSETS</u>		
Current Assets	394,671	1,463,451
Non-Current Assets	28,472,584	6,124,978
Total Assets	28,867,255	7,588,429
<u>LIABILITIES</u>		
Current Liabilities	2,860,403	445,570
Non-Current Liabilities	18,807	13,786
Total Liabilities	2,879,209	459,356
<u>EQUITY</u>		
Issued Capital	99,671,850	98,702,139
Retained Earnings	(78,222,956)	(94,828,360)
Reserves		
Foreign Exchange Translation Reserve	-	258,972
Option reserve	4,539,152	2,996,322
TOTAL EQUITY	25,988,046	7,129,073
<u>STATEMENT OF COMPREHENSIVE INCOME</u>		
Profit/(loss) for the year	9,363,539	(4,845,521)
Total comprehensive income	9,363,539	(4,845,521)

Contingent liabilities of the parent entity

Contingent liabilities exist in relation to proceedings involving LPD Holdings (Aust) Pty Ltd (“LPD”) and Chan, Chan and Kwok v. Macarthur Minerals Limited and Ors. (“FSDC Directors’ Claim”) the details of which are contained in Note 23.

Contractual commitments for the acquisition of property, plant and equipment by the parent entity

At 31 March 2019, Macarthur Minerals Limited has not entered into any contractual commitments for the acquisition of property, plant and equipment (2018: Nil).

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2019**

(Expressed in Australian Dollars)

Note 26: Remuneration of Auditors

	Consolidated	
	2019	2018
	\$	\$
During the year the following fees were paid or payable for services provided by the auditors.		
Nexia Brisbane:		
Audit and review of financial reports	42,600	38,000
Other services	7,000	6,000
Davidson & Company LLP:		
Audit and review of financial reports in Canada	20,000	35,000
Other services	-	-
Total remuneration for audit and other services	69,600	79,000

Macarthur Minerals Limited**Directors' declaration**

In accordance with a resolution of the directors of the Company, I declare that:

1. the financial statements and notes, as set out on pages 23 to 61 are in accordance with the *Corporations Act 2001 (Cth)* and:
 - (i) comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the financial position as at 31 March 2019 and of the performance for the year ended on that date of the consolidated group; and
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Cameron McCall
Executive Chairman

Dated: 29 July, 2019

Independent Auditor's Report to the Members of Macarthur Minerals Limited Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Macarthur Minerals Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 March 2019 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report, which indicates that at 31 March 2019 the Group's cash balances totaled \$318,028. The note outlines initiatives being undertaken in relation to continuing operations, and the note indicates that continuing operations are dependent upon the ability to raise either additional equity capital or other funding.

As stated in the note, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)

Key audit matters

Key audit matter	How our audit addressed the key audit matter
<p>Exploration and Evaluation Expenditure</p> <p>Refer to note 12 (Exploration and Evaluation Assets)</p> <p>As at 31 March 2019 the carrying value of exploration and evaluation assets is \$62,993,644 (2018 \$6,204,026). The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 2(d).</p> <p>During the year the Group re-assessed the carrying value of its Iron Ore projects and reversed the previous impairment of \$55,851,937.</p> <p>The carrying value of exploration and evaluation assets is a key audit matter as it is the significant asset of the Group, it is material to the Group financial statements, and significant judgement is applied in determining whether the capitalized exploration and evaluation assets meet the recognition criteria set out in AASB 6 Exploration for and Evaluation of Mineral Resources.</p>	<p>Our procedures included, amongst others;</p> <ul style="list-style-type: none"> • We obtained evidence as to whether the rights to tenure of the areas of interest remained current at balance date and that rights to tenure are expected to be renewed for tenements that will expire in the near future; • We obtained evidence of the future intentions for the areas of interest, planned expenditure and related exploration programmes; • We obtained an understanding of the status of ongoing exploration programmes, for the areas of interest; • We obtained evidence as to the use of experts, and assumptions made by management in the determination of the carrying value of the asset.
<p>Fair Value Measurement of Share-based Payments</p> <p>Refer to notes 16/17/18/19</p> <p>During the year the Group entered into a number of share-based payments by way of warrants, options and restricted share units. The Group's accounting policy in respect of share-based payments is outlined in Note 2(n).</p> <p>For the year ended 31 March 2019 the amount charged to profit or loss in respect of share-based payments totalled \$413,725 and the amount debited to profit or loss in respect of fair value adjustments of warrants totalled \$2,433,415.</p> <p>Accounting for share based payments is a key audit matter as it is material to the Group financial statements, and significant judgement is applied in determining the valuation of share-based payments.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained evidence of the terms and conditions of the share-based payments. • We obtained evidence of, and tested the assumptions and calculations made by management to account for the payments.

Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)***Other information***

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 March 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we accordingly do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)
Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Nexia Brisbane Audit Pty Ltd



ND Bamford
Director

Level 28, 10 Eagle Street
Brisbane, QLD, 4000

Date: 29 July 2019

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**Auditor's Independence Declaration
Under Section 307C of the *Corporations Act 2001*****To the Directors of Macarthur Minerals Limited**

As lead auditor for the audit of Macarthur Minerals Limited, I declare that, to the best of my knowledge and belief, during the year ended 31 March 2019 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

This declaration is made in respect of Macarthur Minerals Limited and the entities it controlled during the year.

**Nexia Brisbane Audit Pty Ltd**

N D Bamford
Director

Date: 29 July 2019

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