

Appendix 4D For the Half Year Ended 30 September 2019

Contents

- **Appendix 4D Accounts**
- **Independent Auditor's Review Report**

This report is based on results that have been reviewed by the Company's auditors.

The documents contained within this report comprise the information required by listing rule 4.2A and should be read in conjunction with the Company's 2019 Annual Report.

Macarthur Minerals Limited
ACN 103 011 436

All amounts are in Australian dollars unless otherwise stated



ACN 103 011 436

Interim Report

For the half-year ended 30 September 2019

Contents	Page
Directors' Report	3-6
Auditor's Independence Declaration	7
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Interim Consolidated Statement of Financial Position	9
Interim Consolidated Statement of Changes in Shareholders' Equity	10
Interim Consolidated Statement of Cash Flows	11
Notes to the Interim Consolidated Financial Statements	12-26
Directors' Declaration	27
Independent Auditor's Review Report	28

This condensed interim financial report covers the consolidated financial statements for the entity consisting of Macarthur Minerals Limited and its subsidiaries. The financial report is presented in the Australian currency.

The Company's registered office and principal place of business is detailed on page 3.

The financial report was authorized for issue by the directors on December 13, 2019. The directors have the power to amend and reissue the financial report.

Directors' Report

Your Directors submit their report for the half-year ended 30 September 2019 for the Group incorporating Macarthur Minerals Limited ("Company" or "Macarthur Minerals") and the entities that it controlled during the half-year ("Group").

CURRENCY

Amounts in this report and the accompanying financial report are presented in Australian dollars unless otherwise stated.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

The following persons were key management personnel of the Company during the period ending September 30, 2019.

Executive Directors

Cameron McCall, Executive Chairman
Joe Phillips, CEO and Director

Non-Executive Directors

Alan Phillips, Non-Executive Director
Earl Evans, Non-Executive Director (resigned 20th September 2019)
Andrew Suckling, Non-Executive Director
Daniel Joseph Lanskey (appointed on 20th September 2019)
David Lenigas (resigned 21st May 2019)

CORPORATE INFORMATION

Corporate Structure

Macarthur Minerals is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity of the Group and has prepared a consolidated half-year financial report incorporating the entities that it controlled during the half-year.

Nature and Continuation 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 recently listed on the Australian Stock Exchange ("ASX") (symbol: MIO). 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 September 30, 2019, the Company has the following subsidiaries (who are collectively referred to as the "Group"):

- 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 (a dormant subsidiary)
- 100% of Macarthur Minerals NT Pty Ltd ("MMNT") and MMNT's 100% subsidiary, Macarthur Tulshyan Pty Ltd; and
- 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 Lake Giles Iron Ore Projects

There was no change in the nature of the Company's principal activities during the period.

The Company maintains its corporate head office and principal place of business at G03, 555 Coronation Drive,

Toowong, Brisbane, Queensland 4066, Australia.

OPERATING REVIEW

Overview of the Half-Year Period

BACKGROUND

WESTERN AUSTRALIAN IRON ORE PROJECTS

Lake Giles Projects

Macarthur Minerals' Lake Giles Iron Ore Projects ("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.

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 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 Code⁵.

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.

The Mineral Resources for the Ularring Hematite Project and Moonshine Magnetite Project (including supporting JORC reporting tables) have previously been reported to the ASX⁵.

In June 2019, Macarthur released the results of its Preliminary Economic Assessment on the Lake Giles Iron Ore Project⁴

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	

Since the release of the Preliminary Economic Assessment the company has commenced its work for a Bankable Feasibility Study (BFS). That work is well underway with a program of infill drilling having been completed on 8 December 2019. A total of 21 RC holes for 3,674 metres and nine diamond holes for 2,673

1 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" filed on SEDAR.com.

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

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" filed on SEDAR.COM.

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

5 Refer to the Company's Replacement Prospectus filed on the ASX website 5 December 2019

6 Refer to ASX news release dated 10 December 2019.

7 Refer to FEL ASX news release dated 9 October 2019.

8 Refer to FEL ASX news release dated 5 September 2019.

metres was completed at the Moonshine and Moonshine North prospects of the Moonshine Magnetite Project⁶.

Samples have been submitted to the laboratory for XRF assay and DTR analysis. XRF assays returned to date show significant intersections of magnetite mineralisation including several zones of high-grade magnetite grading up to 60% Fe in the Moonshine North deposit⁶. Full assay results are expected to be obtained in January 2020 and will be incorporated into the resource model.

In November 2019 the Company made four miscellaneous license applications (L's 30/71, 30/72, 30/73, 77/314) for tenure for water exploration. The applications have been made over areas previously explored using gravity geophysics surveys. Upon grant the Company will undertake a drilling campaign to explore for groundwater to support mineral processing of magnetite ore.

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 with historical sampling along a discontinuous outcropping gossan over a strike of 18 km returning high potential for copper mineralisation up to 7.8% Cu.

The Hillside Gold Project forms part of the tenement package subject to an Option Agreement with Fe Ltd (FEL). Under the terms of the agreement FEL is responsible for managing exploration activities for these projects.

In October 2019, FEL conducted a sampling program across the Hillside Project with positive results returned for base metals from a gossan extending over 14km. The gossan line was sampled along the 14km strike length with remnant outcrop identified at regular intervals along strike. A total of 36 rock chip samples were collected including 15 from outcropping gossan with several samples containing visible copper minerals such as malachite. Remaining samples were collected from quartz outcrops, many of which returned strongly anomalous gold grades⁷.

The assay results are highly encouraging with eight samples returning copper values over 1% with a peak of 18.8% Cu and often accompanied with elevated gold, silver and zinc values (+/- cobalt).

In addition, sampling also revealed high grade manganese mineralisation in sub parallel outcrops to the gossan line sampled above. Rock chips samples returned a maximum of 59.4% MnO (>46% Mn).

In November FEL undertook a Reverse Circulation drilling program of 36 holes and 1,798 metres along the gossan. Results have been dispatched to the laboratory with assay results expected in January 2020.

Strelley Gorge

The FEL Option Agreement also includes the Strelley Project in the Pilbara region. In September 2019, FEL completed a reconnaissance trip to the Strelley Project. Samples were taken from the outcropping Banded Iron Formation ("BIF") continuing along strike from the previously mined Abydos iron ore project owned by Atlas Iron.

Two rock samples were taken from iron rich outcropping BIF with both returning significant iron assay results of 58.1% Fe and 61.3% Fe⁸.

SIGNIFICANT EVENTS AFTER BALANCE DATE

a) ASX dual listing

On September 30, 2019 the Company announced its intention to seek a dual listing on the Australian Securities Exchange ("ASX") before the end of 2019. To this effect the Company engaged Shaw and Partners Limited ("Shaw") as Lead Manager for the public offering of its securities to Australian retail and to institutional investors and completed and lodged on 15 October 2019 the Macarthur Minerals Prospectus, which was replaced on October 30, 2019 by the Replacement Prospectus. The Company's ASX dual listing offer to raise up to a maximum of A\$7.5million opened on October 31, 2019 and successfully closed under its Replacement Prospectus on 28 November 2019 with subscriptions accepted for 20,032,952 shares at a price of A\$0.25 per share for a total consideration of A\$5,008,238. Funds from the ASX IPO will be primarily used to advance the Company's flagship Lake Giles Iron Project. The Company was admitted to the Official List of ASX on December 4, 2019 and commenced quotation of its securities on ASX on December 6, 2019.

On October 31, 2019 the Extraordinary General meeting of shareholders approved the consolidation of the Company's Share Capital ("Share Consolidation") on the basis of one (1) post-consolidation common share for four (4) pre-consolidation shares of the Company ("Consolidation Ratio"). The Company has 322,033,625 common shares outstanding and on completion of the consolidation have 80,508,409 common shares outstanding. The number of common shares issuable under, any warrants, options, restricted share units and convertible notes of the Company have been adjusted in accordance with the Consolidation Ratio. The Share Consolidation was successfully completed on November 20, 2019. Shares in the Company commenced trading on the ASX on Friday, 6 December 2019.

b) Equity movements

Pursuant to the Company's Share Compensation Plans, the Company has granted a total of 1,800,000 bonus shares ("Bonus Shares") to directors, employees and consultants of the Company, with a deemed price on grant of A\$0.25 per share. The issue of the Bonus Shares, following grant, may be subject to shareholder approval, if required.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, the Directors received the attached independence declaration from the auditor of the Company on page 7.

Signed in accordance with a resolution of the Directors.



Cameron McCall
Executive Chairman
13 December 2019

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Macarthur Minerals Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 September 2019 there have been no contraventions of:

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

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

Nexia Brisbane Audit Pty Ltd
Nexia Brisbane Audit Pty Ltd



Gavin Ruddell
Director

Level 28, 10 Eagle Street
Brisbane, QLD, 4000

Date: 13 December 2019

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

(Expressed in Australian Dollars)

	Six months ended September 30, 2019 \$	Six months ended September 30, 2018 \$
EXPENSES		
Depreciation	(11,166)	(9,453)
Amortisation – Right of use asset (Note 11)	(37,477)	-
Investor relations	(10,727)	-
Office and general	(183,446)	(246,370)
Personnel fees	(511,853)	(327,474)
Professional fees	(371,271)	(236,539)
Rent	(18,727)	(53,867)
Share-based compensation	(600,754)	-
Share registry, filing and listing fees	(119,518)	(50,833)
Travel and accommodation	(41,817)	(47,266)
Total Administrative Expenses	(1,906,756)	(971,802)
REVENUE		
Interest Income	702	1,083
Other Income	100,000	31,101
Change in fair value of warrant liability	1,472,364	-
	1,573,066	32,184
Loss before income tax	(333,690)	(939,618)
Income tax expense	-	-
Loss for the period	(333,690)	(939,618)
Other Comprehensive Income Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on Investment in FEL at fair value through other comprehensive income	(26,667)	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met	-	-
Total comprehensive loss for the period	(360,690)	(939,618)
 Basic and diluted profit/(loss) per ordinary share	 (0.001)	 (0.005)
 Basic and diluted weighted average number of ordinary shares outstanding	 318,291,924	 188,957,524

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

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Australian Dollars)

	Note	September 30, 2019	March 31, 2019
		\$	
ASSETS			
Current			
Cash and cash equivalents		4,594,638	318,028
Receivables		1,749,159	49,898
Security deposits and prepayments		1,149,760	55,750
Total current assets		7,493,557	423,676
Non-Current			
Plant and equipment		63,826	15,667
Right of use asset	11	381,020	-
Investment in FE Ltd	4	373,333	-
Exploration and evaluation assets	4	63,663,960	62,993,644
Total non-current assets		64,482,139	63,009,311
Total assets		71,975,696	63,432,987
LIABILITIES			
Current			
Accounts payable and accrued liabilities		904,602	364,667
Employee benefits		60,950	42,779
Warrant liability	5	1,107,537	2,579,901
Lease liability		58,500	-
Total current liabilities		2,131,589	2,987,347
Non-Current			
Lease liability		335,740	-
Employee benefits		26,323	18,807
Convertible Notes	12	8,667,734	-
Total non-current liabilities		9,029,797	18,807
Total liabilities		11,161,386	3,006,154
Net assets		60,814,310	60,426,833
SHAREHOLDERS' EQUITY			
Contributed equity	5	100,115,921	99,671,850
Reserves		4,734,652	4,539,151
Accumulated losses		(44,036,263)	(43,784,168)
Total shareholders' equity		60,814,310	60,426,833

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

MACARTHUR MINERALS LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Australian Dollars)

	Number of Shares #	Contributed Equity \$	Accumulated losses \$	Reserves \$	Total Equity \$
Balance at April 1, 2018	242,301,414	97,905,030	(94,901,383)	4,125,426	7,129,073
Net loss for the period	-	-	(939,618)	-	(939,618)
Private placement	14,252,400	379,114	-	-	379,114
Share issuance costs	-	645	-	-	645
Balance at September 30, 2018	256,553,814	98,284,789	(95,841,001)	4,125,426	6,569,214
Balance at April 1, 2019	305,166,284	99,671,850	(43,784,168)	4,539,151	60,426,833
Net loss for the period	-	-	(333,690)	-	(333,690)
Share-based payment transactions	-	-	-	303,763	303,763
Transfer from reserves	-	-	81,595	(81,595)	-
Other comprehensive loss for the period	-	-	-	(26,667)	(26,667)
Private placement	11,087,341	305,375	-	-	305,375
Exercise of options and warrants	5,780,000	341,278	-	-	341,278
Share issuance costs	-	(202,582)	-	-	(202,582)
Balance at September 30, 2019	322,033,625	100,115,921	(44,036,263)	4,734,652	60,814,310

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

MACARTHUR MINERALS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Australian Dollars)

	Six months ended September 30, 2019	Six months ended September 30, 2018
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(333,690)	(939,618)
<i>Items not involving cash:</i>		
Depreciation - PPE	11,166	9,453
Amortisation – Right of use asset	37,477	-
Change in fair value of warrant liability	(1,472,364)	-
Share-based compensation	600,754	-
<i>Changes in assets and liabilities:</i>		
Accounts payable and accrued liabilities	539,935	(158,117)
Security deposits and prepayments	(1,094,010)	(3,289)
Receivables	(143,896)	35,716
Employee provisions	25,687	32,764
Net Cash used in Operating Activities	(1,828,941)	(1,023,091)
INVESTING ACTIVITIES		
Plant & Equipment purchases	(59,325)	-
Deferred exploration expenditures	(1,070,316)	(435,110)
Net Cash used in Investing Activities	(1,129,641)	(435,110)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	349,662	379,114
Payments for lease liability	(24,257)	-
Proceeds from Convertible Note issue	7,112,369	-
Share issue and placement costs	(202,582)	645
Net Cash provided by (used in) Financing Activities	7,235,192	379,759
Change in cash and cash equivalents during period	4,276,610	(1,078,442)
Cash and cash equivalents, beginning of period	318,028	1,370,288
Cash and cash equivalents, end of period	4,594,638	291,846

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

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

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 Australian Securities Exchange ("ASX" ("OTCQB") (symbol: MIO). 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 September 30, 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 Lake Giles 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 (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 period.

The Company maintains its corporate head office and principal place of business at G03, 555 Coronation Drive, Toowong, Brisbane, Queensland 4066, Australia.

1. BASIS OF PRESENTATION

These general purpose interim consolidated financial statements for the half-year reporting period ended 30 September 2019 have been prepared in accordance with the requirements of the Corporations Act 2001 and International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34").

This interim financial report is intended to provide users with an update on the latest annual financial statements of Macarthur Mineral Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2019, together with any public announcements made during the following half-year.

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on December 13, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 2 below.

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

- AASB 16: *Leases*

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 3.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Financial Instruments****Initial recognition and measurement**

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

Financial instruments (except for trade receivables) 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 to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement*Financial assets*

Financial assets are subsequently measured at amortised cost or fair value through other comprehensive income.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Farm-outs in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for as a gain on disposal.

3. CHANGES IN ACCOUNTING POLICIES**a. Leases****The Group as lessee**

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
(Expressed in Australian Dollars)FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

3. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability is as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

b. Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively from 1 April 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The Group has used the interest rate inherent in the lease as at 1 April 2019 to discount the lease payments.

The right-of-use assets which the Group entered into as a lessee for its premises on 1 November 2018 was measured at its carrying amount as if AASB 16: Leases had been applied since the commencement date, but discounted using the interest rate inherent in the lease agreement on 1 April 2019 being 3.5%.

4. 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 September 30, 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.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

4. 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 \$1,070,316 was capitalised during the period ended September 30, 2019, as per table below.

Exploration and evaluation expenditure***Interim Expenditure***

The following is a summary of acquisition and deferred exploration costs incurred:

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Balance as at March 31, 2018	4,010,636	2,193,390	6,204,026
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
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Incurred during the period			
Accommodation and camp maintenance	-	44,705	44,705
Drilling	-	446,805	446,805
Other	-	26,278	26,278
Personnel and Contractors	-	93,812	93,812
Rent and rates	-	217,043	217,043
Research and reports	-	207,067	207,067
Sampling and testing	-	936	936
Tenement management and outlays	-	10,193	10,193
Travel	-	6,090	6,090
Vehicle hire	-	17,387	17,387
Farm-out contribution relating to Exploration & Evaluation assets	-	(400,000)	(400,000)
	-	670,316	670,316
Balance as at September 30, 2019	4,010,636	59,653,324	63,663,960

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

4. EXPLORATION AND EVALUATION ASSETS (Cont'd)

All capitalised exploration costs represent costs incurred during the exploration and evaluation phase. Capitalised Exploration and Evaluation expenditure at 30 September 2019 totalling \$69,363 relating to the Australian lithium projects is the subject of a farm-out agreement with FE Limited ("FEL"). FEL can earn a 75% interest in these projects by expending \$500,000 per annum over 3 years.

During the period, FEL contributed \$400,000 in accordance with the farm-out agreement by way of issuing the Company \$400,000 in FEL Shares. The farm-out contribution has been credited against costs previously capitalized in relation to the Groups Lithium tenements. The Company's investment in FEL has decreased during the period to \$373,333 at 30 September 2019 with the fair value decrease being reported in Other Comprehensive Income.

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 by the Western Australian Government and pay local shire rents and rates. 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:

	September 30, 2019	March 31, 2019
	\$	\$
Not later than one year	1,184,561	1,301,789
Later than one year but not later than five years	4,381,777	4,754,055
	5,566,338	6,055,844

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 are payable at future dates as follows:

	September 30, 2019	March 31, 2019
	\$	\$
Not later than one year	865,961	775,489
Later than one year but not later than five years	4,381,777	4,754,055
	5,247,738	5,529,544

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 July 2, 2019 and will result in a \$700,206 reduction in expenditure commitments over the coming years.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

5. CONTRIBUTED EQUITY**Ordinary Shares**

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

	September 30, 2019	March 31, 2019
	\$	\$
Issued and fully paid	100,115,920	99,671,850
	Number	Number
Number of Shares on Issue	322,033,625	305,166,284
	September 30, 2019	March 31, 2019
At the beginning of the reporting period	305,166,284	242,301,414
Shares Issued during the year:		
Exercise of options and warrants	5,780,000	230,000
Issue September 25, 2018 (CAD\$0.025 per share)	-	14,252,400
Issue November 16, 2018 (CAD\$0.025 per share)	-	40,738,520
Issue March 20, 2019 (CAD\$0.04 per share)	-	7,643,950
Exercise of restricted share units (RSU's)	11,000,000	-
Issue June 25, 2019 (CAD\$0.096)	87,341	-
	322,033,625	305,166,284

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

Share Compensation Plans

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 ("RSU's"), 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 30, 2019, being 321,033,625 Common Shares. Both of the Plans were approved on August 30, 2019 by the shareholders and replace 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.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

5. CONTRIBUTED EQUITY (cont'd)

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. For further detail on the accounting treatment of share options refer to Note 2 accounting policies of the audited consolidated financial statements for the year ended March 31, 2019.

Share Options

During the six-month period ended September 30, 2019, 5,500,000 options were exercised by employees and Directors.

Share option transactions issued under the Company's Share Compensation Plan and the number of share options outstanding are summarized as follows:

	Six months ended September 30, 2019		Year ended March 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	30,715,263	\$0.06 (CAD\$0.06)	27,707,009	\$0.06 (CAD\$0.06)
Granted	-	-	13,620,000	\$0.05 (CAD\$0.06)
Expired	(5,295,263)	\$0.07 (CAD\$0.06)	(230,000)	\$0.05 (CAD\$0.05)
Forfeited	(1,000,000)	\$0.11 (CAD\$0.10)	-	-
Exercised	(5,500,000)	\$0.06 (CAD\$0.05)	(10,381,746)	\$0.06 (CAD\$0.06)
Outstanding, end of period	18,920,000	\$0.06 (CAD\$0.06)	30,715,263	\$0.06 (CAD\$0.06)
Options exercisable, end of period	18,920,000	\$0.06 (CAD\$0.05)	30,715,263	\$0.06 (CAD\$0.06)

Share options outstanding at September 30, 2019 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
1,200,000	CAD\$ 0.0525	21 May 2020
2,800,000	CAD\$ 0.060	21 May 2020
4,300,000	CAD\$0.055	19 Feb 2021
2,620,000	CAD\$0.050	3 Dec 2021
6,000,000	CAD\$0.050	24 Feb 2022
2,000,000	CAD\$0.050	21 May 2020

The range of exercise prices for options outstanding at September 30, 2019 is CAD\$0.05 to CAD\$0.06.

The weighted average remaining contractual life for the share options as at September 30, 2019 is 1.358 years.

Restricted Share Units

During the six-month period ended September 30, 2019, 11,000,000 RSU's vested. An additional 14,000,000 RSU's were granted during the period to employees and directors of the Company. During the six-month period ended September 30, 2019, 250,000 RSU's expired.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

5. CONTRIBUTED EQUITY (cont'd)

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

	Six months ended September 30, 2019		Year ended March 31, 2019	
	Number of RSUs	Weighted Average Exercise Price	Number of RSUs	Weighted Average Exercise Price
Outstanding, beginning of period	16,505,882	\$0.12 (CAD\$0.13)	5,505,882	\$0.20 (CAD\$0.20)
Granted	14,000,000	\$0.09 (CAD\$0.08)	12,000,000	\$0.08 (CAD\$0.08)
Vested	(11,000,000)	\$0.09 (CAD\$0.08)	-	-
Expired	(250,000)	\$0.22 (CAD\$0.20)	(1,000,000)	\$0.08 (CAD\$0.08)
Outstanding, end of period	19,255,882	\$0.13 (CAD\$0.11)	16,505,882	\$0.12 (CAD\$0.13)

RSUs outstanding at September 30, 2019 have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
4,255,882	CAD\$0.20	27 Nov 2020
1,000,000	CAD\$0.20	19 Feb 2021
14,000,000	CAD\$0.08	03 Sept 2022

The weighted average remaining contractual life for the RSUs as at September 30, 2019 is 2.45 years.

Warrants

Warrants relating to rights issues and private placements at the beginning of the period totalled 86,983,650. During the period ending 30 September 2019 a total of 280,000 warrants were exercised and a further 12,117,500 were issued in connection with the private placement of convertible notes as reported in Note 12.

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

	Six months ended September 30, 2019		Year ended March 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	86,983,650	\$0.14 (CAD\$0.14)	31,712,730	\$0.20 (CAD\$0.20)
Granted	12,117,500	\$0.11 (CAD\$0.10)	55,270,920	\$0.10 (CAD\$0.10)
Exercised	(280,000)	\$0.11 (CAD\$0.10)	-	-
Outstanding, end of period	98,821,150	\$0.15 (CAD\$0.13)	86,983,650	\$0.14 (CAD\$0.14)
Warrants exercisable, end of period	98,821,150	\$0.15 (CAD\$0.13)	86,983,650	\$0.14 (CAD\$0.14)

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

5. CONTRIBUTED EQUITY (cont'd)**Warrant Liability**

During the period ended September 30, 2019, the Company granted 12,117,500 warrants (March 31, 2019 – 55,270,920) at price of \$0.10 per warrant. 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 September 30, 2019, the Company had 98,821,150 (March 31, 2019 – 86,983,650) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised a profit of \$1,472,364 (March 31, 2019 – loss of \$2,433,415) from changes in the fair value of the warrant liability. The value of warrant liability as at 30 September 2019 is \$1,107,537.

6. SHARE-BASED COMPENSATION

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 in the statement of profit or loss and other comprehensive income and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity.

7. RELATED PARTY TRANSACTIONS**Related party disclosure**

The condensed interim consolidated financial statements include the financial statements of Macarthur Minerals Limited and the subsidiaries listed in the following table. Balances and transactions between the Company and its wholly-owned subsidiaries have been eliminated on consolidation. Macarthur Minerals Limited is the ultimate parent for all entities.

Name	Country of Incorporation	% Equity Interest	
		September 30, 2019	September 30, 2018
Esperance Iron Ore Export Company Pty Ltd	Australia	100	100
Macarthur Australia Limited	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 Lithium Nevada Limited	U.S.A	100	100

The Group'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 as the Group. There are no significant restrictions on the Group's ability to access or use assets, and settle liabilities, of the Group.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

7. RELATED PARTY TRANSACTIONS (cont'd)**Key Management Personnel**

The following persons were key management personnel of the Company during the period ending September 30, 2019.

Executive Directors

Cameron McCall, Executive Chairman
Joe Phillips, CEO and Director

Non-Executive Directors

Alan Phillips, Non-Executive Director
Earl Evans, Non-Executive Director (resigned 20th September 2019)
Andrew Suckling, Non-Executive Director
Daniel Joseph Lanskey (appointed on 20th September 2019)

8. TAX CONSOLIDATION

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

9. SEGMENTED INFORMATION

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.

10. FINANCIAL INSTRUMENTS**Credit Risk***Exposure to credit risk*

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

	September 30, 2019	March 31, 2019
	\$	\$
Financial assets		
Cash and cash equivalents	4,594,638	318,028
Security Deposits and Prepayments	1,149,760	55,750
Receivables	1,749,159	9,630
	7,493,557	383,408

The Company's receivables comprise of \$1,555,365 value of Convertible Notes, interest receivable and goods and services taxation payments recoverable from the Australian Government.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

10. FINANCIAL INSTRUMENTS (Cont'd)**Currency Risk***Exposure to currency risk*

The Company's exposure to foreign currency risk at the reporting date was as follows:

	AUD	CAD	AUD	CAD
	September 30, 2019		March 31, 2019	
Cash and cash equivalents	75,653	4,518,985	303,758	14,270
Receivables	193,794	1,555,365	49,898	-
Security deposits and prepayments	1,149,760	-	55,750	-
	1,419,207	6,074,350	409,406	14,270
Accounts payable and accrued liabilities	780,183	124,419	303,336	61,331
Employee Benefits	87,273	-	61,586	-
Warrant liability	-	1,107,537	-	2,579,901
Lease liability	394,240	-	-	-
	1,261,696	1,231,956	364,922	2,641,232
Net exposure	157,511	4,842,394	44,484	(2,626,962)

The following significant exchange rates applied during the period:

AUD	Average rate		Reporting date spot rate	
	September 30, 2019	March 31, 2019	September 30, 2019	March 31, 2019
Canadian dollar (CAD)	1.0862	1.0452	1.1184	1.0545

Sensitivity analysis

A 10% strengthening of the Australian dollar against the Canadian dollar at September 30, 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 as for September 2018.

	Equity \$	Profit or loss \$
September 30, 2019		
CAD\$	539,896	539,896
March 31, 2019		
CAD\$	277,013	277,013

A 10% weakening of the Australian dollar against the Canadian dollar at September 30, 2019 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

10. FINANCIAL INSTRUMENTS (Cont'd)**Interest rate risk***Profile*

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

	September 30, 2019	March 31, 2019
	\$	\$
<i>Variable rate instruments</i>		
Financial assets	5,578,648	373,778

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	
	100 bp increase \$	100 bp decrease \$	100 bp increase \$	100 bp decrease \$
September 30, 2019	55,786	(55,786)	55,786	(55,786)
Variable rate instruments				
March 31, 2019				
Variable rate instruments	3,738	(3,738)	3,738	(3,738)

11. RIGHT OF USE ASSET**a. Variable Lease Payments**

The Group maintains one property lease with no variable components.

b. Option to Extend or Terminate

The option to extend the lease is contained within the Groups leased premises and provides the Group the opportunity to manage leases in order to align with its strategies. The extension option is only exercisable by the Group, the extension option which management were reasonably certain to be exercised has been included in the calculation of the lease liability.

c. AASB 16 Related Amounts recognised in the Groups Financial Statements**i. Statement of Financial Position**

	September 30, 2019	March 31, 2019
Right-of-use asset		
Leased building	418,497	-
Accumulated amortisation	(37,477)	-
	381,020	-

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

11. RIGHT OF USE ASSET (Cont'd)

ii Statement of Profit or Loss and Other Comprehensive Income

	September 30, 2019	March 31, 2019
Amortisation charge related to right-of-use asset	37,477	-
Interest expense on lease liabilities	10,288	-
	47,765	-
	September 30, 2019	March 31, 2019
iii Total Cash outflows		
Interest expense	10,288	-
Principal payments	24,257	-
	34,545	-
iv Movement in Carrying amount		
Recognised on initial application of AASB 16	418,497	-
Amortisation for the period	(37,477)	-
Net carrying amount	381,020	-

12. CONVERTIBLE NOTE

On 10 July 2019, the Company closed a fully subscribed private placement offering up to USD\$6,000,000 (AUD \$8,667,734) of secured convertible notes.

The key terms of the Convertible Notes are as follows:

- (a) each Convertible Note has a face value of USD\$10,000;
- (b) the Convertible Notes will rank equally among themselves;
- (c) the Convertible Notes are secured pursuant to the Security Trust Deed, General Security Deed and the Mining Tenement Mortgage;
- (d) the Convertible Notes do not carry a right to vote at a general meeting of the Company;
- (e) the Convertible Notes attract interest on the Advance at the interest rate of 12.5% per annum (with a default interest rate of 16.5% applying in the case of a default of payment of interest by the Company) payable monthly in arrears on the last business day of each month;
- (f) at any time after the date on which the Advance is paid by the Noteholder, the Noteholder may give a conversion notice to the Company electing to convert part of or the whole of the outstanding amount of the Advance (and any unpaid interest), upon which the Company must issue to the Noteholder (or its nominee) such number of Shares as is equal to the Conversion Amount divided by the Conversion Price;
- (g) The Conversion Price is the greater of:
 - (1) the USD equivalent (at the exchange rate on the date immediately preceding the date of the Conversion Notice) of 80% of the average VWAP of the Company's Shares during the five trading days immediately preceding the date of the Conversion Notice; and
 - (2) the USD equivalent of CAD\$0.10 (at the exchange rate on the date immediately preceding the date of the Conversion Notice);

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

12. CONVERTIBLE NOTE (Cont'd)

- (h) subject to (i) below the Company must repay an Advance (and any accrued interest) in a single instalment on:
- (1) the date which is 36 months after the Advance Date;
 - (2) within 20 business days of receiving a notice from the Noteholder in respect of the Company's change of control; or
 - (3) within 20 business days of receiving a termination notice from the Noteholder in respect of the failure by the parties to satisfy certain conditions precedent to the issue of the Convertible Notes,
- upon which each Convertible Notes is cancelled and has no further legal effect; and
- (i) the Company is entitled to prepay the Advance at any time, in whole or in part, on giving five days' written notice to the Noteholder (subject to an additional 20% of the principal amount of the Advance if prepayment occurs prior to the first anniversary of the Advance Date).
- (4) Pursuant to the Investment Agreements, the Noteholders are also entitled to be issued such number of Warrants as is equivalent to 25% of the CAD\$ equivalent Face Value of the Convertible Notes subscribed for divided by the Exercise Price.

13. COMMITMENTS**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 4 to the condensed interim consolidated financial statements for the period ended September 30, 2019.

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

14. CONTINGENT LIABILITIES**a) Security Bonds**

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

b) Supreme Court 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 July 5, 2019, the FSDC Directors filed a notice of appeal to the Supreme Court of Queensland where the review was held by the court on August 28, 2019. The appeal was subsequently set down for hearing on October 24, 2019 where the court of appeal has reserved its judgement with no indication of the timing of judgement being handed down.

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.

MACARTHUR MINERALS LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

15. SUBSEQUENT EVENTS***a) ASX dual listing***

On September 30, 2019 the Company announced its intention to seek a dual listing on Australian Securities Exchange ("ASX") before the end of 2019. To this effect the Company engaged Shaw and Partners Limited ("Shaw") as Lead Manager for the public offering of its securities to Australian retail and to institutional investors and completed and lodged on 15 October 2019 the Macarthur Minerals Prospectus, which was replaced on October 30, 2019 by the Replacement Prospectus. The Company's ASX dual listing offer to raise up to maximum of A\$7.5million opened on October 31, 2019.

On October 31, 2019 the Extraordinary General meeting of shareholders approved the consolidation of the Company's Share Capital ("Share Consolidation") on the basis of one (1) post-consolidation common share for four (4) pre-consolidation shares of the Company ("Consolidation Ratio"). The Company has 322,033,625 common shares outstanding and on completion of the consolidation have 80,508,409 common shares outstanding. The number of common shares issuable under, any warrants, options, restricted share units and convertible notes of the Company have been adjusted in accordance with the Consolidation Ratio. The Share Consolidation was successfully completed on November 20, 2019. The Company's Prospectus closed fully subscribed. Shares in the Company commenced trading on the ASX on Friday, 6 December 2019.

MACARTHUR MINERALS LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

Directors' Declaration

In accordance with a resolution of the directors of Macarthur Minerals Limited, I state that:

In the opinion of the Directors:

- a) the financial statements and the notes of the Group for the half-year ended 30 September 2019 are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position as at 30 September 2019 and the performance of the Group for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Cameron McCall
Chairman

13 December 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MACARTHUR MINERALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macarthur Minerals Limited which comprises the interim consolidated statement of financial position as at 30 September 2019, the interim consolidated statement of profit or loss and other comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Macarthur Minerals Limited's financial position as at 30 September 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macarthur Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Macarthur Minerals Limited as attached to the director's declaration, has not changed as at the time of this auditor's review report.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MACARTHUR MINERALS LIMITED (CONTINUED)***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Macarthur Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Macarthur Minerals Limited's financial position as at 30 September 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Nexia Brisbane Audit P/L
Nexia Brisbane Audit Pty Ltd



Gavin Ruddell
Director

Level 28, 10 Eagle Street
BRISBANE QLD 4000

Date: 13 December 2019