



ABN 93 103 011 436

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – prepared by Management)

For the Three months ended June 30, 2022

All amounts are in Australian dollars unless otherwise stated

Condensed Interim Consolidated Financial Statements – June 30, 2022

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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 7.

The financial report was authorized for issue by the directors on August 15, 2022. The directors have the power to amend and reissue the financial report.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of the condensed interim consolidated financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim consolidated financial statements.

MACARTHUR MINERALS LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT JUNE 30, 2022

(Expressed in Australian Dollars)

(Unaudited)

| | Notes | June 30, 2022 | March 31, 2022 |
|--------------------------------------|-------|-------------------|-------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | 5,377,318 | 1,625,572 |
| Other receivables | | 190,635 | 221,841 |
| Security deposits and other assets | | 118,226 | 177,141 |
| Total current assets | | 5,686,179 | 2,024,554 |
| Non-Current | | | |
| Plant and equipment | 4 | 84,253 | 40,732 |
| Right of use asset | 14 | 396,147 | - |
| Investment in FE Ltd | | - | - |
| Investment in Infinity Mining Ltd | | 3,158,739 | 3,384,363 |
| Exploration and evaluation assets | 5 | 73,710,727 | 73,031,754 |
| Total non-current assets | | 77,349,866 | 76,456,849 |
| Total assets | | 83,036,045 | 78,481,403 |
| LIABILITIES | | | |
| Current | | | |
| Trade and other payables | | 946,214 | 1,173,019 |
| Provisions | | 105,803 | 93,731 |
| Lease liability | 14 | 84,739 | - |
| Warrant liability | | 1,219 | 520,350 |
| Loan from unrelated parties | 16 | - | 1,000,000 |
| Total current liabilities | | 1,137,975 | 2,787,100 |
| Non-Current | | | |
| Provisions | | 64,452 | 51,043 |
| Lease liability | 14 | 318,023 | - |
| Total non-current liabilities | | 382,475 | 51,043 |
| Total liabilities | | 1,520,450 | 2,838,143 |
| Net assets | | 81,515,595 | 75,643,260 |
| SHAREHOLDERS' EQUITY | | | |
| Contributed equity | | 127,704,354 | 121,772,352 |
| Reserves | | 10,227,288 | 7,693,697 |
| Accumulated Losses | | (56,416,047) | (53,822,789) |
| Total shareholders' equity | | 81,515,595 | 75,643,260 |

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

Contingent liabilities (Note 15)

On behalf of the Board of Directors:

"Cameron McCall"

Director

"Andrew Suckling"

Director

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

MACARTHUR MINERALS LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE THREE MONTHS ENDED JUNE 30, 2022**

(Expressed in Australian Dollars)

(Unaudited)

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 |
|-------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| | \$ | \$ |
| EXPENSES | | |
| Depreciation (Note 4) | (4,406) | (3,556) |
| Depreciation – Right of use asset | (14,148) | (17,980) |
| Exploration expenditure | - | (13,234) |
| Investor relations | (70,934) | (39,323) |
| Loss from share of associate | (91,843) | - |
| Impairment of investment in associate | (133,781) | - |
| Office and general expenses | (78,706) | (95,149) |
| Personnel costs | (947,090) | (441,090) |
| Professional fees | (290,665) | (128,155) |
| Rent | 24,132 | - |
| Share-based compensation | (1,480,726) | (2,052,589) |
| Share registry, filing and listing fees | (54,538) | (52,181) |
| Travel and accommodation | (52,779) | (20,624) |
| Borrowing costs | (8,805) | (5,584) |
| Total Administrative Expenses | (3,204,290) | (2,869,465) |
| REVENUE | | |
| Interest Income | 33 | 125 |
| Other Income | 53,336 | 604,760 |
| Net gain on foreign exchange | 38,532 | 18,877 |
| Change in fair value of warrant liability | 519,131 | 5,722,732 |
| | 611,032 | 6,346,495 |
| Profit/(Loss) for the period | (2,593,258) | 3,477,030 |
| Other Comprehensive Income Items that will not be reclassified subsequently to profit or loss: | | |
| Fair value gain/(loss) on Investment in FEL | - | (228,000) |
| Total comprehensive gain/(loss) for the period | (2,593,258) | 3,249,030 |
| Basic and diluted profit/(loss) per ordinary share | (0.0160) | 2.48 |
| Basic and diluted weighted average number of ordinary shares outstanding | 161,578,763 | 140,471,278 |

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

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

(Expressed in Australian Dollars) (Unaudited)

| | Number of Shares # | Contributed Equity \$ | Accumulated Losses \$ | Reserves \$ | Total Equity \$ |
|---------------------------------------------------|--------------------------|--------------------------|-----------------------------|-------------------|--------------------|
| Balance at April 1, 2021 – As previously reported | 139,614,135 | 119,342,705 | (63,759,085) | 7,049,070 | 62,632,690 |
| Prior period restatement | - | - | 5,552,981 | - | 5,552,981 |
| Balance at April 1, 2021 - Restated | 139,614,135 | 119,342,705 | (58,206,104) | 7,049,070 | 68,185,671 |
| Net profit(loss) for the year | - | - | 4,383,315 | - | 4,383,315 |
| Other comprehensive profit for the year | - | - | - | 68,333 | 68,333 |
| Share-based payment transactions | - | - | - | 576,294 | 576,294 |
| Exercise of options and warrants | 6,639,353 | 2,429,647 | - | - | 2,429,647 |
| Balance at March 31, 2022 | 146,253,488 | 121,772,352 | (53,822,789) | 7,693,697 | 75,643,260 |
| Balance at April 1, 2022 | 146,253,488 | 121,772,352 | (53,822,789) | 7,693,697 | 75,643,260 |
| Net profit/(loss) for the period | - | - | (2,593,258) | - | (2,593,258) |
| Other comprehensive loss for the period | - | - | - | - | - |
| Share-based payment transactions | - | - | - | 2,533,591 | 2,533,591 |
| Bonus shares | 4,400,000 | 1,430,000 | - | - | 1,430,000 |
| Private Placement | 15,000,000 | 7,500,000 | - | - | 7,500,000 |
| Cost of Share Capital | - | (2,997,998) | - | - | (2,997,998) |
| Balance at June 30, 2022 | 165,653,488 | 127,704,354 | (56,416,047) | 10,227,288 | 81,515,595 |

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

MACARTHUR MINERALS LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Australian Dollars)

(Unaudited)

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 |
|------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net profit/(loss) for the period | (2,593,258) | 3,249,030 |
| <i>Items not involving cash:</i> | | |
| Depreciation | 4,406 | 3,556 |
| Depreciation – Right of use asset | 14,148 | 17,980 |
| FX loss | (38,532) | - |
| Change in fair value of warrant liability | (519,131) | (5,722,732) |
| Share-based compensation | 1,480,726 | 2,052,589 |
| Loss from share of associate | 91,843 | - |
| Impairment of investment in associate | 133,781 | - |
| <i>Changes in non-cash working capital balances:</i> | | |
| Accounts payable and accrued liabilities | (162,792) | 748,220 |
| Security deposits and prepayments | - | (60,380) |
| Receivables | 90,121 | 16,584 |
| Net Cash used in Operating Activities | (1,498,688) | 304,847 |
| INVESTING ACTIVITIES | | |
| Plant & Equipment purchases | (47,927) | (8,125) |
| Deferred exploration expenditures* | (678,973) | (427,948) |
| Investment – FE Ltd | - | 423,000 |
| Net Cash used in Investing Activities | (726,900) | (13,073) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares/exercise of options & warrants* | - | 293,869 |
| Proceeds from private placement | 7,500,000 | - |
| Short-term loans | - | - |
| Share issue and placement costs | (515,133) | - |
| Principal payment of lease liability | (7,533) | (16,832) |
| Loans | (1,000,000) | - |
| Net Cash provided by (used in) Financing Activities | 5,977,334 | 277,037 |
| Change in cash and cash equivalents during period | 3,751,746 | 568,811 |
| Cash and cash equivalents, beginning of period | 1,625,572 | 5,018,170 |
| Cash and cash equivalents, end of period* | 5,377,318 | 5,586,981 |

Supplemental disclosures with respect to cash flows (Note 10)

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)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS), Australian Securities Exchange ("ASX") (symbol: MIO) and OTCQB Venture Market ("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 ("Pilbara Assets") for conglomerate gold, hard rock greenstone gold and hard rock lithium. In addition, Macarthur Minerals has lithium brine interests in the Railroad Valley, Nevada, USA.

As at June 30, 2022, the Company has the following subsidiaries (who are collectively the "Group"):

- 100% of Macarthur Australia Limited ("MAL"), which holds the following 100% subsidiaries:
 - 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 (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.

*On admission of Infinity Mining Limited (formerly Macarthur Lithium Pty Ltd ("MLi") to the Official list of Australian Stock Exchange (ASX) which holds the Pilbara Projects, Macarthur Australia Limited holds 20.74% issued share capital in the Company and become a substantial holder.

One 1 January 2022, Infinity Mining Limited was removed from the Macarthur Minerals Group, and for the financial year ending 31 March 2022 onwards, Infinity Mining Limited will be accounted for as an associate of Macarthur Minerals Group.

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

The Company has continued to respond to the challenges of the Covid-19 pandemic by managing its operations and cashflows conservatively. The outlook for key commodities such as iron ore and gold in the current Covid-19 affected market remains strong, and as a consequence has not resulted in any impairment of the Company's key capitalised assets. The Company maintains its corporate head office and principal place of business at 1G, Kings Row Office Park, 40-52 McDougall St, Milton QLD 4064 | PO Box 1148, Milton QLD 4064 Australia

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board. This interim financial report is intended to provide users with an update on the latest annual financial statements of Macarthur Minerals 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 interim period 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 March 31, 2022, together with any public announcements made during the following three- month period. These condensed interim consolidated financial statements have been prepared on the historical cost basis.

In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and have not been audited.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian Dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED JUNE 30, 2022

2. BASIS OF PRESENTATION (Cont'd)

The preparation of interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements were authorised by the Board of Directors of the Company on August 15, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 2 to the audited financial statements for the year ended March 31, 2022, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

4. PLANT AND EQUIPMENT

| | Plant & Equipment \$ | Office Equipment \$ | Motor Vehicles \$ | Total \$ |
|-----------------------------------------|-----------------------------------------|------------------------------------|----------------------------------|---------------------|
| Year ended March 31, 2022 | | | | |
| Opening net book value | 711 | 6,556 | 42,649 | 49,916 |
| Additions | 3,646 | 20,038 | - | 23,684 |
| Disposals | - | - | (19,425) | (19,425) |
| Depreciation charge | (711) | (4,345) | (8,387) | (13,443) |
| Closing net book amount | 3,646 | 22,249 | 14,837 | 40,732 |
| At March 31, 2022 | | | | |
| Cost | 659,027 | 422,898 | 39,900 | 1,121,825 |
| Transfers | - | - | - | - |
| Accumulated depreciation and impairment | (655,381) | (400,649) | (25,063) | (1,081,093) |
| Net book amount | 3,646 | 22,249 | 14,837 | 40,732 |
| Three months ended June 30, 2022 | | | | |
| Opening net book value | 3,646 | 22,249 | 14,837 | 40,732 |
| Additions | 1,700 | 46,227 | - | 47,927 |
| Disposals | - | - | - | - |
| Depreciation charge | - | (2,411) | (1,995) | (4,406) |
| Closing net book amount | 5,346 | 66,065 | 12,842 | 84,253 |
| At June 30, 2022 | | | | |
| Cost or fair value | 660,727 | 468,835 | 39,900 | 1,169,462 |
| Accumulated depreciation | (655,381) | (402,770) | (27,058) | (1,085,209) |
| Net book amount | 5,346 | 66,065 | 12,842 | 84,253 |

5. 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, 2022, the Company held 100% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiaries MIO holds assets which include the Iron Ore Projects. On 1 January 2022, Infinity Mining Ltd exited the group and Macarthur Australia Limited retained 20.74% ownership of Infinity Mining Limited. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds a Lithium Exploration Project in Nevada.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

The carrying value of the exploration and evaluation assets relates to the Iron Ore Projects and Lithium Projects. 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 \$678,973 was capitalised during the period ended June 30, 2022 (March 31, 2022: \$5,518,209), 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, 2021 | 4,010,636 | 63,502,909 | 67,513,545 |
| Incurred during the year | | | |
| Accommodation and camp maintenance | - | 43,499 | 43,499 |
| Environmental surveys | - | - | - |
| Other | - | 11,372 | 11,372 |
| Personnel and Contractors | - | 265,765 | 265,765 |
| Rent and rates | - | 265,036 | 265,036 |
| Research and reports | - | 5,068,458 | 5,068,458 |
| Sampling and testing | - | 9,640 | 9,640 |
| Tenement acquisitions | - | (178,590) | (178,590) |
| Tenement management and outlays | - | 1,482 | 1,482 |
| Travel | - | 7,114 | 7,114 |
| Vehicle hire | - | 24,433 | 24,433 |
| | - | 5,518,209 | 5,518,209 |
| Balance as at March 31, 2022 | 4,010,636 | 69,021,118 | 73,031,754 |
| Incurred during the period | | | |
| Accommodation and camp maintenance | - | 15,239 | 15,239 |
| Environmental surveys | - | - | - |
| Other | - | 15,867 | 15,867 |
| Personnel and Contractors | - | 64,899 | 64,899 |
| Rent and rates | - | 74,561 | 74,561 |
| Research and reports | - | 496,811 | 496,811 |
| Sampling and testing | - | 433 | 433 |
| Tenement acquisitions | - | - | - |
| Tenement management and outlays | - | 3,620 | 3,620 |
| Travel | - | 1,197 | 1,197 |
| Vehicle hire | - | 6,346 | 6,346 |
| | - | 678,973 | 678,973 |
| Balance as at June 30, 2022 | 4,010,636 | 69,700,091 | 73,710,727 |

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

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

5. 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:

| | June 30, 2022 | March 31, 2022 |
|---------------------------------------------------|--------------------------|-------------------|
| | \$ | \$ |
| Not later than one year | 1,009,982 | 980,663 |
| Later than one year but not later than five years | 3,757,708 | 3,674,506 |
| | 4,767,690 | 4,655,169 |

For the 12-month period ending June 30, 2023, 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:

| | June 30, 2022 | March 31, 2022 |
|---------------------------------------------------|--------------------------|-------------------|
| | \$ | \$ |
| Not later than one year | 436,352 | 407,205 |
| Later than one year but not later than five years | 3,757,708 | 3,674,506 |
| | 4,194,060 | 4,081,711 |

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

6. CONTRIBUTED EQUITY**Ordinary Shares***Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

| | June 30, 2022 | March 31, 2022 |
|----------------------------------|--------------------------|---------------------------|
| | \$ | \$ |
| <i>Ordinary shares</i> | | |
| Issued and fully paid | 127,704,354 | 121,772,352 |
| | Number | Number |
| <i>Number of shares on issue</i> | 166,653,488 | 146,253,488 |

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, 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 September 28, 2022, being 144,427,735 Common Shares. Both of the Plans were approved on October 27, 2022 by the shareholders at the Company's Annual General Meeting and replace the Company's previous Plans.

Share Options

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.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

6. CONTRIBUTED EQUITY (Cont'd)**Share Options – Employees and Consultants**

Share option transactions issued to employees and consultants and the number of share options outstanding are summarized as follows:

| | Three months ended June 30, 2022 | | Year ended March 31, 2022 | |
|------------------------------------|-------------------------------------|------------------------------------------|------------------------------|------------------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, beginning of year | 3,000,000 | \$0.28 (CAD\$0.26) | 5,035,000 | \$0.27 (CAD\$0.25) |
| Granted | 500,000 | \$0.65 (CAD\$0.58) | 500,000 | \$0.85 (CAD\$0.80) |
| Expired | (500,000) | \$0.24 (CAD\$0.24) | (30,000) | \$0.19 (CAD\$0.20) |
| Forfeited | - | - | (911,797) | \$0.21 (CAD\$0.20) |
| Exercised | - | - | (1,593,203) | \$0.20 (CAD\$0.19) |
| Outstanding, end of period | 3,000,000 | \$0.50 (CAD\$0.44) | 3,000,000 | \$0.28 (CAD\$0.26) |
| Options exercisable, end of period | 3,000,000 | \$0.50 (CAD\$0.44) | 3,000,000 | \$0.28 (CAD\$0.26) |

Share options for employees and consultants outstanding at June 30, 2022 have the following exercise prices and expiry dates:

| Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------|-------------|
| 500,000 | AUD\$0.34 | 31 Dec 2022 |
| 500,000 | AUD\$0.36 | 31 Dec 2022 |
| 500,000 | AUD\$0.38 | 31 Dec 2022 |
| 500,000 | CAD\$0.32 | 31 Dec 2022 |
| 500,000 | CAD\$0.80 | 11 Dec 2022 |
| 500,000 | AUD\$0.65 | 25 May 2024 |

The range of exercise prices for options outstanding at June 30, 2022 is CAD\$0.30 to CAD\$0.80.

The weighted average remaining contractual life for the share options as at June 30, 2022 is 0.72 years.

Since June 30, 2022, no Options have been exercised, forfeited or expired.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

6. CONTRIBUTED EQUITY (Cont'd)**Share Options – Private Placement**

Option transactions with an Australian Dollar exercise price issued under the private placements and the number of options outstanding and their related weighted average exercise prices are summarised as follows:

| | Three months ended June 30, 2022 | | Year ended March 31, 2022 | |
|----------------------------------|-------------------------------------|---------------------------------------|------------------------------|------------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, beginning of year | 12,862,618 | AUD\$0.88 | 12,862,618 | AUD\$0.88 |
| Granted | 17,000,000 | AUD\$0.65 | - | - |
| Expired | - | - | - | - |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Outstanding, end of year | 29,862,618 | AUD\$0.75 | 12,862,618 | AUD\$0.88 |
| Options exercisable, end of year | 29,862,618 | AUD\$0.75 | 12,862,618 | AUD\$0.88 |

Share Options – Private Placement

Share options under private placement outstanding at June 30, 2022 have the following exercise prices and expiry dates:

| Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------|--------------|
| 5,137,382 | AUD\$0.90 | 26 Oct 2022 |
| 6,225,236 | AUD\$0.90 | 2 Nov 2022 |
| 1,500,000 | AUD\$0.75 | 12 Nov 2022 |
| 17,000,000 | AUD\$0.65 | 8 April 2024 |

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

6. CONTRIBUTED EQUITY (cont'd)**Restricted Share Units**

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

| | Three months ended June 30, 2022 | | Year ended March 31, 2022 | |
|----------------------------------|-------------------------------------|---------------------------------------|------------------------------|---------------------------------------|
| | Number of RSUs | Weighted Average Exercise Price | Number of RSUs | Weighted Average Exercise Price |
| Outstanding, beginning of period | 7,082,500 | \$0.87 (CAD\$0.82) | 3,282,500 | \$0.72 (CAD\$0.68) |
| Granted | - | - | 5,600,000 | \$0.96 (CAD\$0.90) |
| Vested | - | - | - | - |
| Forfeited | - | - | (1,800,000) | \$0.90 (CAD\$0.84) |
| Expired | - | - | - | - |
| Outstanding, end of period | 7,082,500 | \$0.92 (CAD\$0.82) | 7,082,500 | \$0.87 (CAD\$0.82) |

RSUs outstanding at June 30, 2022 have the following vesting prices and expiry dates:

| Number of RSUs | Vesting Price | Expiry Date |
|----------------|---------------|-------------|
| 1,000,000 | CAD\$0.65 | 8 Dec 2023 |
| 1,732,500 | CAD\$0.70 | 19 Jan 2024 |
| 4,350,000 | CAD\$0.90 | 11 Jun 2024 |

The weighted average remaining contractual life for the RSUs as at June 30, 2022 is 1.78 years.

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6. CONTRIBUTED EQUITY (cont'd)**Warrants**

During the three-month period ended June 30, 2022, no warrants were granted, exercised or expired.

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

| | Three months ended June 30, 2022 | | Year ended March 31, 2022 | |
|----------------------------------------|-------------------------------------|------------------------------------|------------------------------|------------------------------------|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Outstanding, beginning of year | 4,101,275 | \$0.43 (CAD\$0.40) | 25,777,188 | \$0.55 (CAD\$0.52) |
| Granted | - | - | - | - |
| Forfeited | - | - | - | - |
| Expired | - | - | (17,129,763) | \$0.62 (CAD\$0.59) |
| Exercised | - | - | (4,546,150) | \$0.43 (CAD\$0.40) |
| Outstanding, end of period | 4,101,275 | \$0.45 (CAD\$0.40) | 4,101,275 | \$0.43 (CAD\$0.40) |
| Warrants exercisable, end of period | 4,101,275 | \$0.45 (CAD\$0.40) | 4,101,275 | \$0.43 (CAD\$0.40) |

Warrants outstanding at June 30, 2022, have the following exercise prices and expiry dates:

| Number of warrants | Exercise Price | Expiry Date |
|-----------------------|-------------------|-------------|
| 3,029,375 | CAD\$0.40 | 5 Aug 2022 |
| 867,291 | CAD\$0.40 | 1 Oct 2022 |
| 204,609 | CAD\$0.40 | 3 Nov 2022 |

The weighted average remaining contractual life for the warrants as at June 30, 2022 is 0.70 years. 3,029,375 warrants expired since June 30, 2022.

Warrant Liability

During the period ended June 30, 2022, no warrants were granted. As of June 30, 2022, the Company had 4,101,275 (March 31, 2022 – 4,101,275) warrants outstanding, which are classified and accounted for as a financial liability. The value of warrant liability as at June 30, 2022 is \$1,219 (March 31, 2022 - \$520,350).

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7. 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 Condensed Interim Statement of Profit and Loss and Comprehensive Income/(Loss) and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. Refer to Note 6 for details of options.

8. RELATED PARTY TRANSACTIONS***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 | |
|-------------------------------------------|--------------------------|-------------------|---------------|
| | | June 30, 2022 | June 30, 2021 |
| Esperance Iron Ore Export Company Pty Ltd | Australia | 100 | 100 |
| Macarthur Iron Ore 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.

Interests in Associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material (IML) to the consolidated entity are set out below:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-------------------------------|--------------------------------------------------------|--------------------|---------------|
| | | June 30, 2022 | June 30, 2021 |
| | | % | % |
| Infinity Mining Limited (IML) | Australia | 20.74% | 0% |

8. RELATED PARTY TRANSACTIONS (Cont'd)

Key Management Personnel

The following persons were key management personnel of the Company during the period ending June 30, 2022.

Non-Executive Directors

Cameron McCall, Chairman

Alan Phillips, Non-Executive Director

Andrew Suckling, Independent Director

Executive Director

Joe Phillips, Managing Director

Details of Remuneration

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

| Period ending June 30, 2022 | Short Term Employee Benefits | | | | Post-Employment Benefits | | Share Based Payments | |
|-----------------------------------|------------------------------|------------------|------------|--------------------------------------|--------------------------|---------------------|----------------------|------------------|
| <i>Executive Directors:</i> | Cash Salary & Fees | Accrued Salaries | Cash Bonus | Non-monetary benefits ^[1] | Super-annuation | Retirement Benefits | Options/RSUs | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| C McCall | 60,000 | - | - | 357,500 | - | - | - | 417,500 |
| J Phillips | 75,000 | - | - | 357,500 | - | - | - | 432,500 |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| A Phillips | 22,500 | - | - | 357,500 | - | - | - | 380,000 |
| A Suckling | 25,529 | - | - | 357,500 | - | - | - | 383,029 |
| A Bruton | 455,000 | - | - | - | - | - | - | 455,000 |
| Total | 638,029 | - | - | 1,430,000 | - | - | - | 2,068,029 |

^[1] Refers to value of Bonus Shares issued during the period

Remuneration accrued and payable to key management personnel as at June 30, 2022 was \$36,695.

Remuneration of each key management personnel of the Company for the period ended June 30, 2021 was as follows:

| Period ending June 30, 2021 | 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 | 60,000 | - | - | - | - | - | 366,534 | 426,534 |
| J Phillips | 75,000 | - | - | - | - | - | 549,801 | 624,801 |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| A Phillips | 22,500 | - | - | - | - | - | 311,554 | 334,054 |
| A Suckling | 23,315 | - | - | - | - | - | 329,880 | 353,195 |
| D Lanskey | 17,499 | - | - | - | - | - | 91,633 | 109,132 |
| A Bruton | 105,000 | - | - | - | - | - | 366,534 | 471,534 |
| Total | 303,314 | - | - | - | - | - | 2,015,936 | 2,319,250 |

Remuneration accrued and payable to key management personnel as at June 30, 2021 was \$60,314.

8. RELATED PARTY TRANSACTIONS (Cont'd)

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of IAS 24. Where transactions are entered into with those entities the terms and conditions are no more favourable than those that it is reasonable to expect the entity would have adopted if dealing on an arm's length basis. The Company did not enter into any transactions with entities over which key management personnel have significant influence during the period and the corresponding prior period.

9. TAX CONSOLIDATION

Macarthur Minerals and its wholly owned Australian subsidiaries are members of an Australian Income Tax Consolidated Group.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 |
|------------------------------------------|-------------------------------------|-------------------------------------|
| Cash paid during the period for interest | <u>8,805</u> | <u>5,584</u> |

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of mineral properties in Australia. All of the Company's exploration and evaluation assets and plant and equipment are located in Australia.

12. FINANCIAL INSTRUMENTS

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 consists of Cash and cash equivalents of \$5,377,318 (March 31, 2022: \$1,625,572) and Security Deposits of \$35,397 (March 31, 2022: \$56,642).

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:

| | June 30, 2022 \$ | June 30, 2021 \$ |
|-----------|------------------------|------------------------|
| Australia | <u>4,722,243</u> | <u>4,376,447</u> |
| Canada | <u>669,655</u> | <u>1,368,697</u> |
| | <u>5,391,898</u> | <u>5,745,173</u> |

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(Expressed in Australian Dollars)

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12. FINANCIAL INSTRUMENTS (Cont'd)**Currency Risk**

The Company's consolidated financial statements can be affected by movements in the CAD\$/USD\$ exchange rate, due to some administrative expenses and liabilities being incurred in other than in \$AUD is being the functional currency of the Company.

Exposure to currency risk

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

| | AUD \$ | CAD \$ | USD \$ | AUD \$ | CAD \$ | USD \$ |
|---------------------------|------------------|----------------|---------------|--------------------|----------------|----------------|
| | June 30, 2022 | | | March 31, 2022 | | |
| Cash and cash equivalents | 4,707,663 | 582,054 | 87,601 | 839,128 | 634,363 | 152,081 |
| Receivables | (20,817) | - | - | 127,090 | - | - |
| Security Deposits | 35,397 | - | - | 56,642 | - | - |
| | 4,722,243 | 582,054 | 87,601 | 1,022,860 | 634,363 | 152,081 |
| Trade and other payables | 883,048 | 63,138 | 30 | 1,116,688 | 48,228 | 8,103 |
| Employee Benefits | 170,255 | - | - | 144,774 | - | - |
| Warrant liability | - | 1,219 | - | - | 520,350 | - |
| Loan - Other | - | - | - | 1,000,000 | - | - |
| Lease liability | 402,762 | - | - | - | - | - |
| | 1,456,065 | 64,357 | 30 | 2,261,462 | 568,578 | 8,103 |
| Net exposure | 3,266,178 | 517,697 | 87,571 | (1,238,602) | 65,785 | 143,978 |

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | June 30, 2022 | | March 31, 2022 | |
|------------------------------|---------------|--------------|----------------|--------------|
| | Profit \$ | Equity \$ | Profit \$ | Equity \$ |
| +/-2% in interest rates | +/- \$108,254 | +/- 108,254 | +\$33,644 | +\$33,644 |
| +/-5% in \$AUD/\$CAD | +/- \$25,885 | +/- 25,885 | +/- \$3,289 | +/- 3,289 |
| +/-5% in \$AUD/\$US | +/- \$4,379 | +/- 4,379 | +/- \$7,199 | +/- 7,199 |
| +/-10% in listed investments | Nil | Nil | +/- \$Nil | +/- \$Nil |

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:

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(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2022

12. FINANCIAL INSTRUMENTS (Cont'd)

| | June 30, 2022 \$ | March 31, 2022 \$ |
|-----------------------------------------------|------------------------|-------------------------|
| Interest-bearing financial instruments | | |
| Financial assets | 5,412,715 | 1,682,214 |
| Financial assets are comprised of: | | |
| Cash and cash equivalents | 5,377,318 | 1,625,572 |
| Security deposits | 35,397 | 56,642 |
| | 5,412,715 | 1,682,214 |

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 2022.

| | Profit or loss | | Equity | |
|----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 100bp increase \$ | 100bp decrease \$ | 100bp increase \$ | 100bp decrease \$ |
| June 30, 2022 | | | | |
| Interest-bearing financial instruments | 54,127 | (54,127) | 54,127 | (54,127) |
| March 31, 2022 | | | | |
| Interest-bearing financial instruments | 16,822 | (16,822) | 16,822 | (16,822) |

13. 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. There were no changes in the Company's approach to capital management during the period ended June 30, 2022. The Company is not subject to externally imposed capital requirements.

14. RIGHT OF USE ASSET

a) 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

| Right-of-use asset | June 30, 2022 \$ | March 31, 2022 \$ |
|--------------------------|------------------------|-------------------------|
| Leased building | 410,295 | 623,316 |
| Accumulated amortisation | (14,148) | (623,316) |
| | <u>396,147</u> | <u>-</u> |

ii. Statement of Profit or Loss and Other Comprehensive Income

| | | |
|---------------------------------------------------|--------|---------|
| Amortisation charge related to right-of-use asset | 14,148 | 449,507 |
| Interest expense on lease liabilities | 2,536 | 3,785 |
| Short-term lease expense | 16,684 | 453,292 |

iii. Total Cash outflows

| | | |
|--------------------|---------------|---------------|
| Interest expense | 2,536 | 3,785 |
| Principal payments | 10,069 | 43,674 |
| | <u>12,605</u> | <u>47,459</u> |

Lease liabilities relating to the Right of Use asset are as follows:

As at June 30, 2022

| | \$ Within 1 year | \$ 1 to 5 years | \$ Total |
|-------------------|---------------------|--------------------|-------------|
| Lease liabilities | 84,739 | 318,023 | 402,762 |

As at March 31, 2022

| | \$ Within 1 year | \$ 1 to 5 years | \$ Total |
|-------------------|---------------------|--------------------|-------------|
| Lease liabilities | - | - | - |

14. RIGHT OF USE ASSET (cont'd)

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 5 to the condensed interim consolidated financial statements for the period ended June 30, 2022.

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

15. CONTINGENT LIABILITIES

a) Security Bonds

The Company has a contingent liability of \$35,397 for bank guarantees issued for office leasing arrangements in Brisbane and corporate credit cards.

16. LOANS

During February 2022, the Company entered into an unsecured loan arrangement with a third party for the amount of \$1,000,000 at an annualised percentage rate (APR) of 7.00% interest. The Company repaid this loan in April 2022.

17. SUBSEQUENT EVENTS

a) Warrants

Since June 30, 2022, 3,029,375 warrants that were issued in connection with the Convertible Notes announced on 10 July 2019 at an exercise price of CAD\$0.40 per Warrant, expired.