



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

For the Three months ended June 30, 2020

All amounts are in Australian dollars unless otherwise stated

Condensed Interim Consolidated Financial Statements – June 30, 2020

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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 28, 2020. 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

(Expressed in Australian Dollars)

(Unaudited)

	Note	June 30, 2020	March 31, 2020
			\$
ASSETS			
Current			
Cash and cash equivalents		3,160,795	4,518,165
Receivables		84,004	90,898
Security deposits and prepayments		201,845	449,383
Total current assets		3,446,644	5,058,446
Non-Current			
Plant and equipment	4	60,240	63,729
Right of use asset	14	311,658	329,639
Investment in FE Ltd		266,667	266,667
Exploration and evaluation assets	5	66,437,906	66,218,216
Total non-current assets		67,076,471	66,878,251
Total assets		70,523,115	71,936,697
LIABILITIES			
Current			
Trade and other payables		415,317	905,660
Provisions		67,498	58,756
Lease liability	14	65,057	63,488
Warrant liability	6	899,565	899,565
Convertible Notes	14	7,266,386	8,134,049
Total current liabilities		8,713,823	10,061,518
Non-Current			
Provisions		29,051	27,518
Lease liability	14	266,580	283,412
Total non-current liabilities		295,631	310,930
Total liabilities		9,009,454	10,372,448
Net assets		61,513,661	61,564,249
SHAREHOLDERS' EQUITY			
Contributed equity	6	105,068,324	104,794,986
Reserves		5,183,455	4,648,952
Deficit		(48,738,118)	(47,879,689)
Total shareholders' equity		61,513,661	61,564,249

 Nature and continuance of operations (Note 1)
 Commitments (Note 15)

 Contingent liabilities (Note 16)
 Subsequent events (Note 17)

On behalf of the Board of Directors:

<u>"Cameron McCall"</u>	Director	<u>"Andrew Suckling"</u>	Director
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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)**

(Expressed in Australian Dollars)

(Unaudited)

	Note	Three months ended June 30, 2020 \$	Three months ended June 30, 2019 \$
EXPENSES			
Depreciation	4	(3,489)	(5,432)
Depreciation – Right of use asset		(17,981)	-
Investor relations		(21,650)	(7,992)
Office and general		417,906	(65,753)
Personnel fees		(476,835)	(1,139,966)
Professional fees		(196,427)	(156,479)
Rent		-	(34,806)
Share-based compensation		(534,503)	-
Share registry, filing and listing fees		(57,701)	(8,998)
Travel and accommodation		999	(17,693)
Total Administrative Expenses		(889,681)	(1,437,119)
REVENUE			
Interest Income		94	354
Change in fair value of financial instrument		-	-
Other Income		31,158	100,000
Gain on sale of asset		-	-
Change in fair value of warrant liability		-	730,411
Net profit/(loss) and comprehensive profit/(loss) for the period		(858,429)	(606,354)
Basic and diluted profit/(loss) per ordinary share		(0.010)	(0.002)
Basic and diluted weighted average number of ordinary shares outstanding		87,265,289	274,751,213

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 \$	Deficit \$	Reserves \$	Total Equity \$
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	-	-	(606,354)	-	(606,354)
Share-based payment transactions	-	-	-	-	-
Private placement	11,617,341	959,186	-	-	959,186
Exercise of options and warrants	2,850,000	167,165	-	-	167,165
Share issuance costs	-	-	-	-	-
Balance at June 30, 2019	319,633,625	100,798,201	(44,390,522)	4,539,151	60,946,830
Balance at April 1, 2019	305,166,284	99,671,850	(43,784,168)	4,539,151	60,426,833
Share consolidation *	(228,874,713)	-	-	-	-
Net profit(loss) for the year	-	-	(4,177,115)	-	(4,177,115)
Other comprehensive loss for the year	-	-	-	(133,333)	(133,333)
Transfer from reserves	-	-	81,594	(81,594)	-
Share-based payment transactions	-	-	-	324,728	324,728
ASX IPO	20,032,952	5,008,238	-	-	5,008,238
Vested RSU's	2,750,000	297,112	-	-	297,112
Fees in consideration for shares	21,838	8,384	-	-	8,384
Exercise of options and warrants	1,490,000	351,342	-	-	351,342
Bonus Shares	1,800,000	450,000	-	-	450,000
Share issuance costs	-	(991,940)	-	-	(991,940)
Balance at March 31, 2020	102,386,361	104,794,986	(47,879,689)	4,648,952	61,564,249
Balance at April 1, 2020	102,386,361	104,794,986	(47,879,689)	4,648,952	61,564,249
Net profit/(loss) for the period	-	-	(858,429)	-	(858,429)
Share-based payment transactions	-	-	-	534,503	534,503
Tenement fees in consideration for shares	1,702,997	250,000	-	-	250,000
Consultancy fees in consideration for shares	171,479	23,338	-	-	23,338
Share issuance costs	-	-	-	-	-
Balance at June 30, 2020	104,260,837	105,068,324	(48,738,118)	5,183,455	61,513,661

* Shares issued prior to November 20, 2019 have been adjusted due to consolidation of shares. Refer to Note 6.

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)

	Note	Three months ended June 30, 2020	Three months ended June 30, 2019
		\$	\$
OPERATING ACTIVITIES			
Net profit/(loss) for the period		(858,429)	(606,354)
<i>Items not involving cash:</i>			
Depreciation		3,489	5,432
Depreciation – Right of use asset		17,981	-
FX loss on Convertible notes		(867,663)	-
Change in fair value of warrant liability	6	-	(730,411)
Share-based compensation		534,503	-
FV adjustment on financial instrument		23,338	-
<i>Changes in non-cash working capital balances:</i>			
Accounts payable and accrued liabilities		(230,069)	132,860
Security deposits and prepayments		247,538	(9,343)
Receivables		6,894	868
Net Cash used in Operating Activities		(1,122,418)	(1,206,948)
INVESTING ACTIVITIES			
Government recoveries		-	-
Plant & Equipment purchases		-	(36,225)
Deferred exploration expenditures		(219,690)	(273,002)
Investment – FE Ltd		-	-
Net Cash used in Investing Activities		(219,690)	(309,227)
FINANCING ACTIVITIES			
Proceeds from issuance of shares/exercise of options & warrants		-	1,126,351
Short-term loans		-	500,000
Share issue and placement costs		-	-
Principal payment of lease liability		(15,262)	-
Net Cash provided by (used in) Financing Activities		(15,262)	1,626,351
Change in cash and cash equivalents during period		(1,357,370)	110,176
Cash and cash equivalents, beginning of period		4,518,165	318,028
Cash and cash equivalents, end of period		3,160,795	428,204

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, 2020

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited (the “Company”) is an Australian public company listed in Canada on the TSX Venture Exchange (“TSX-V”) (symbol: MMS) and on the Australian Securities 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 lithium brine interests in the Railroad Valley, Nevada, USA.

As at June 30, 2020, 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 (previously Bachelor Project Pty Ltd) (a dormant subsidiary); and
- 100% of Macarthur Minerals NT Pty Ltd (“MMNT”) and MMNT’s 100% subsidiary, Macarthur Tulshyan Pty Ltd.

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

The Company maintains its corporate head office and principal place of business at G03, 555 Coronation Drive, Toowong, Brisbane, Queensland 4066, 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 and half yearly 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, 2020, 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 except for certain financial instruments, which are measured at fair value, as explained in the accounting policies, refer to Note 3.

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. 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 authorized by the Board of Directors of the Company on August 28, 2020.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

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, 2020, 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, 2020				
Opening net book value	5,309	10,358	-	15,667
Additions	-	7,047	59,325	66,372
Disposals	-	-	-	-
Depreciation charge	(4,143)	(6,579)	(7,588)	(18,310)
Closing net book amount	1,166	10,826	51,737	63,729
At March 31, 2020				
Cost or fair value	656,028	402,214	59,325	1,117,567
Transfers	(647)	647	-	-
Accumulated depreciation and impairment	(654,215)	(392,035)	(7,588)	(1,053,838)
Net book amount	1,166	10,826	51,737	63,729
Three months ended June 30, 2020				
Opening net book value	1,166	10,826	51,737	63,729
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
Depreciation charge	(455)	(762)	(2,272)	(3,489)
Closing net book amount	711	10,064	49,465	60,240
At June 30, 2020				
Cost or fair value	655,381	402,861	59,325	1,117,567
Accumulated depreciation	(654,670)	(392,797)	(9,860)	(1,057,327)
Net book amount	711	10,064	49,465	60,240

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 June 30, 2020 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.

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 \$219,690 was capitalised during the period ended June 30, 2020, as per table below.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)**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, 2019	4,010,636	58,983,008	62,993,644
Incurred during the year			
Accommodation and camp maintenance	-	100,134	100,134
Drilling	-	1,252,063	1,252,063
Environmental surveys	-	14,950	14,950
Tenement acquisitions	-	500,000	500,000
Other	-	42,192	42,192
Personnel and Contractors	-	443,936	443,936
Rent and rates	-	329,501	329,501
Research and reports	-	333,753	333,753
Sampling and testing	-	25,934	25,934
Tenement management and outlays	-	23,131	23,131
Travel	-	26,316	26,316
Vehicle hire	-	27,164	27,164
Fuel costs	-	105,498	105,498
E&E Impairment reversal	-	-	-
	-	3,224,572	3,224,572
Balance as at March 31, 2020	4,010,636	62,207,580	66,218,216
Incurred during the year			
Accommodation and camp maintenance	-	15,043	15,043
Drilling	-	-	-
Environmental surveys	-	5,700	5,700
Tenement acquisitions	-	-	-
Other	-	26,670	26,670
Personnel and Contractors	-	63,103	63,103
Rent and rates	-	68,384	68,384
Research and reports	-	27,128	27,128
Sampling and testing	-	894	894
Tenement management and outlays	-	6,410	6,410
Travel	-	168	168
Vehicle hire	-	6,090	6,090
Fuel costs	-	-	-
E&E Impairment reversal	-	-	-
	-	219,690	219,690
Balance as at June 30, 2020	4,010,636	62,427,270	66,437,906

All capitalised exploration costs represent costs incurred during the exploration and evaluation phase. \$588,836 relates to the Lithium project.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

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 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:

	June 30, 2019	March 31, 2020
	\$	\$
Not later than one year	478,619	904,403
Later than one year but not later than five years	3,569,947	3,580,724
	<u>4,048,566</u>	<u>4,485,127</u>

For the financial year ending March 31, 2021, 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:

	June 30, 2019	March 31, 2020
	\$	\$
Not later than one year	287,819	286,503
Later than one year but not later than five years	3,569,947	3,580,724
	<u>3,857,766</u>	<u>3,867,227</u>

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 \$522,424 reduction in expenditure commitments over the coming years.

On December 23, 2019 the Company entered into an agreement with Arrow Minerals Limited ("Arrow") to acquire mineral tenure for the development of site infrastructure at its Lake Giles Iron Project. Macarthur has acquired a substantial package of land covering approximately 4,950 ha adjacent to the Moonshine Magnetite deposit. The tenure will be used for constructing supporting infrastructure and it also paves the way forward to obtain access to tenure to construct a private haul road from the project through to the open access Perth to Kalgoorlie railway owned by Arc Infrastructure. In consideration for entering into the agreement, Macarthur paid Arrow \$500,000, being \$250,000 in cash, paid immediately, and issued 1,702,997 shares valued at \$250,000 on June 23, 2020 at AUD\$0.1468 per share.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

6. CONTRIBUTED EQUITY**Ordinary Shares**

On November 20, 2019 the Company completed the consolidation of its share capital on the basis of one (1) post-consolidation common share for four (4) pre-consolidation common share (the "Consolidation Ratio") following approval of the consolidation by the TSX-V. The exercise price and the number of shares issuable under any of the Company's outstanding stock options, warrants, restricted share units and convertible notes, as applicable, have been proportionately adjusted in connection with the consolidation.

On December 4, 2019 the Company was admitted to the Official List of Australian Securities Exchange (ASX) and commenced quotation of its securities on the ASX on December 6, 2019 (ASX code: MIO).

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

	June 30, 2020	March 31, 2020
Issued and fully paid ordinary shares:	\$ 105,068,324	\$ 104,794,986
Number of shares on issue:	104,260,837	102,386,361

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.

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, 2020.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

6. CONTRIBUTED EQUITY (cont'd)**Share Options**

During the three-month period ended June 30, 2020, no 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:

	Three months ended June 30, 2020		Year ended March 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,080,000	\$0.25 (CAD\$0.22)	7,678,816	\$0.23 (CAD\$0.22)
Granted	3,500,000	\$0.29 (CAD\$0.27)	500,000	\$0.34 (CAD\$0.31)
Expired	(1,520,000)	\$0.23 (CAD\$0.22)	(1,428,816)	\$0.27 (CAD\$0.24)
Forfeited	-	-	(250,000)	\$0.46 (CAD\$0.40)
Exercised	-	-	(1,420,000)	\$0.24 (CAD\$0.21)
Outstanding, end of period	7,060,000	\$0.26 (CAD\$0.25)	5,080,000	\$0.25 (CAD\$0.22)
Options exercisable, end of period	7,060,000	\$0.26 (CAD\$0.25)	5,080,000	\$0.25 (CAD\$0.22)

Share options outstanding at June 30, 2020 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
1,025,000	CAD\$0.22	19 Feb 2021
555,000	CAD\$0.20	3 Dec 2021
1,480,000	CAD\$0.20	24 Feb 2022
500,000	AUD\$0.31	17 Dec 2022
500,000	AUD\$0.16	31 Dec 2020
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\$0.16	31 Dec 2022
500,000	CAD\$0.24	31 Dec 2022
500,000	CAD\$0.32	31 Dec 2022

The range of exercise prices for options outstanding at June 30, 2020 is CAD\$0.15 to CAD\$0.36.

The weighted average remaining contractual life for the share options as at June 30, 2020 is 1.83 years.

Restricted Share Units

During the three month period ended June 30, 2020, 562,500 RSU's were forfeited/expired.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

6. CONTRIBUTED EQUITY (cont'd)

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

	Three months ended June 30, 2020		Year ended March 31, 2020	
	Number of RSUs	Weighted Average Exercise Price	Number of RSUs	Weighted Average Exercise Price
Outstanding, beginning of period	4,726,471	\$0.52 (CAD\$0.45)	4,126,471	\$0.48 (CAD\$0.52)
Granted	-	-	3,500,000	\$0.37 (CAD\$0.32)
Vested	-	-	(2,750,000)	\$0.37 (CAD\$0.32)
Expired	(562,500)	\$0.37 (CAD\$0.40)	(150,000)	\$0.65 (CAD\$0.56)
Outstanding, end of period	4,163,971	\$0.49 (CAD\$0.46)	4,726,471	\$0.52 (CAD\$0.45)

RSUs outstanding at June 30, 2020 have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
1,176,471	CAD\$0.80	27 Nov 2020
50,000	CAD\$0.80	19 Feb 2021
2,937,500	CAD\$0.32	2 Sept 2022

During the period ended June 30, 2020 there was Nil expense (2019: \$297,112 corrected value as per Consolidated Annual Financial Statements) recognised to profit and loss as Personnel costs from RSUs that vested during the period.

The weighted average remaining contractual life for the RSUs as at June 30, 2020 is 1.66 years.

Warrants

During the three month period ended June 30, 2020, no warrants were exercised.

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

	Three months ended June 30, 2020		Year ended March 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	25,777,188	\$0.60 (CAD\$0.52)	21,745,913	\$0.58 (CAD\$0.55)
Granted	-	-	4,101,275	\$0.46 (CAD\$0.40)
Forfeited	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	(70,000)	\$0.46 (CAD\$0.40)
Outstanding, end of period	25,777,188	\$0.56 (CAD\$0.52)	25,777,188	\$0.60 (CAD\$0.52)
Warrants exercisable, end of period	25,777,188	\$0.56 (CAD\$0.52)	25,777,188	\$0.60 (CAD\$0.52)

6. CONTRIBUTED EQUITY (cont'd)

Warrant Liability

During the period ended June 30, 2020, no warrants were granted. As of June 30, 2020, the Company had 25,777,188 (March 31, 2020 – 25,777,188) warrants outstanding, which are classified and accounted for as a financial liability. The value of warrant liability as at June 30, 2020 is \$899,565 (March 31, 2020 - \$899,565). A review of the value of warrant liabilities will be undertaken in the period ended September 30, 2020.

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. The weighted average fair value of options granted during the June 30, 2020 period ended was \$0.15 (June 30, 2019 – nil). Refer to Note 6 for details of options.

8. 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	
		June 30, 2020	June 30, 2019
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.

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, 2020.

Executive Directors

Cameron McCall, Executive Chairman
Joe Phillips, CEO and Director

Non-Executive Directors

Alan Phillips, Non-Executive Director
Andrew Suckling, Non-Executive Director
Daniel Joseph Lanskey, Non-Executive 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, 2020	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	
<i>Executive Directors:</i>	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits ^[5]	Super-annuation	Retirement Benefits	Options/RSUs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
C McCall	90,000	-	-	-	-	-	-	90,000
J Phillips	105,000	-	-	-	-	-	-	105,000
<i>Non-Executive Directors:</i>								
A Phillips	30,000	-	-	-	-	-	-	30,000
A Suckling	25,225	-	-	-	-	-	-	25,225
D Lanskey	17,499	-	-	-	-	-	-	17,499
Total	267,724	-	-	-	-	-	-	267,724

Remuneration accrued and payable to key management personnel as at June 30, 2020 was \$44,724.

Remuneration of each key management personnel of the Company for the period ended June 30, 2019 was as follows:

Period ending June 30, 2019	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	
<i>Executive Directors</i>	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$
C McCall	40,000	-	-	-	-	-	-	40,000
J Phillips	40,000	-	-	-	-	-	-	40,000
<i>Non-Executive Directors:</i>								
D Lenigas ^[1]	-	-	-	8,383	-	-	-	8,383
A S Phillips	20,000	-	-	-	-	-	-	20,000
E Evans ^[2]	23,876	-	-	-	-	-	-	23,876
Andrew Suckling ^[3]	6,740	-	-	-	-	-	-	6,740
Total	130,616	-	-	8,383	-	-	-	138,999

8. RELATED PARTY TRANSACTIONS (Cont'd)

^[1] On 25 June 2019 David Lenigas was issued 87,341 shares in lieu of Director Fees.

^[2] Earl Evans fees include Director Fees from 5 February 2019.

^[3] Andrew Suckling fees include Director Fees from 21 May 2019.

Remuneration accrued and payable to key management personnel as at June 30, 2019 was \$52,072.

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, 2020	Three months ended June 30, 2019
Cash paid during the period for interest	\$148,909	\$2,651

During the period ended June 30, 2020, the Company entered into the following non-cash transactions:

- a) Recorded \$99,190 in deferred exploration expenditures through accounts payable.

During the period ended June 30, 2019, the Company entered into the following non-cash transactions:

- b) Recorded \$142,438 in deferred exploration expenditures through accounts payable.

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

Exposure to credit risk

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

	June 30, 2020 \$	March 31, 2020 \$
Financial assets		
Cash and cash equivalents	3,160,795	4,518,165
Other receivables	356	356
Security Deposits	56,587	56,554
	3,217,738	4,575,075

The Company's receivables comprise of interest receivable and goods and services taxation payments recoverable from the Australian Government.

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

	June 30, 2020 \$	March 31, 2020 \$
Australia	3,197,552	2,460,800
Canada	20,186	2,114,275
Total	3,217,738	4,575,075

The financial liabilities the Company has at the reporting date are accounts payable and accrued liabilities. The Company has sufficient cash to cover these liabilities as they come due.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

12. 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 \$	USD \$	AUD \$	CAD \$	USD \$
	June 30, 2020			March 31, 2020		
Cash and cash equivalents	1,334,314	20,187	1,806,293	2,403,889	58,826	2,055,450
Receivables	356	-	-	356	-	-
Security Deposits	56,587	-	-	56,554	-	-
	1,391,257	20,187	1,806,293	2,460,799	58,826	2,055,450
Trade and other payables	378,651	36,666	-	838,168	67,492	-
Employee Benefits	96,549	-	-	86,274	-	-
Warrant liability	-	899,565	-	-	899,565	-
Convertible Note liability	-	-	7,266,386	-	-	8,134,049
Lease liability	331,637	-	-	346,900	-	-
	806,837	936,231	7,266,386	1,271,342	967,057	8,134,049
Net exposure	584,420	(916,044)	(5,460,093)	1,189,457	(908,231)	(6,078,599)

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, 2020		March 31, 2020	
	Profit \$	Equity \$	Profit \$	Equity \$
+/-2% in interest rates	+/- \$64,348	+/- \$64,348	+/- \$90,363	+/- \$90,363
+/-5% in \$AUD/\$CAD	+/- 45,802	+/- 45,802	+/- 3,246	+/- 3,246
+/-5% in \$AUD/\$US	+/- \$273,005	+/- \$273,005	+/- \$135,773	+/- \$135,773
+/-10% in listed investments	+/- \$26,667	+/- \$26,667	+/- \$26,667	+/- \$26,667

12. FINANCIAL INSTRUMENTS (Cont'd)

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:

	June 30, 2020 \$	March 31, 2020 \$
Interest-bearing financial instruments		
Financial assets	<u>3,217,382</u>	<u>4,574,719</u>

Financial assets are comprised of:

	June 30, 2020 \$	March 31, 2020 \$
Cash and cash equivalents	3,160,795	4,518,165
Security deposits	<u>56,587</u>	<u>56,554</u>
	<u>3,217,382</u>	<u>4,574,719</u>

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 2020.

	Profit or loss		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
June 30, 2020				
Interest-bearing financial instruments	<u>32,174</u>	<u>(32,174)</u>	<u>32,174</u>	<u>(32,174)</u>
March 31, 2020				
Interest-bearing financial instruments	<u>45,747</u>	<u>(45,747)</u>	<u>45,747</u>	<u>(45,747)</u>

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 unissued capital of shareholders' equity.

The properties in which the Company currently has an interest in 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 current exploration and evaluation activities, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels 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.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2020

There were no changes in the Company's approach to capital management during the period ended June 30, 2020. 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, 2020 \$	March 31, 2020 \$
Leased building	431,527	431,527
Accumulated amortisation	(119,689)	(101,888)
	311,658	329,639

ii. Statement of Profit or Loss and Other Comprehensive Income

Amortisation charge related to right-of-use asset	17,981	72,702
Interest expense on lease liabilities	4,657	20,663
Short-term lease expense	22,638	93,365

iii. Total Cash outflows

Interest expense	4,657	20,663
Principal payments	15,263	59,017
	19,920	79,680

iv. Movement in Carrying amount

Recognised on initial application of AASB 16	431,527	431,527
Amortisation for the period	(119,689)	(101,888)
Net carrying amount	311,658	329,639

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

As at June 30, 2020

	\$ Within 1 year	\$ 1 to 5 years	\$ Total
Lease liabilities	(65,057)	(266,580)	(331,637)

As at March 31, 2020

	\$ Within 1 year	\$ 1 to 5 years	\$ Total
Lease liabilities	(63,488)	(283,412)	(346,900)

1 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, 2020.

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

c) Convertible Notes

On July 10, 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 total amount of Convertible Notes as at June 30, 2020 is USD\$5,000,000 (AUD \$8,134,049).

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

On 26 November 2013, the New Proceedings were stayed by consent pending payment of the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson. No steps have been taken in the New Proceedings by the plaintiff since 22 January 2015 and this matter remains ongoing.

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

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

As previously reported in earlier financial reports filed on behalf of the Company, 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. On June 30, 2020 the Court of Appeal handed down its decision, dismissing the appeal with costs.

On July 29, 2020 the FSDC Directors filed in the High Court of Australia an application for special leave to appeal against the judgement of the Court of Appeal of the Supreme Court of Queensland given on June 30, 2020.

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.

17. SUBSEQUENT EVENTS

a) Shared Based Compensation

Since the year end and up to the date of signing this report, a total of 3,500,000 performance based options have been issued by the Company to EAS Advisor LLC and Investor Cubed Inc. Respectively, pursuant to the Company's Share Compensation Plan ("Plan"), the Company has also granted a total of 3,000,000 bonus shares (Bonus Shares) to directors, employees and consultants of the Company, with a deemed price on grant of A\$0.27 per share. The issue of the Bonus Shares, following grant, is subject to 6 months voluntary escrow from August 7, 2020.

b) Appointment of EAS advisors

On January 21, 2020, the Company appointed EAS Advisors as its corporate advisor to assist in the financing strategy for its Lake Giles Iron Project. In connection with the engagement, EAS will be paid a monthly cash retainer of USD 10,000 per month for 8 months. Additionally, to incentivise EAS to assist in the growth of the Company:

- i) EAS received a total of 2,000,000 performance based options issued on May 28, 2020 granted as follows: 1) 500,000 options exercise price A\$0.16 per fully paid ordinary share expiring June 30, 2020. 2) 500,000 options exercise price A\$0.34 per fully paid ordinary share. 3) 500,000 options exercise price A\$0.36 per fully paid ordinary share. 4) 500,000 options exercise price A\$0.38 per fully paid ordinary share. The performance based options were issued in compliance with the Company's Share Compensation Plan and the last three tranches of options will be exercisable at any time until June 30, 2022.
- ii) A component of its retainer will also include a monthly equity payment equivalent to USD\$5,000 of ordinary shares in the Company trading on TSX-V, settled quarterly (calculated based on the 5 day VWAP preceding the last trading day of each month); Depending upon the structure of the financing for the Lake Giles Iron Project, EAS will receive a Fee comprising: i) a Debt Financing Completion Fee equal to 3% of the gross proceeds of debt raised or on debt linked securities; or ii) a Non-Debt Financing Completion Fee equal to 5% of gross proceeds raised for any non-debt related capital raising; or iii) an M&A Fee equal to 3% of the total enterprise value of any M&A transaction.

On June 3, 2020, 171,479 ordinary shares were issued to EAS Advisor settled as the first quarter equity payment.

c) Engagement of Canadian Investor Relations Group

Investor Cubed Inc. has been engaged to provide shareholder communication services effective from February 17, 2020. In connection with the engagement, Investor Cubed has been awarded a consulting contract of CAD\$2,500 per month for a term of three months.

On May 13, 2020, the Company entered into a superseded agreement with Investor Cubed. In connection with the engagement, Investor Cubed has been awarded a consulting contract of CAD\$5,000 per month for a further 12-month term and the right to purchase 1,500,000 options issued on May 28, 2020, granted as follows: 1) 500,000 Options exercise price C\$0.16 expiring June 30, 2022. 2) 500,000 Options exercise price C\$0.24 expiring June 30, 2022. 3) 500,000 Options exercise price C\$0.32 expiring June 30, 2022.

d) Engagement of Australian Investor Relations Group

The Company has engaged global strategic consultancy Advisir to manage Australian investor relations, media relations and marketing services for the Company. The engagement terms with Advisir are for a monthly fee.

17. SUBSEQUENT EVENTS (Cont'd)

e) Appointment of Northland Capital

To reinstate trading on OTCQB, Northland Capital Markets, a full-service investment bank headquartered in the U.S., is engaged to act as OTCQB Sponsor and Advisor to the Company on May 4, 2020. As part of the listing process, the application to reinstate trading has been considered by Financial Industry Regulatory Authority ("FINRA") successfully. The Company will update the market confirming the date for commencement of trading on OTCQB.

f) Proposal for Development of a Commercial Track Access Agreement

On July 16, 2020 the Company announced that it had received a proposal from Arc Infrastructure ("Arc") that provides an agreed pathway to develop a Commercial Track Access Agreement ("Proposal") for below rail capacity from the Company's Lake Giles Iron Project in the Yilgarn Region of south-western Western Australia to the Port of Esperance.

Under the Proposal, the parties have agreed to work together in good faith to negotiate and agree the terms of a Commercial Track Access Agreement ("CTAA") under which Arc would provide sufficient capacity on its Network to support the Macarthur task. The Proposal also includes indicative track access pricing based on an agreed set of operational parameters that would be incorporated into the CTAA.