



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

For the Nine months ended December 31, 2020

All amounts are in Australian dollars unless otherwise stated

Condensed Interim Consolidated Financial Statements – December 31, 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 February 25, 2021. 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	December 31, 2020	March 31, 2020
			\$
ASSETS			
Current			
Cash and cash equivalents		5,911,868	4,518,165
Receivables		142,446	90,898
Security deposits and prepayments		166,000	449,383
Total current assets		6,220,314	5,058,446
Non-Current			
Plant and equipment	4	52,797	63,729
Right of use asset		293,678	329,639
Investment in FE Ltd		1,066,667	266,667
Exploration and evaluation assets	5	66,850,344	66,218,216
Total non-current assets		68,263,486	66,878,251
Total assets		74,483,800	71,936,697
LIABILITIES			
Current			
Trade and other payables		283,451	905,660
Provisions		72,569	58,756
Lease liability		66,648	63,488
Warrant liability	6	8,654,085	899,565
Convertible Notes	13	-	8,134,049
Total current liabilities		9,076,753	10,061,518
Non-Current			
Provisions		32,317	27,518
Lease liability		249,518	283,412
Total non-current liabilities		281,835	310,930
Total liabilities		9,358,588	10,372,448
Net assets		65,125,212	61,564,249
SHAREHOLDERS' EQUITY			
Contributed equity	6	118,868,044	104,794,986
Reserves		5,861,109	4,648,952
Deficit		(59,603,941)	(47,879,689)
Total shareholders' equity		65,125,212	61,564,249

 Nature and continuance of operations (Note 1)
 Commitments (Note 5)

 Contingent liabilities (Note 14)
 Subsequent events (Note 15)

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)

	Three months ended December 31, 2020 \$	Three months ended December 31, 2019 \$	Nine months ended December 31, 2020 \$	Nine months ended December 31, 2019 \$
EXPENSES				
Depreciation (Note 4)	(3,955)	377	(10,932)	(10,789)
Amortisation – Right of use asset	-	(37,477)	(35,961)	(37,477)
Exploration expense	(59,539)	(10,308)	(105,360)	(10,308)
Investor relations	(42,016)	(31,096)	(120,020)	(41,823)
Office and general	(139,255)	(494,556)	(708,222)	(826,334)
Personnel fees	(440,080)	(988,661)	(2,191,195)	(1,500,514)
Professional fees	(176,271)	(346,251)	(521,784)	(717,522)
Rent	-	15,723	-	(40,569)
Share-based compensation	(453,339)	44,593	(948,107)	(600,754)
Share registry, filing and listing fees	(115,007)	(217,119)	(335,636)	(336,637)
Travel and accommodation	(11,262)	(54,423)	(14,384)	(96,240)
Total Administrative Expenses	(1,440,724)	(2,119,198)	(4,991,601)	(4,218,967)
REVENUE				
Interest Income	66	197	216	899
Other Income	14,058	(400,000)	104,263	100,000
Gain/(loss) on foreign exchange	(102,821)	(15,445)	917,389	132,887
Change in fair value of warrant liability	3,112,197	(2,363,891)	(7,754,519)	(471,409)
	3,023,500	(2,779,139)	(6,732,651)	(237,623)
Gain/(Loss) for the period	1,582,776	(4,898,337)	(11,724,252)	(4,456,590)
Other Comprehensive Income Items that will not be reclassified subsequently to profit or loss:				
Fair value gain/(loss) on Investment in FEL at fair value through other comprehensive income	426,667	(26,667)	800,000	(26,667)
Total comprehensive gain/(loss) for the period	2,009,443	(4,925,004)	(10,924,252)	(4,483,257)
Basic and diluted profit/(loss) per ordinary share	0.0144	(0.0170)	(0.0944)	(0.0170)
Basic and diluted weighted average number of ordinary shares outstanding	139,948,189	282,529,752	115,755,209	270,633,150

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

	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	-	-	(4,483,257)	-	(4,483,257)
Share-based payment transactions	-	-	81,595	319,269	400,864
Private placement	2,904,338	305,375	-	-	305,375
IPO (ASX)	20,032,952	5,008,237	-	-	5,008,237
Exercise of options and warrants	1,312,500*	313,376	-	-	313,376
Bonus shares issued	1,800,000	450,000	-	-	450,000
Share issuance costs	-	(1,057,084)	-	-	(1,057,084)
Balance at December 31, 2019	102,341,361	100,126,231	(48,185,830)	4,858,420	61,364,344
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 loss for the period	-	-	(11,724,252)	-	(11,724,252)
Share-based payment transactions	-	-	-	948,107	948,107
Other comprehensive income for the period	-	-	-	800,000	800,000
Shares in consideration for Consultancy fees	837,997	324,606	-	-	324,606
Shares in consideration for purchase of assets	1,702,997	250,000	-	-	250,000
Bonus Shares issued to Directors and employees	3,000,000	810,000	-	-	810,000
Convertible Notes conversion	15,248,936	6,856,723	-	-	6,856,723
Private placement	11,362,618	6,249,440	-	-	6,249,440
Exercise of options and warrants	525,000	85,731	-	-	85,731
Vested RSU's	2,937,500	535,950	-	(535,950)	-
Share issuance costs	-	(1,039,392)	-	-	(1,039,392)
Balance at December 31, 2020	138,001,409	118,868,044	(59,603,941)	5,861,109	65,125,212

(Expressed in Australian Dollars) (Unaudited)

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

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	Nine months ended December 31, 2020	Nine months ended December 31, 2019
		\$	\$
OPERATING ACTIVITIES			
Net loss for the period		(11,724,252)	(4,483,257)
<i>Items not involving cash:</i>			
Depreciation - PPE		10,932	10,789
Amortisation – Right of use asset		35,961	37,477
FX gain on Convertible note conversion		(1,277,260)	
Change in fair value of warrant liability		7,754,519	471,409
Share-based compensation		948,107	600,754
FV adjustment on financial instrument		-	26,667
Bonus shares issued to Directors and employees		810,000	-
Shares in consideration for Consultancy fees		45,156	
<i>Changes in assets and liabilities:</i>			
Accounts payable and accrued liabilities		(372,210)	202,172
Security deposits and prepayments		283,213	(592,963)
Receivables		(51,442)	(1,752,477)
Employee provisions		18,612	-
Net Cash used in Operating Activities		(3,518,664)	(5,479,429)
INVESTING ACTIVITIES			
Government recoveries		-	40,543
Plant & Equipment purchases		-	(64,188)
Deferred exploration expenditures		(632,128)	(2,526,959)
Investment – FE Ltd		-	(400,000)
Net Cash used in Investing Activities		(632,128)	(2,950,604)
FINANCING ACTIVITIES			
Proceeds from issuance of shares/exercise of options & warrants		85,731	5,877,100
Proceeds from private placement		6,249,440	-
Convertible Notes Liability		-	8,739,814
Share issue and placement costs		(759,942)	(1,057,084)
Lease liability		(30,734)	-
Net Cash provided by (used in) Financing Activities		5,544,495	13,559,830
Change in cash and cash equivalents during period		1,393,703	5,129,797
Cash and cash equivalents, beginning of period		4,518,165	318,028
Cash and cash equivalents, end of period		5,911,868	5,447,825
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 NINE MONTHS ENDED DECEMBER 31, 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), 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 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 December 31, 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 February 25, 2021.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 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
Nine months ended December 31, 2020				
Opening net book value	1,166	10,826	51,737	63,729
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
Depreciation charge	(455)	(3,661)	(6,816)	(10,932)
Closing net book amount	711	7,165	44,921	52,797
At December 31, 2020				
Cost or fair value	655,381	402,861	59,325	1,117,567
Accumulated depreciation	(654,670)	(395,696)	(14,404)	(1,064,770)
Net book amount	711	7,165	44,921	52,797

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 December 31, 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 \$632,128 was capitalised during the period ended December 31, 2020, as per table below.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 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	-	41,801	41,801
Environmental surveys	-	8,210	8,210
Other	-	28,716	28,716
Personnel and Contractors	-	175,685	175,685
Rent and rates	-	138,142	138,142
Research and reports	-	201,189	201,189
Sampling and testing	-	1,755	1,755
Tenement management and outlays	-	18,504	18,504
Travel	-	4,037	4,037
Vehicle hire	-	14,089	14,089
	-	632,128	632,128
Balance as at December 31, 2020	4,010,636	62,839,708	66,850,344

All capitalised exploration costs represent costs incurred during the exploration and evaluation phase.
\$470,795 relates to the Lithium project.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 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:

	December 31, 2020	March 31, 2020
	\$	\$
Not later than one year	1,228,680	904,403
Later than one year but not later than five years	3,913,330	3,580,724
	5,142,010	4,485,127

For the next twelve months, 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:

	December 31, 2020	March 31, 2020
	\$	\$
Not later than one year	791,680	286,503
Later than one year but not later than five years	3,913,330	3,580,724
	4,705,010	3,867,227

The Company entered into an option agreement (as replaced by the New Option Agreement dated August 28, 2019) with FEL for its lithium and gold tenements in the Pilbara region of Western Australia. On September 15, 2020 FEL elected not to earn-in on the 25% Stage 1 Interest ("Stage 1 Interest") in Macarthur Lithium Pty Ltd's ("MLi") gold and lithium tenements in the Pilbara region of Western Australia, pursuant to the New Option Agreement. Following FEL's decision, the New Option Agreement was terminated and the parties finalised arrangements for the orderly close-out of the joint venture, with effect from September 15, 2020. Macarthur (through MLi) now retains 100% of the Tenements.

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 and 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.

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 ordinary share for four (4) pre-consolidation ordinary 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).

Private Placement

On October 22, 2020, the Company announced¹ that it had closed a private placement ("Private Placement") of AUD \$6,249,440 with sophisticated and institutional investors with subscriptions totalling 11,362,618 Units.

Each placement unit ("Unit") is comprised of one Ordinary Share at a price of AUD \$0.55 and one attaching option to acquire one fully paid ordinary share in the Company (each, an "Option") at an exercise price of AUD \$0.90, with an expiry date 24 months from the date of issuance.

Following exchange final approvals and acceptance:

- The Placement securities being 11,362,618 New Shares and 5,137,382 Options were issued on October 26, 2020.
- The balance of 6,225,236 Options were issued on November 2, 2020, following receipt of shareholders' approval at the Company's Annual General Meeting on October 30, 2020 in accordance with ASX listing rule requirements relating to future placement capacity.

The net proceeds from the Offering will be used for working capital purposes.

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

	December 31, 2020	March 31, 2020
Issued and fully paid ordinary shares:	\$ 118,868,044	\$ 104,794,986
Number of shares on issue:	138,001,409	102,386,361

¹ Refer to the Company's news release dated October 22, 2020

6. CONTRIBUTED EQUITY (cont'd)

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 ordinary 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 (pre consolidation) ordinary shares.

On October 30, 2020 in the Company's Annual General Meeting, the shareholders approved both Plans, in replacement of the previous Plans, as well as the maximum number of ordinary shares of the Company that may be issued under the Plans was fixed at 20% of the number of ordinary shares of the Company issued and outstanding on September 30, 2020, being 125,599,345 ordinary shares.

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.

Share Options

During the nine-month period ended December 31, 2020, 3,500,000 Options were granted to employees and consultants, 1,520,000 options expired and 525,000 options exercised by employees and consultants. Since December 31, 2020 up to the date of this report, 1,000,000 options exercised and 500,000 options expired.

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

	Nine months ended December 31, 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	\$0.28 (CAD\$0.27)	500,000	\$0.34 (CAD\$0.31)
Expired	(1,520,000)	\$0.22 (CAD\$0.22)	(1,428,816)	\$0.27 (CAD\$0.24)
Forfeited	-	-	(250,000)	\$0.46 (CAD\$0.40)
Exercised	(525,000)	\$0.16 (CAD\$0.16)	(1,420,000)	\$0.24 (CAD\$0.21)
Outstanding, end of period	6,535,000	\$0.26 (CAD\$0.26)	5,080,000	\$0.25 (CAD\$0.22)
Options exercisable, end of period	6,535,000	\$0.26 (CAD\$0.26)	5,080,000	\$0.25 (CAD\$0.22)

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6. CONTRIBUTED EQUITY (cont'd)

Share options outstanding at December 31, 2020 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
1,000,000	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\$0.34	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 December 31, 2020 is CAD\$0.16 to CAD\$0.37.

The weighted average remaining contractual life for the share options as at December 31, 2020 is 1.43 years.

Restricted Share Units

During the nine-month period ended December 31, 2020, 2,937,500 RSU's vested, 1,000,000 RSU's were granted to Directors, and 1,738,971 RSU's expired. Since December 31, 2020 up to the date of this report, 2,282,500 RSUs granted and 50,000 RSUs expired.

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

	Nine months ended December 31, 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	1,000,000	\$0.33 (CAD\$0.32)	3,500,000	\$0.37 (CAD\$0.32)
Vested ^[1]	(2,937,500)	\$0.33 (CAD\$0.32)	(2,750,000)	\$0.37 (CAD\$0.32)
Expired	(1,738,971)	\$0.67 (CAD\$0.66)	(150,000)	\$0.65 (CAD\$0.56)
Outstanding, end of period	1,050,000	\$0.35 (CAD\$0.34)	4,726,471	\$0.52 (CAD\$0.45)

[1] The value of 2,937,500 RSU's that vested during the period was \$535,950.

RSUs outstanding at December 31, 2020 have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
50,000	CAD\$0.80	19 Feb 2021
1,000,000	CAD\$0.65	08 Dec 2023

The weighted average remaining contractual life for the RSUs as at December 31, 2020 is 2.8 years.

6. CONTRIBUTED EQUITY (cont'd)

Warrants

During the nine-month period ended December 31, 2020, no warrants were exercised.

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

	Nine months ended December 31, 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	\$0.53 (CAD\$0.52)	25,777,188	\$0.60 (CAD\$0.52)
Warrants exercisable, end of period	25,777,188	\$0.53 (CAD\$0.52)	25,777,188	\$0.60 (CAD\$0.52)

Warrant Liability

During the period ended December 31, 2020, no warrants were granted. Where the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (Australian dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of December 31, 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 Company recognised a loss of \$7,754,519 (December 31, 2019 – loss of \$471,409) from changes in the fair value of the warrant liability. The value of warrant liability as at December 31, 2020 is \$8,654,085. There are 21,675,913 warrants due to expire in the next 12 months. If they were to be exercised in accordance with the terms and conditions of the warrants, this would result in a cash inflow of up to CAD\$11,841,638.

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 December 31, 2020 period ended was \$0.15 (December 31, 2019 – \$0.14). Refer to Note 6 for details of options.

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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	
		December 31, 2020	December 31, 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.

Directors

The following persons were Directors of the Company during the period ending December 31, 2020.

Executive Directors

Cameron McCall, Executive Chairman (until November 30, 2020)

Joe Phillips, CEO and Director (until November 30, 2020) and Managing Director (as of December 1, 2020)

Non-Executive Directors

Cameron McCall, Chairman (as of December 1, 2020)

Alan Phillips, Non-Executive Director

Andrew Suckling, Non-Executive Director

Daniel Joseph Lanskey, Non-Executive Director

8. RELATED PARTY TRANSACTIONS (Cont'd)

Details of Remuneration

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

Period ending December 31, 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 ^[1]	Super-annuation	Retirement Benefits	Options/RSU s	Total
	\$	\$	\$	\$	\$	\$	\$	\$
C McCall	260,000	-	-	64,000	-	-	228,119	552,119
J Phillips	305,000	-	-	112,000	-	-	228,119	645,119
<i>Non-Executive Directors:</i>								
A Phillips	87,500	-	-	64,000	-	-	-	151,500
A Suckling	72,637	-	-	80,000	-	-	-	152,637
D Lanskey	52,497	-	-	64,000	-	-	-	116,497
Total	777,634	-	-	384,000	-	-	456,238	1,617,872

^[1] Non-monetary benefits consist of Bonus Shares issued to Directors and Employees during the period.

Remuneration accrued and payable to key management personnel as at December 31, 2020 was \$36,800.

Remuneration of each key management personnel of the Company for the period ended December 31, 2019 was as follows:

Period ending December 31, 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 ^[5]	Super-annuation	Retirement Benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$
C McCall	215,000	-	-	50,000	-	-	91,226	356,226
J Phillips	245,000	-	-	50,000	-	-	91,226	386,226
<i>Non-Executive Directors:</i>								
D Lenigas ^[1]	-	-	-	8,383	-	-	-	8,383
A S Phillips	78,258	-	-	50,000	-	-	91,226	219,484
E Evans ^[2]	37,209	-	-	-	-	-	91,226	128,435
A Suckling ^[3]	50,165	-	-	50,000	-	-	91,226	191,391
D Lanskey ^[4]	21,720	-	-	50,000	-	-	-	71,720
Total	647,352	-	-	258,383	-	-	456,130	1,361,865

^[1] On June 25, 2019 David Lenigas was issued 87,341 shares in lieu of Director Fees. David Lenigas resigned on May 22, 2019.

^[2] Earl Evans fees include Director Fees from February 5, 2019. Earl Evans resigned on September 20, 2019

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

^[4] Daniel Lanskey fees include Director Fees from September 20, 2019.

^[5] Bonus Shares were issued on December 19, 2019 to Cameron McCall, Joe Phillips, Alan Phillips, Andrew Suckling and Daniel Lanskey.

Remuneration accrued and payable to key management personnel as at December 31, 2019 was \$13,666.

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

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Cash paid during the period for interest	\$396,944	\$432,602*

** Interest paid during the period included interest to December 31, 2019 on Convertible Notes*

During the period ended December 31, 2020, the Company entered into the following non-cash transactions:

- a) Recorded \$93,568 in deferred exploration expenditures through accounts payable.

During the period ended December 31, 2019, the Company entered into the following non-cash transactions:

- b) Recorded \$474,033 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:

	December 31, 2020 \$	March 31, 2020 \$
Financial assets		
Cash and cash equivalents	5,911,868	4,518,165
Other receivables	142,446	356
Security Deposits	56,624	56,554
	6,110,938	4,575,075

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

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 \$
	December 31, 2020			March 31, 2020		
Cash and cash equivalents	4,700,638	2,390	1,208,841	2,403,889	58,826	2,055,450
Receivables	10,674	-	-	356	-	-
Security Deposits	56,624	-	-	56,554	-	-
	4,767,936	2,390	1,208,841	2,460,799	58,826	2,055,450
Trade and other payables	250,646	10,102	22,703	838,168	67,492	-
Employee Benefits	104,886	-	-	86,274	-	-
Warrant liability	-	8,654,085	-	-	899,565	-
Convertible Note liability	-	-	-	-	-	8,134,049
Lease liability	316,166	-	-	346,900	-	-
	671,698	8,664,187	22,703	1,271,342	967,057	8,134,049
Net exposure	4,096,238	8,661,797	1,186,138	1,189,457	(908,231)	(6,078,599)

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:

	December 31, 2020 \$	March 31, 2020 \$
Interest-bearing financial instruments		
Financial assets	5,968,492	4,574,719

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12. FINANCIAL INSTRUMENTS (cont'd)

Financial assets are comprised of:

	December 31, 2020	March 31, 2020
	\$	\$
Cash and cash equivalents	5,911,868	4,518,165
Security deposits	56,624	56,554
	<u>5,968,492</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
		\$	\$	\$	\$
December 31, 2020					
Interest-bearing instruments	financial	59,685	(59,685)	59,685	(59,685)
March 31, 2020					
Interest-bearing instruments	financial	45,747	(45,747)	45,747	(45,747)

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.

There were no changes in the Company's approach to capital management during the period ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

a) 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 December 31, 2020.

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

13. CAPITAL MANAGEMENT (cont'd)

b) Convertible Notes

During September 2020, all outstanding notes were converted into Company shares prior to their maturity. The security (for the Convertible Notes) held over the Company's Lake Giles iron ore tenements has been lifted as of December 18, 2020.

14. CONTINGENT LIABILITIES

a) Security Bonds

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

b) Supreme Court Proceedings

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

No steps have been taken in the New Proceedings by the plaintiff since January 22, 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.

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. On November 5, 2020, the High Court dismissed the application by the FSDC Directors for special leave to appeal against a previous decision of the Court of Appeal of the Supreme Court of Queensland.

The High Court's refusal to grant the Applicants special leave to appeal means that the longstanding proceedings (initiated in 2016) are now finally at an end. There is no further avenue of appeal available to the FSDC Directors.

15. SUBSEQUENT EVENTS

a) Equity Finance Facility

In addition to the Private Placement, the Company has executed an AUD \$20 million standby equity finance facility secured under a Controlled Placement Agreement ("Equity Finance Facility") with L1 Capital Global Opportunities Master Fund ("L1"). The agreement entitles the Company to issue shares to L1 over 36 months under "Placement Notice(s)" at the Company's discretion, and to receive funds for the issue of those shares at the greater of 90% of: (i) the average daily VWAP over 30 Trading Days of the Company's Australian Securities Exchange (ASX) listed shares following delivery of a Placement Notice (Pricing Period); and (ii) the Minimum Acceptable Price nominated by the Company (provided that the discounted Minimum Acceptable Price cannot be lower than any minimum price required under the ASX Listing Rules or the TSX-V Listing Rules, and in any event not less than AUD \$0.20) ("Purchase Price"). The additional key terms of the Equity Finance Facility are described in the Company's News Release dated October 13, 2020².

² Refer to the Company's news release dated October 13, 2020

15 SUBSEQUENT EVENTS (cont'd)

Engagement of CST Capital Pty Ltd

Pursuant to a Services Agreement between CST Capital Pty Ltd ("CST") and the Company dated October 12, 2020, subject to successful completion of establishment of the Equity Finance Facility and receipt of any required exchange and shareholders' approval, a fee of USD \$250,000 ("Fee") was paid to CST.

In addition to the Fee and following receipt of shareholders' approval at the Company's Annual General Meeting on October 30, 2020, 1.5 million unlisted Options for the issue of ordinary shares in the Company on ASX at an exercise price of AUD \$0.75 per Option and expiring on November 11, 2022 were issued to CST on November 11, 2020.

Appointment of EAS advisors

On June 3, 2020, 171,479 ordinary shares were issued to EAS Advisors settled as the first quarter equity payment, in connection with EAS engagement as corporate advisor on January 21, 2020.

EAS Advisors LLC through Odeon Capital Group LLC ("Odeon") acted as financial adviser for the Private Placement. Pursuant to a Consulting and Advisory Agreement between Odeon and the Company dated October 9, 2020, Odeon received an Equity Placement Financing Completion Fee equal to AUD \$374,966.40 resulting in the Company receiving net proceeds from the Private placement of AUD \$5,874,473.60.

EAS Advisors, LLC, through Odeon and CST Capital Pty Ltd also acted as joint advisers for arranging the Controlled Placement Agreement. Pursuant to the Consulting and Advisory Agreement between Odeon and the Company dated October 9, 2020, Odeon received the following remuneration:

- a cash fee of AUD \$100,000 on October 31, 2020 and the remaining balance of AUD \$100,000 payable by November 30, 2020; and
- 233,076 ASX listed ordinary shares of the Company issued on November 12, 2020 subject to a voluntary 4 month hold period from the date of issue, for a value equal to USD \$100,000 and the balance of 281,370 ASX listed ordinary shares for a value equal to USD \$100,000 issued on December 9, 2020 also subject to a voluntary 4 month hold period from the date of issue.

15 SUBSEQUENT EVENTS (cont'd)

b) Memorandum of Understanding with Southern Ports Authority

On January 29, 2021, the Company signed a Memorandum of Understanding ("MOU") with Southern Ports Authority ("SPA") which provides a pathway for agreeing a potential access and operating solution for the export of Macarthur's high grade magnetite iron ore product via the Port of Esperance ("Port").

The MOU is non-binding but it does establish a clear pathway for i) the design of a 300,000 tonne storage shed ("shed") by Macarthur, ii) the design of a new rail car unloading solution at the Port by Macarthur (presently proposed to be an Australian-first Helix rail car unloading solution and associated tube conveyor) ("Helix Dumper"), iii) the approval of the shed and Helix Dumper designs by SPA and iv) the identification of suitable land by SPA for the construction of the shed and Helix Dumper within the Port. A conceptual engineering design report was completed by RCR Mining Technologies Pty Ltd in 2020, for the proposed Helix Dumper and, subject to mutually satisfactory engineering design and approval processes for the shed and Helix Dumper being completed (and suitable land being identified by SPA for their construction), the parties intend to commence good faith negotiations on the terms of binding commercial agreements which will be necessary for Macarthur to i) construct, operate and maintain the shed and Helix Dumper; and ii) to access the Berth 3 ship loader at the Port.

Any binding commercial agreements in relation to the shed, Helix Dumper and ship loader access will be conditional upon agreed milestones being met by Macarthur (including financing for its Lake Giles Iron Project).

c) Appointment of consultants

On February 16, 2021, the Company announced that it has appointed the following leading consultants to enhance the delivery of the Feasibility Study for the high-grade magnetite, Lake Giles Iron Project in Western Australia:

- **Study Management:** Optimize Group ("Optimize") appointed to provide study management services and to assist in the preparation of the final Feasibility Study Reports.
- **Transport Logistics:** Projectus Infrastructure ("Projectus") appointed to provide transport infrastructure (rail and port) optimisation support for the delivery of the Feasibility Study.
- **Economic Modelling:** FTI Consulting ("FTI") appointed to provide economic and financial modelling services for the Feasibility Study.

d) Warrants

The extension of the expiry date of 7,928,183 post consolidation common share purchase warrants that were issued as part of the Rights Offering completed by the Company in December 2017 was approved by the TSX-V for extension to 15 December 2021.

e) 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 3,282,500 Restricted Share Units (RSUs) and 3,000,000 bonus shares (Bonus Shares) to directors, employees and consultants of the Company. Following grant, the Bonus Shares were subject to 6 months voluntary escrow from August 7, 2020 and released from escrow on February 8, 2021.