



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

For the Nine months ended December 31, 2018

All amounts are in Australian dollars unless otherwise stated

Condensed Interim Consolidated Financial Statements – December 31, 2018

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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 March 1, 2019. 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 STATEMENTS OF FINANCIAL POSITION
(Expressed in Australian Dollars)
(Unaudited)
AS AT

	December 31, 2018	March 31, 2018
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	619,899	1,370,288
Receivables	58,717	79,908
Security deposits and prepayments	66,500	66,500
Total current assets	745,116	1,516,696
Non-Current		
Plant and equipment (Note 4)	23,619	48,873
Exploration and evaluation assets (Note 5)	6,977,594	6,204,026
Total non-current assets	7,001,213	6,252,899
Total assets	7,746,329	7,769,595
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	207,828	443,762
Employee benefits	51,750	36,488
Warrant liability (Note 6)	146,486	146,486
Total current liabilities	406,064	626,736
Non-Current		
Accounts payable and accrued liabilities	-	-
Employee benefits	34,639	13,786
Total non-current liabilities	34,639	13,786
Total liabilities	440,703	640,522
Shareholders' equity		
Contributed equity (Note 6)	99,345,873	97,905,030
Reserves	4,144,274	4,125,426
Deficit	(96,184,522)	(94,901,383)
Total shareholders' equity	7,305,625	7,129,073
Non-controlling interests Contributed Equity	-	-
Total shareholders' equity	7,305,625	7,129,073
Total liabilities and shareholders' equity	7,746,328	7,769,595

Nature and continuance of operations (Note 1)
Commitments (Note 14)

Contingent liabilities (Note 15)
Subsequent events (Note 16)

On behalf of the Board of Directors:

" Cameron McCall " Director "David Lenigas" Director

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

MACARTHUR MINERALS LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Australian Dollars)

(Unaudited)

	Three months ended December 31, 2018 \$	Three months ended December 31, 2017 \$	Nine months ended December 31, 2018 \$	Nine months ended December 31, 2017 \$
EXPENSES				
Depreciation (Note 4)	(15,801)	(6,389)	(25,254)	(19,166)
Investor relations	-	(36,728)	-	(43,947)
Office and general	13,514	(216,796)	(232,856)	(527,511)
Personnel fees	(169,024)	(462,248)	(496,498)	(874,064)
Professional fees	(68,302)	(57,144)	(304,841)	(457,164)
Rent	(19,135)	(16,406)	(73,002)	(97,248)
Share-based compensation	(18,848)	-	(18,848)	-
Share registry, filing and listing fees	(25,644)	(33,912)	(76,477)	(81,525)
Travel and accommodation	(53,096)	(48,818)	(100,362)	(106,692)
Total Administrative Expenses	(356,336)	(878,441)	(1,328,138)	(2,207,317)
REVENUE				
Interest Income	2,593	306	3,676	2,652
Other Income (Cost Order) (Note 15)	10,222	470,000	41,323	530,000
Gain on sale of asset	-	-	-	-
Change in fair value of warrant liability	-	-	-	508,463
Net loss and comprehensive loss for the period	(343,521)	(408,135)	(1,283,139)	(1,166,202)
Basic and diluted loss per ordinary share	(0.002)	(0.003)	(0.006)	(0.007)
Basic and diluted weighted average number of ordinary shares outstanding	209,269,151	161,964,092	200,261,627	173,863,571

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

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

(Expressed in Australian Dollars) (Unaudited)

	Number of Shares #	Contributed Equity \$	Deficit \$	Reserves \$	Non-Controlling Interests \$	Total Equity \$
Balance at April 1, 2017	139,800,973	92,199,295	(91,463,263)	4,013,363	1,418,954	6,168,349
Net loss for the period	-	-	(1,215,341)	-	49,086	(1,166,255)
Share-based payment transactions	-	-	-	-	-	-
Private placement	41,975,407	2,115,819	-	-	(1,468,040)	647,779
Rights Offering	31,712,730	1,945,576	-	-	-	1,945,576
-Exercise of options and warrants	14,443,298	796,871	-	-	-	796,871
Purchase of Assets in consideration for shares	1,000,000	71,309	-	-	-	71,309
Bonus Shares to Executives	2,352,942	205,320	-	-	-	205,320
Share issuance costs	-	(96,542)	-	-	-	(96,542)
Balance at December 31, 2017	231,285,350	97,237,648	(92,678,604)	4,013,363	-	8,572,407
Balance at April 1, 2017	139,800,973	92,199,295	(91,463,263)	4,013,363	1,418,954	6,168,349
Net loss for the year	-	-	(3,389,034)	-	-	(3,389,034)
Share-based payment transactions	-	-	-	112,063	-	112,063
Derecognition of non-controlling interests	-	-	(49,086)	-	(1,418,954)	(1,468,040)
Private placement	41,975,407	2,116,829	-	-	-	2,116,829
Rights Offering	31,712,730	1,945,576	-	-	-	1,945,576
Exercise of warrants	22,892,317	1,307,678	-	-	-	1,307,678
Shares issued for exploration and evaluation	2,067,045	136,226	-	-	-	136,226
Bonus Shares to Executives	3,852,942	295,968	-	-	-	295,968
Share issuance costs	-	(96,542)	-	-	-	(96,542)
Balance at March 31, 2018	242,301,414	97,905,030	(94,901,383)	4,125,426	-	7,129,073
Balance at April 1, 2018						
Net loss for the period	-	-	(1,283,139)	-	-	(1,283,139)
Share-based payment transactions	-	-	-	18,848	-	18,848
Private placement	54,990,920	1,447,776	-	-	-	1,447,776
Exercise of options and warrants	-	-	-	-	-	-
Share issuance costs	-	(6,933)	-	-	-	(6,933)
Balance at December 31, 2018	297,292,334	99,345,873	(96,184,522)	4,144,274	-	7,305,625

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)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(1,283,139)	(1,166,202)
<i>Items not involving cash:</i>		
Depreciation	25,254	19,166
Change in fair value of warrant liability (Note 6)	-	(508,463)
Share-based compensation	18,848	(508,463)
<i>Changes in non-cash working capital balances:</i>		
Accounts payable and accrued liabilities	(199,818)	(410,879)
Security deposits and prepayments	-	161,163
Receivables	19,146	124,389
Net Cash used in Operating Activities	(1,419,709)	(1,780,826)
INVESTING ACTIVITIES		
Government recoveries	2,045	2,005
Investment – Stonewall project	-	(267,349)
Deferred exploration expenditures	(773,568)	(454,336)
Net Cash used in Investing Activities	(771,523)	(719,680)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/exercise of options & warrants	1,447,776	3,666,855
Share issue and placement costs	(6,933)	(96,542)
Net Cash provided by (used in) Financing Activities	1,440,843	3,570,313
Change in cash and cash equivalents during period	(750,389)	1,069,807
Cash and cash equivalents, beginning of period	1,370,288	807,230
Cash and cash equivalents, end of period	619,899	1,877,037

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 SIX MONTHS ENDED DECEMBER 31, 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals is an Australian public company listed in Canada on the TSX Venture Exchange (“TSX-V”) (symbol: MMS). Macarthur Minerals has significant gold, lithium, nickel, cobalt and iron ore exploration interests in Australia. Macarthur Minerals has three iron ore projects in Western Australia; the Ularring hematite project, the Moonshine magnetite project and the Treppo Grande iron ore project. In addition, Macarthur Minerals has significant lithium brine interests in the Railroad Valley, Nevada, USA.

As at December 31, 2018, the Company has the following subsidiaries:

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

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

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

These condensed interim consolidated financial statements (“interim financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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. These condensed interim financial statements follow the same accounting policies and methods of computation as the Company’s audited consolidated financial statements for the year ended March 31, 2018.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2018.

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on March 1, 2019.

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.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 2 (g) to the audited financial statements for the year ended March 31, 2018, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

4. PLANT AND EQUIPMENT

	Plant & Equipment	Office Equipment	Total
	\$	\$	\$
Year ended March 31, 2018			
Opening net book value	57,232	21,972	79,204
Additions	1,811	1,810	3,621
Disposals	-	-	-
Depreciation charge	(28,992)	(4,960)	(33,952)
Closing net book amount	<u>30,051</u>	<u>18,822</u>	<u>48,873</u>
At March 31, 2018			
Cost or fair value	656,028	395,167	1,051,195
Accumulated depreciation	(625,977)	(376,345)	(1,002,322)
Net book amount	<u>30,051</u>	<u>18,822</u>	<u>48,873</u>
Nine months ended December 31, 2018			
Opening net book value	30,051	18,822	48,873
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
Depreciation charge	(17,800)	(7,454)	(25,254)
Closing net book amount	<u>12,251</u>	<u>11,368</u>	<u>23,619</u>
At December 31, 2018			
Cost or fair value	649,043	394,665	1,043,708
Accumulated depreciation	(636,792)	(383,297)	(1,020,089)
Net book amount	<u>12,251</u>	<u>11,368</u>	<u>23,619</u>

MACARTHUR MINERALS LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

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.

Macarthur Australia Limited, a wholly owned subsidiary of Macarthur, owns 100% of Macarthur Iron Ore Pty Ltd ("MIO") and Macarthur Lithium Pty Ltd ("MLi") which hold assets which include the iron ore/nickel/cobalt projects and lithium/gold exploration projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds a lithium exploration project in Nevada, USA.

The carrying value of the exploration and evaluation assets relates to the Lake Giles Project and Lithium projects.

Recoverable value of the Lake Giles Iron Ore Projects is difficult to determine given current global conditions, in particular the fluctuating outlook in demand and price for iron ore. The operational status of these projects was assessed in the prior year, along with the carrying value, resulting in an impairment charge and write-down to estimated recoverable value of \$6,000,000.

During the year ended March 31, 2018, global market conditions improved, however given ongoing uncertainty, carrying value has been maintained at \$6,000,000. The value of Exploration and Evaluation assets will continue to be assessed on an annual basis.

As at December 31, 2018 the balance of exploration and evaluation expenditure on the Lake Giles and Pilbara Projects totalled \$6,919,507. This amount included \$263,626 incurred during the nine months to December 31, 2018 on the Pilbara Projects, and \$58,087 incurred during the nine months to December 31, 2018 on the Nevada Project.

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, 2017	3,834,051	2,165,949	6,000,000
Accommodation and camp maintenance	-	166,388	166,388
Drilling	-	14,676	14,676
Environmental Surveys	-	1,129	1,129
Other	-	7,104	7,104
Personnel and Contractors	-	156,871	156,871
Rent and rates	-	212,038	212,038
Research and reports	-	139,497	139,497
Sampling and testing	-	60,636	60,636
Tenement management and outlays	178,590	12,290	190,880
Travel	-	16,286	16,286
Vehicle hire	-	18,387	18,387
Government Recoveries	(2,005)	-	(2,005)
E&E expensed	-	(777,861)	(777,861)
	176,585	27,441	204,026
Balance as at March 31, 2018	4,010,636	2,193,390	6,204,026
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Incurred during the period			
Accommodation and camp maintenance	-	13,717	13,717
Environmental Surveys	-	-	-
Drilling	-	78,494	78,494
Other	-	2,664	2,664
Personnel and Contractors	-	127,470	127,470
Rent and rates	-	152,512	152,512
Research and reports	-	327,396	327,396
Sampling and testing	-	31,550	31,550
Tenement management and outlays	-	21,282	21,282
Travel	-	7,639	7,639
Vehicle hire	-	12,889	12,889
Government Recoveries	-	(2,045)	(2,045)
	-	773,568	773,568
Balance as at December 31, 2018	4,010,636	2,966,958	6,977,594

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

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, 2018 \$	March 31, 2018 \$
Not later than one year	1,256,198	1,190,963
Later than one year but not later than five years	5,562,057	4,475,235
	<u>6,818,255</u>	<u>5,666,198</u>

For the financial year ending March 31, 2019, the Company may apply for exemptions against expenditure in relation to those Lake Giles Iron Ore tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption 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 capitalized (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, 2018 \$	March 31, 2018 \$
Not later than one year	422,398	720,255
Later than one year but not later than five years	5,562,057	4,475,235
	<u>5,984,455</u>	<u>5,195,491</u>

6. CONTRIBUTED EQUITY

Ordinary Shares

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

	December 31, 2018	March 31, 2018
Issued and fully paid ordinary shares:	\$ 99,345,874	\$ 97,905,030
Number of shares on issue:	297,292,334	242,301,414

6. CONTRIBUTED EQUITY (cont'd)

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

Share Compensation Plans

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

Share Options

During the nine month period ended December 31, 2018, 5,900,000 options expired and 2,620,000 options were granted to consultants and employees.

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, 2018		Year ended March 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	27,707,009	\$0.06 (CAD\$0.06)	19,907,009	\$0.06 (CAD\$0.06)
Granted	2,620,000	\$0.05 (CAD\$0.05)	8,300,000	\$0.06 (CAD\$0.06)
Forfeited	-	-	-	-
Expired	(5,900,000)	\$0.06 (CAD\$0.06)	-	-
Exercised	-	-	(500,000)	\$0.10 (CAD\$0.10)
Outstanding, end of period	24,427,009	\$0.06 (CAD\$0.06)	27,707,009	\$0.06 (CAD\$0.06)
Options exercisable, end of period	24,427,009	\$0.06 (CAD\$0.06)	27,707,009	\$0.06 (CAD\$0.06)

MACARTHUR MINERALS LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian Dollars)
(Unaudited)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

6. CONTRIBUTED EQUITY (cont'd)

Share Options (cont'd)

Share options outstanding at December 31, 2018 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
1,330,000	CAD\$ 0.050	13 Apr 2019
3,540,000	CAD\$ 0.0525	10 Jul 2019
12,637,009	CAD\$ 0.060	21 Sep 2019
4,300,000	CAD\$0.055	19 Feb 2021
2,620,000	CAD\$0.050	3 Dec 2021

The range of exercise prices for options outstanding at December 31, 2018 is CAD\$0.05 to CAD\$0.06.

The weighted average remaining contractual life for the share options as at December 31, 2018 is 1.16 years.

Restricted Share Units

During the nine month period ended December 31, 2018, 8,500,000 warrants were issued to consultants and employees. No RSUs were vested or expired.

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

	Nine months ended December 31, 2018		Year ended March 31, 2018	
	Number of RSUs	Weighted Average Exercise Price	Number of RSUs	Weighted Average Exercise Price
Outstanding, beginning of period	5,505,882	\$0.20 (CAD\$0.20)	-	-
Granted	8,500,000	\$0.08 (CAD\$0.08)	5,505,882	\$0.20 (CAD\$0.20)
Vested	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	14,005,882	\$0.13 (CAD\$0.13)	5,505,882	\$0.20 (CAD\$0.20)

RSUs outstanding at December 31, 2018 have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
4,705,882	CAD\$0.20	27 Nov 2020
800,000	CAD\$0.20	19 Feb 2021
8,500,000	CAD\$0.08	03 Dec 2021

During the period ended December 31, 2018 a total of \$Nil (2017: \$Nil) was recognised to profit and loss as share based compensation from RSUs. An annual review of the RSU valuation along with any subsequent adjustments will be made at year end (31 March 2019).

MACARTHUR MINERALS LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian Dollars)
(Unaudited)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

The weighted average remaining contractual life for the RSUs as at December 31, 2018 is 2.54 years.

6. CONTRIBUTED EQUITY (cont'd)

Warrants

During the nine month period ended December 31, 2018 14,252,400 warrants were issued, as part of the Private Placement.

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

	Nine months ended December 31, 2018		Year ended March 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	31,712,730	\$0.20 (CAD\$0.20)	7,500,000	\$0.05 (CAD\$0.05)
Granted	14,252,400	\$0.11 (CAD\$0.10)	72,858,027	\$0.12 (CAD\$0.12)
Forfeited	-	-	-	-
Expired	-	-	(25,752,980)	\$0.06 (CAD\$0.06)
Exercised	-	-	(22,892,317)	\$0.06 (CAD\$0.06)
Outstanding, end of period	45,965,130	\$0.16 (CAD\$0.15)	31,712,730	\$0.20 (CAD\$0.20)
Warrants exercisable, end of period	45,965,130	\$0.16 (CAD\$0.15)	31,712,730	\$0.20 (CAD\$0.20)

Warrant Liability

During the year ended March 31, 2018, equity offerings were completed whereby 72,858,027 warrants were issued with exercise prices denominated in Canadian dollars (March 31, 2017 – 15,000,000). 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 Comprehensive Income. The warrant derivative liability is classified as level 2 in the fair value hierarchy. The value of the warrant liability as at March 31, 2018 was \$146,486. As of December 31, 2018, the Company had 45,965,130 (2017 – 65,914,729) warrants outstanding, which are classified and accounted for as a financial liability. An annual review of the Warrant liability valuation along with any subsequent adjustments will be made at year end (March 31, 2019).

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 statement of loss and comprehensive 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, 2018 period ended was \$0.0072 (December 31, 2017 - nil), resulting in a \$18,848 share-based compensation charge to the statement of loss and comprehensive loss (December 31, 2017 - nil). Refer to Note 6 for details of options.

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7. SHARE BASED COMPENSATION (Cont'd)

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

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
	<i>Weighted average</i>	<i>Weighted average</i>
Share price	CAD \$0.025	CAD \$0.060
Exercise price	CAD \$0.050	CAD \$0.060
Risk-free interest rate	2.03%	0.55%
Expected life of options	3 years	3 years
Annualized volatility	182.99%	69.75%
Dividend rate	0%	0%

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

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, 2018	December 31, 2017
Esperance Iron Ore Export Company Pty Ltd	Australia	100	100
Macarthur Australia Limited	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	^
Macarthur Lithium Pty Ltd	Australia	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^

^100% ownership transferred in the year ended March 31, 2017 to Macarthur Australia Limited.

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.

During the year ended 31 March, 2017, the Company incorporated Macarthur Australia Limited and undertook a group restructure. Macarthur Australia also raised capital totaling \$1,468,040, direct from investors, and undertook an Initial Public Offering ("IPO") on the Australian Securities Exchange.

During the year end March 31, 2018, the IPO was withdrawn and costs of \$483,365 had been expensed and the Company bought back the interest to resume 100% ownership of Macarthur Australia. The buy-back was settled by way of issue of 30,019,864 shares in Macarthur Minerals at CAD\$0.05 per share.

8. RELATED PARTY TRANSACTIONS (Cont'd)

Key Management Personnel

The following persons were key management personnel of the Company during the period ending December 31, 2018.

Executive Directors

Cameron McCall, Executive Chairman
 Joe Phillips, CEO and Director

Non-Executive Directors

Alan Phillips, Non-Executive Director
 David Lenigas, Non-Executive Director
 Earl Evans, 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 December 31, 2018	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	Total
	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	
<i>Executive Directors</i>	\$	\$	\$	\$	\$	\$	\$	\$
C McCall	90,000	-	-	-	-	-	5,180	95,180
J Phillips	90,000	-	-	-	-	-	7,194	97,194
<i>Non-Executive Directors:</i>								
D Lenigas	45,000	-	-	-	-	-	-	45,000
A S Phillips	60,000	-	-	-	-	-	-	60,000
E Evans	-	-	-	-	-	-	-	-
Total	285,000	-	-	-	-	-	12,373	297,373

Remuneration accrued and payable to key management personnel as at December 31, 2018 was \$45,333.

Remuneration of each key management personnel of the Company for the period ended December 31, 2017 was as follows:

Period ending December 31, 2017	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	Total
	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	
<i>Executive Directors</i>	\$	\$	\$	\$	\$	\$	\$	\$
D Taplin ^[1]	150,000	-	-	-	-	-	-	150,000
J Phillips	30,000	-	-	102,660	-	-	-	132,660
C McCall	68,280	-	-	102,660	-	-	-	170,940
<i>Non-Executive Directors:</i>								
D Lenigas	45,000	-	-	-	-	-	-	45,000
A S Phillips	60,000	-	-	-	-	-	-	60,000
Total	353,280	-	-	205,320	-	-	-	558,600

^[1] D Taplin resigned on 5 February 2018.

Remuneration accrued and payable to key management personnel as at December 31, 2017 was nil.

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.

Macarthur Australia and its wholly owned subsidiaries MIO and MLI left this group on February 27, 2017, when Macarthur Australia issued shares to certain seed investors and it ceased to be a wholly owned subsidiary of Macarthur Minerals.

A choice was made by Macarthur Australia to form a new Australian income tax consolidated group with MIO and MLI with effect on and after February 27, 2017.

As a result of the reacquisition of the interest held by the seed investors in Macarthur Australia Limited by Macarthur Minerals Limited, Macarthur Australia Limited and its wholly owned subsidiaries re-joined the Macarthur Minerals Limited income tax consolidated group on 24 August 2018.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Cash paid during the period for interest	\$7,301	\$6,222

During the period ended December 31, 2018, the Company entered into the following non-cash transactions:

- a) Recorded \$58,591 in deferred exploration expenditures through accounts payable.

During the period ended December 31, 2017, the Company entered into the following non-cash transactions:

- a) Recorded \$59,390 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, 2018	March 31, 2018
	\$	\$
Financial assets		
Cash and cash equivalents	619,899	1,370,288
Security Deposits	66,500	66,500
Receivables	58,717	79,908
	745,116	1,516,696

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

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

	December 31, 2018	March 31, 2018
	\$	\$
Australia	58,717	79,908
Canada	-	-
Total	58,717	79,908

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.

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	AUD	CAD
	December 31, 2018		March 31, 2018	
Cash and cash equivalents	617,479	2,420	1,368,790	1,498
Receivables	58,717	-	79,908	-
Security deposits	66,500	-	66,500	-
	742,696	2,420	1,515,198	1,498
Accounts payable and accrued liabilities	179,568	28,260	307,620	136,142
Employee Benefits	86,389	-	50,274	-
Warrant liability	-	146,486	-	146,486
	265,957	174,746	357,894	282,628
Net exposure	476,739	(172,326)	1,157,304	(281,130)

The following significant exchange rates applied during the period:

AUD	Average rate		Reporting date spot rate	
	December 31, 2018	March 31, 2018	December 31, 2018	March 31, 2018
Canadian dollar (CAD)	1.0417	1.0030	1.0399	1.0109

Sensitivity analysis

As at December 31, 2018, the Company's expenditures are in Australian dollars and Canadian dollars. As at December 31, 2018, the Company had cash of \$2,420 (March 31, 2018 – \$1,498) in a Canadian bank account and Canadian accounts payable, accrued liabilities and warrant liabilities of \$174,746 (March 31, 2018 – \$282,628). For each 10% change in the Australian dollar vs. Canadian dollar a \$17,920 gain/loss would arise (March 31, 2018 - \$27,599) on this balance of cash and accounts payable.

Interest rate risk

Profile

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

December 31, 2018	March 31, 2018
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	\$	\$
<i>Variable rate instruments</i>		
Financial assets	683,825	1,434,987

12. FINANCIAL INSTRUMENTS

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates 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 this period.

	Profit or loss		Equity	
	100 bp increase \$	100 bp decrease \$	100 bp increase \$	100 bp decrease \$
December 31, 2018	6,838	(6,838)	6,838	(6,838)
Variable rate instruments				
March 31, 2018				
Variable rate instruments	14,350	(14,350)	14,350	(14,350)

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, 2018. The Company is not subject to externally imposed capital requirements.

14. COMMITMENTS

	December 31, 2018 \$	December 31, 2017 \$
a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	80,201	62,500
Later than one year but not later than five years	155,017	-

Non-cancellable operating lease	<u>235,218</u>	<u>62,500</u>
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The Company entered into an office lease for its new Brisbane Office for 3 years commencing 1 November 2018.

14. COMMITMENTS

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 December 31, 2018.

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

15. CONTINGENT LIABILITIES

a) Security Bonds

The Company has a contingent liability bank guarantee issued of \$66,500 for office leasing arrangements in Brisbane and corporate credit cards. The Company entered into an office lease for its new Brisbane Office for 3 years commencing 1 November 2018. This has been included as a commitment in Note 14 for period end 31 December 2018.

b) Supreme Court Proceedings

LPD Holdings (Aust) Pty Ltd (“LPD”) and Mayson Associates Limited (“Mayson”) v. Macarthur and Ors. (“Initial Proceedings”) and LPD v. Macarthur and Ors. (“New Proceedings”)

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

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. (“FSDC Directors’ Claim”)

As previously reported, the FSDC Directors were ordered to pay costs in relation to the FSDC Directors’ Claim, which have been assessed for \$31,101 and received by the Company.

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

The Company and two of its officers may apply to the Supreme Court of Queensland to strike out the Second FSDC Directors’ Claim on 3 December 2018. The strike out application will be set down for hearing on March 13, 2019.

The Company considers the FSDC Directors’ Claim is without merit and will vigorously defend the Second FSDC Directors’ Claim.

16. SUBSEQUENT EVENTS

(i) Private Placements

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

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

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

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

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

On February 22, 2019 the Company announced a non-brokered private placement (the "Offering") of up to 8,750,000 units (each, a "Unit") at a price of CAD\$0.04 per Unit ("Unit Price") for aggregate gross proceeds of up to CAD\$350,000. The Unit Price is equal to the closing price of the Company's TSX Venture Exchange listed shares on February 18, 2019. Each Unit shall be comprised of one common share in the capital of the Company (each, a "Common Share").

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

(ii) Share Based Payments

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

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

(iii) Extension of Warrant Term

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

16. SUBSEQUENT EVENTS (Cont'd)

(iv) Engagement of Investor Relations Group

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

In connection with the engagement, Investor Cubed has been awarded a consulting contract of CAD\$2,500 per month for a term of twelve months. In addition, 1,000,000 options were granted to purchase shares of Macarthur at a price of CAD\$0.10 per share. The options will vest quarterly over a period of one year and governed by the provision of Macarthur's share compensation plan.

(v) OTCQB Listing

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