CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

For the Nine months ended December 31, 2019

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Condensed Interim Consolidated Financial Statements – December 31, 2019

Contents

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 27, 2020. The directors have the power to amend and reissue the financial report.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

(Unaudited)	**December 31, 2019**	March 31, 2019
	$	$
ASSETS		
Current		
Cash and cash equivalents	**5,447,825**	318,028
Receivables	**1,802,375**	49,898
Security deposits and prepayments	**648,713**	55,750
Total current assets	**7,898,913**	423,676
Non-Current		
Plant and equipment (Note 4)	**69,066**	15,667
Right of use asset (Note 14)	**381,020**	-
Investment in FE Ltd	**373,333**	-
Exploration and evaluation assets (Note 5)	**65,520,603**	62,993,644
Total non-current assets	**66,344,022**	63,009,311
Total assets	**74,242,935**	63,432,987
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**580,219**	364,667
Employee benefits	**82,695**	42,779
Warrant liability (Note 6)	**3,051,310**	2,579,901
Total current liabilities	**3,714,224**	2,987,347
Non-Current		
Accounts payable and accrued liabilities	**-**	-
Lease liability (Note 14)	**394,240**	-
Employee benefits	**30,313**	18,807
Convertible Notes (Note 14)	**8,739,814**	-
Total non-current liabilities	**9,164,367**	18,807
Total liabilities	**12,878,591**	3,006,154
Net assets	**61,364,344**	60,426,833
SHAREHOLDERS' EQUITY		
Contributed equity (Note 6)	**104,691,754**	99,671,850
Reserves	**4,858,420**	4,539,151
Deficit	**(48,185,830)**	(43,784,168)
Total shareholders' equity	**61,364,344**	60,426,833

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 ***"Andrew Suckling"*** Director

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

MACARTHUR MINERALS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS)
(Expressed in Australian Dollars)
(Unaudited)

	Three months ended December 31, 2019 $	Three months ended December 31, 2018 $	**Nine months ended December 31, 2019 $**	Nine months ended December 31, 2018 $
EXPENSES				
Depreciation (Note 4)	**377**	(15,801)	**(10,789)**	(25,254)
Depreciation – Right of use asset	**(37,477)**	-	**(37,477)**	-
Investor relations	**(31,096)**	-	**(41,823)**	-
Office and general	**(520,309)**	13,514	**(703,755)**	(232,856)
Personnel fees	**(988,661)**	(169,024)	**(1,500,514)**	(496,498)
Professional fees	**(346,251)**	(68,302)	**(717,522)**	(304,841)
Rent	**15,723**	(19,135)	**(40,569)**	(73,002)
Share-based compensation	**44,593**	(18,848)	**(600,754)**	(18,848)
Share registry, filing and listing fees	**(217,119)**	(25,644)	**(336,637)**	(76,477)
Travel and accommodation	**(54,423)**	(53,096)	**(96,240)**	(100,362)
Total Administrative Expenses	**(2,134,643)**	(356,336)	**(4,086,080)**	(1,328,138)
REVENUE				
Interest Income	**197**	2,593	**899**	3,676
Change in fair value of financial instrument	**(26,667)**	-	**(26,667)**	
Other Income	**(400,000)**	10,222	**100,000**	41,323
Gain on sale of asset	**-**	-	**-**	-
Change in fair value of warrant liability	**(2,363,891)**	-	**(471,409)**	-
Net profit/(loss) and comprehensive profit/(loss)for the period	**(4,925,004)**	(343,521)	**(4,483,257)**	(1,283,139)
Basic and diluted profit/(loss) per ordinary share	**(0.017)**	(0.002)	**(0.017)**	(0.006)
Basic and diluted weighted average number of ordinary shares outstanding	**282,529,752**	209,269,151	**270,633,150**	200,261,627

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

MACARTHUR MINERALS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Australian Dollars) (Unaudited)

	Number of Shares #	Contributed Equity $	Deficit $	Reserves $	Total Equity $
Balance at April 1, 2018	242,301,414	97,905,030	(94,901,383)	4,125,426	7,129,073
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
Rights Offering	-	-	-	-	-
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**
Balance at April 1, 2018	242,301,414	97,905,030	(94,901,383)	4,125,426	7,129,073
Net loss for the year	-	-	51,117,215	-	51,117,215
Share-based payment transactions	-	-	-	413,725	413,725
Private placement	62,634,870	1,761,718	-	-	1,761,718
Exercise of options	230,000	12,035	-	-	12,035
Share issuance costs	-	(6,933)	-	-	(6,933)
Balance at March 31, 2019	305,166,284	99,671,850	(43,784,168)	4,539,151	60,426,833
Balance at April 1, 2019	**76,291,571***	**99,671,850**	**(43,784,168)**	**4,539,151**	**60,426,833**
Net profit/(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**	**104,691,754**	**(48,185,830)**	**4,858,420**	**61,364,344**

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

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

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

	Nine months ended December 31, 2019	Nine months ended December 31, 2018
	$	$
OPERATING ACTIVITIES		
Net profit/(loss) for the period	**(4,483,257)**	(1,283,139)
Items not involving cash:		
Depreciation	**10,789**	25,254
Depreciation – Right of use asset	**37,477**	-
Change in fair value of warrant liability (Note 6)	**471,409**	-
Share-based compensation	**600,754**	18,848
FV adjustment on financial instrument	**26,667**	
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**202,172**	(199,818)
Security deposits and prepayments	**(592,963)**	-
Receivables	**(1,752,477)**	19,146
Net Cash used in Operating Activities	**(5,479,429)**	(1,419,709)
INVESTING ACTIVITIES		
Government recoveries	**40,543**	2,045
Plant & Equipment purchases	**(64,188)**	-
Deferred exploration expenditures	**(2,526,959)**	(773,568)
Investment – FE Ltd	**(400,000)**	-
Net Cash used in Investing Activities	**(2,950,604)**	(771,523)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/exercise of options & warrants	**5,877,100**	1,447,776
Non-cash adjustment (RSU's revaluation)	**-**	-
Convertible Notes Liability	**8,739,814**	-
Share issue and placement costs	**(1,057,084)**	(6,933)
Net Cash provided by (used in) Financing Activities	**13,559,830**	1,440,843
Change in cash and cash equivalents during period	**5,129,797**	(750,389)
Cash and cash equivalents, beginning of period	**318,028**	1,370,288
Cash and cash equivalents, end of period	**5,447,825**	619,899

Supplemental disclosures with respect to cash flows (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited (the "Company") is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS) and following a successful Initial Public Offering (IPO) to Retail and Institutional Investors, the Company achieved listing on the Australian Securities Exchange ("ASX") (symbol: MIO) on December 6, 2019. Macarthur Minerals has three iron ore projects in the Yilgarn region of Western Australia. The Company has also established multiple project areas in the Pilbara, Western Australia for conglomerate gold, hard rock greenstone gold and hard rock lithium. In addition, Macarthur Minerals has significant lithium brine interests in the Railroad Valley, Nevada, USA.

As at December 31, 2019, the Company has the following subsidiaries (who are collectively the "Group"):

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

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

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

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, 2019, together with any public announcements made during the following nine 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 27, 2020.

(Expressed in Australian Dollars)

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, 2019, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

4. PLANT AND EQUIPMENT

	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended March 31, 2019				
Opening net book value	30,051	-	18,822	48,873
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charge	(24,742)	-	(8,464)	(33,206)
Closing net book amount	5,309	-	10,358	15,667
At March 31, 2019				
Cost or fair value	656,028	-	395,167	1,051,195
Accumulated depreciation	(650,719)	-	(384,809)	(1,035,528)
Net book amount	5,309	-	10,358	15,667
Nine months ended December 31, 2019				
Opening net book value	**5,309**	**-**	**10,358**	**15,667**
Additions	**-**	**59,325**	**4,863**	**64,188**
Disposals	**-**	**-**	**-**	**-**
Transfers	**-**	**-**	**-**	**-**
Depreciation charge	**(4,145)**	**(2,679)**	**(3,965)**	**(10,789)**
Closing net book amount	**1,164**	**56,646**	**11,256**	**69,066**
At December 31, 2019				
Cost or fair value	**655,381**	**59,325**	**400,676**	**1,115,382**
Accumulated depreciation	**(654,217)**	**(2,679)**	**(389,420)**	**(1,046,316)**
Net book amount	**1,164**	**56,646**	**11,256**	**69,066**

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, 2019 the Company held 100% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiaries MIO and MLi hold assets which include the Iron Ore Projects and Lithium Exploration Projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds a Lithium Exploration Project in Nevada.

The carrying value of the exploration and evaluation assets relates to the Iron Ore and Lithium Projects.

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 $2,526,959 was capitalised during the period ended December 31, 2019, as per table below.

(Expressed in Australian Dollars)

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, 2018	**4,010,636**	**2,193,390**	**6,204,026**
Accommodation and camp maintenance	-	15,780	15,780
Drilling	-	78,754	78,754
Environmental Surveys	-	-	-
Other	-	27,501	27,501
Personnel and Contractors	-	164,388	164,388
Rent and rates	-	237,987	237,987
Research and reports	-	333,717	333,717
Sampling and testing	-	31,627	31,627
Tenement management and outlays	-	23,231	23,231
Travel	-	8,169	8,169
Vehicle hire	-	18,572	18,572
Government Recoveries	-	(2,045)	(2,045)
E&E impairment reversal	-	55,851,937	55,851,937
	-	56,789,618	56,789,618
Balance as at March 31, 2019	4,010,636	58,983,008	62,993,644

	Acquisition Costs $	**Deferred Exploration Costs** $	**Total** $
Incurred during the period			
Accommodation and camp maintenance	-	84,940	84,940
Environmental Surveys	-	2,275	2,275
Drilling	-	1,252,063	1,252,063
Other	-	289,734	289,734
Personnel and Contractors	-	315,460	315,460
Rent and rates	-	267,047	267,047
Research and reports	-	135,027	135,027
Sampling and testing	-	3,436	3,436
Tenement management and outlays	-	16,939	16,939
Travel	-	21,938	21,938
Vehicle hire	-	22,311	22,311
Government Recoveries	-	115,789	115,789
	-	**2,526,959**	**2,526,959**
Balance as At December 31, 2019	**4,010,636**	**61,509,967**	**65,520,603**

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

(Expressed in Australian Dollars)

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, 2019 $	March 31, 2019 $
Not later than one year	**882,545**	1,301,789
Later than one year but not later than five years	**3,493,294**	4,754,055
	4,375,839	6,055,844

For the financial year ending March 31, 2020, the Company may apply for exemptions against expenditure in relation to those tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption has and may be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted (which the Company believes is highly unlikely), the Company may have to impair/expense the value of the amount capitalised to exploration and evaluation assets for those tenements.

If exemptions being applied for are approved as outlined above, the obligations not provided for in the financial statements are payable at future dates as follows:

	December 31, 2019 $	March 31, 2019 $
Not later than one year	**385,245**	775,489
Later than one year but not later than five years	**3,493,294**	4,754,055
	3,878,539	5,529,544

On December 23, 2019 the Company entered into an agreement with Arrow Minerals Limited ("Arrow") to acquire mineral tenure for the development of site infrastructure at its Lake Giles Iron Project. Macarthur has acquired a substantial package of land covering approximately 4,950 ha adjacent to the Moonshine Magnetite deposit. The tenure will be used for constructing supporting infrastructure and it also paves the way forward to obtain access to tenure to construct a private haul road from the project through to the open access Perth to Kalgoorlie railway owned by Arc Infrastructure. In consideration for entering into the agreement, Macarthur required to pay Arrow $500,000, being $250,000 in cash, paid immediately, and issue $250,000 in shares in June 2020. The shares will be issued at a 20% discount to the 5-day VWAP prior to the issue.

(Expressed in Australian Dollars)

6. CONTRIBUTED EQUITY

Ordinary Shares

On November 20, 2019 the Company completed the consolidation of its share capital on the basis of one (1) post-consolidation common share for four (4) pre-consolidation common share (the "Consolidation Ratio") following approval of the consolidation by the TSX-V. The common shares of the Company commenced consolidated trading on TSX-V on November 20, 2019 (EST) at a price of C$0.24. Prior to implementing the consolidation, the Company had 322,033,625 common shares issued and outstanding, and immediately after implementing the consolidation, the Company had 80,508,409 common shares. No fractional shares were issued under the consolidation as fractional shares were rounded to the nearest whole number. The exercise price and the number of shares issuable under any of the Company's outstanding stock options, warrants, restricted share units and convertible notes, as applicable, have been proportionately adjusted in connection with the consolidation.

On December 4, 2019 the Company was admitted to the Official List of Australian Securities Exchange (ASX) and commenced quotation of its securities on the ASX on December 6, 2019 (ASX code: MIO). The Company successfully closed the Offer under its Replacement Prospectus on November 28, 2019 with subscriptions accepted for 20,032,952 shares at a price of A$0.25 per share for a total consideration of A$5,008,238.

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, 2019	March 31, 2019
Issued and fully paid ordinary shares:	**$ 104,691,754**	$ 99,671,850
Number of shares on issue:	**102,341,361**	305,166,284

Share Compensation Plans

The Company, in accordance with the Company's Employee and Consultant Share Compensation Plans ("Plans") and the policies of the TSX-V, is authorized to grant incentive stock options ("Options"), award equity restricted share units("RSU's"), or bonus shares or issue common shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 20% of issued and outstanding ordinary shares as at August 30, 2019, being 321,033,625 Common Shares. Both of the Plans were approved on August 30, 2019 by the shareholders and replace the Company's previous Plans.

The exercise price of the Options is fixed by the Board at no lesser than the discounted market price (as defined under the TSX-V Company Manual) of the shares on the grant date, subject to all applicable regulatory requirements. Options under the Plans can be granted for a maximum term of 5 years and may be subject to vesting criteria as determined by the Board.

The fair value of all issued Options is measured and expensed as share-based compensation at the grant date if they are fully vested upon granting, otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves. For further detail on the accounting treatment of share options refer to Note 2 accounting policies of the audited consolidated financial statements for the year ended March 31, 2019.

Bonus Shares

On December 19, 2019, pursuant to the Company's Share Compensation Plan ("Plan"), the Company granted a total of 1,800,000 bonus shares ("Bonus Shares") to directors, employees and consultants of the Company, with a deemed price on grant of A$0.25 per share.

(Expressed in Australian Dollars)

6. CONTRIBUTED EQUITY (cont'd)
Share Options

During the nine-month period ended December 31, 2019, 1,375,000 options were exercised by employees and Directors.

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

	Nine months ended December 31, 2019		Year ended March 31, 2019	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**7,678,816**	**$0.23 (CAD$0.22)**	27,707,009	$0.06 (CAD$0.06)
Granted	**500,000**	**$0.34 (CAD$0.31)**	13,620,000	$0.05 (CAD$0.06)
Expired	**(1,381,316)**	**$0.26 (CAD$0.24)**	(230,000)	$0.05 (CAD$0.05)
Forfeited	**(250,000)**	**$0.44(CAD$0.40)**	-	-
Exercised	**(1,375,000)**	**$0.23 (CAD$0.21)**	(10,381,746)	$0.06 (CAD$0.06)
Outstanding, end of period	**5,230,000**	**$0.24 (CAD$0.22)**	30,715,263	$0.06 (CAD$0.06)
Options exercisable, end of period	**5,230,000**	**$0.24 (CAD$0.22)**	30,715,263	$0.06 (CAD$0.06)

Share options outstanding at December 31, 2019 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
300,000	CAD$ 0.21	21 May 2020
700,000	CAD$ 0.24	21 May 2020
500,000	CAD$0.20	21 May 2020
50,000	CAD$0.22	10 January 2020
100,000	CAD$0.20	10 January 2020
1,025,000	CAD$0.22	19 Feb 2021
555,000	CAD$0.20	3 Dec 2021
1,500,000	CAD$0.20	24 Feb 2022
500,000	AUD$0.3125	6 December 2022

The range of exercise prices for options outstanding at December 31, 2019 is CAD$0.20 to CAD$0.26.

The weighted average remaining contractual life for the share options as at December 31, 2019 is 1.49 years.

Restricted Share Units

During the nine month period ended December 31, 2019, 2,750,000 RSU's vested. An additional 3,500,000 RSU's were granted during the period to employees and directors of the Company. During the nine month period ended December 31, 2019, 62,500 RSU's were forfeited/expired.

(Expressed in Australian Dollars)

6. CONTRIBUTED EQUITY (cont'd)

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

	Nine months ended December 31, 2019		Year ended March 31, 2019	
	Number of RSUs	**Weighted Average Exercise Price**	**Number of RSUs**	**Weighted Average Exercise Price**
Outstanding, beginning of period	**4,126,471**	**$0.51 (CAD$0.48)**	5,505,882	$0.20 (CAD$0.20)
Granted	**3,500,000**	**$0.35 (CAD$0.32)**	12,000,000	$0.08 (CAD$0.08)
Vested	**(2,750,000)**	**$0.35 (CAD$0.32)**	-	-
Expired	**(62,500)**	**$0.22 (CAD$0.20)**	(1,000,000)	$0.08 (CAD$0.08)
Outstanding, end of period	**4,813,971**	**$0.13 (CAD$0.11)**	16,505,882	$0.12 (CAD$0.13)

RSUs outstanding At December 31, 2019 have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
1,176,471	CAD$0.80	27 Nov 2020
137,500	CAD$0.80	19 Feb 2021
3,500,000	CAD$0.32	02 Sept 2022

During the period ended December 31,2019 a total of $307,301 (2018: $Nil) was recognised to profit and loss as Personnel costs from RSUs that vested during the period.

The weighted average remaining contractual life for the RSUs as at December 31, 2019 is 2.20 years.

Warrants

During the nine month period ended December 31, 2019, 70,000 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, 2019		Year ended March 31, 2019	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**21,745,913**	**$0.58 (CAD$0.55)**	31,712,730	$0.20 (CAD$0.20)
Granted	**4,101,275**	**$0.44 (CAD$0.40)**	55,270,920	$0.10 (CAD$0.10)
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Exercised	**(70,000)**	**$0.44 (CAD$0.40)**	-	-
Outstanding, end of period	**25,777,188**	**$0.57 (CAD$0.52)**	86,983,650	$0.14 (CAD$0.14)
Warrants exercisable, end of period	**25,777,188**	**$0.57 (CAD$0.52)**	86,983,650	$0.14 (CAD$0.14)

6. CONTRIBUTED EQUITY (cont'd)

Warrant Liability

During the period ended December 31, 2019, the Company granted 4,101,275 warrants (March 31, 2019 – 55,270,920) at price of $0.44 (CAD$0.40) per warrant, of which 1,071,900 warrants were issued in relation to Convertible Notes issued. 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 Condensed Interim Consolidated Statement of Profit and Loss and Other Comprehensive Income/(Loss). The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of December 31, 2019, the Company had 4,813,971 (March 31, 2019 – 86,983,650) warrants outstanding, which are classified and accounted for as a financial liability. During the period ended 31 December 2019 the Company recognised a Loss of $471,409 (March 31, 2019 – loss of $2,433,415) from changes in the fair value of the warrant liability. The value of warrant liability as at December 31, 2019 is $3,051,310 (March 31, 2019 - $2,579,901).

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, 2019 period ended was $0.14 (December 31, 2018 - nil). Refer to Note 6 for details of options.

8. RELATED PARTY TRANSACTIONS

Related party disclosure

The Condensed Interim Consolidated Financial Statements include the Financial Statements of Macarthur Minerals Limited and the subsidiaries listed in the following table. Balances and transactions between the Company and its wholly-owned subsidiaries have been eliminated on consolidation. Macarthur Minerals Limited is the ultimate parent for all entities.

Name	Country of Incorporation	% Equity Interest	
		December 31, 2019	December 31, 2018
Esperance Iron Ore Export Company Pty Ltd	Australia	100	100
Macarthur Australia Limited	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Lithium Pty Ltd	Australia	100	100
Macarthur Minerals NT Pty Ltd	Australia	100	100
Macarthur Tulshyan Pty Ltd	Australia	100	100
Macarthur Marble Bar Lithium Pty Ltd	Australia	100	100
Macarthur Lithium Nevada Limited	U.S.A	100	100

The Group's equity interest in all subsidiaries is in direct holdings of ordinary shares. All subsidiaries operate from the Company's premises and have the same reporting date as the Group. There are no significant restrictions on the Group's ability to access or use assets, and settle liabilities, of the Group.

(Expressed in Australian Dollars)

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, 2019.

Executive Directors

Cameron McCall, Executive Chairman
Joe Phillips, CEO and Director

Non-Executive Directors

Alan Phillips, Non-Executive Director
Andrew Suckling, Non-Executive Director
Daniel Joseph Lanskey, Non-Executive Director

Details of Remuneration

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

Period ending December 31, 2019	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Directors	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**
Non-Executive Directors:								
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.

(Expressed in Australian Dollars)

8. RELATED PARTY TRANSACTIONS (Cont'd)

Remuneration of each key management personnel of the Company for the period ended December 31, 2018 was as follows:

Period ending December 31, 2018	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Directors	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
C McCall	90,000	-	-	-	-	-	5,180	**95,180**
J Phillips	90,000	-	-	-	-	-	7,194	**97,194**
Non-Executive Directors:								
D Lenigas	45,000	-	-	-	-	-	-	**45,000**
A S Phillips	60,000	-	-	-	-	-	-	**60,000**
E Evans	-	-	-	-	-	-	-	**-**
Total	**285,000**	**-**	**-**	**-**	**-**	**-**	**12,374**	**297,374**

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

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, 2019	Nine months ended December 31, 2018
Cash paid during the period for interest	**$432,602***	$7,301

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

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

a) Recorded $474,033 in deferred exploration expenditures through accounts payable.

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

b) Recorded $58,591 in deferred exploration expenditures through accounts payable.

(Expressed in Australian Dollars)

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, 2019 $	March 31, 2019 $
Financial assets		
Cash and cash equivalents	**5,447,825**	318,028
Security Deposits	**55,750**	55,750
Receivables	**1,802,375**	9,630
	7,305,950	383,408

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

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

	December 31, 2019 $	March 31, 2019 $
Australia	**1,802,375**	369,138
Canada	**-**	14,270
Total	**1,802,375**	383,408

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.

(Expressed in Australian Dollars)

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, 2019		March 31, 2019	
Cash and cash equivalents	**3,478,001**	**1,969,824**	303,758	14,270
Receivables	**1,802,375**	**-**	49,898	-
Security deposits	**55,750**	**-**	55,750	-
	5,336,126	**1,969,824**	409,406	14,270
Accounts payable and accrued liabilities	**493,066**	**87,152**	303,336	61,331
Employee Benefits	**113,008**	**-**	61,586	-
Warrant liability	**-**	**3,051,310**	-	2,579,901
Lease liability	**394,240**	**-**	-	-
	1,000,314	**3,138,462**	364,922	2,641,232
Net exposure	**4,335,812**	**(1,168,638)**	44,484	(2,626,962)

The following significant exchange rates applied during the period:

	Average rate		**Reporting date spot rate**	
AUD	**December 31, 2019**	March 31, 2019	**December 31, 2019**	March 31, 2019
Canadian dollar (CAD)	**1.0936**	1.0452	**1.10963**	1.0545

Sensitivity analysis

A 10% strengthening of the Australian dollar against the Canadian dollar at December 31, 2019 on the above net exposure to Canadian assets and liabilities would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for December 2019.

	Equity $	**Profit or loss $**
December 31, 2019		
CAD$	**(128,118)**	**(128,118)**
March 31, 2019		
CAD$	277,013	277,013

A 10% weakening of the Australian dollar against the Canadian dollar At December 31, 2019 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(Expressed in Australian Dollars)

12. FINANCIAL INSTRUMENTS (Cont'd)

Interest rate risk

Profile

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

	December 31, 2019 $	March 31, 2019 $
Variable rate instruments		
Financial assets	**5,503,575**	373,778

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates on the above interest-bearing financial instruments at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit or loss		**Equity**	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
December 31, 2019 **Variable rate instruments**	**53,923**	**(53,923)**	**53,923**	**(53,923)**
March 31, 2019 Variable rate instruments	3,738	(3,738)	3,738	(3,738)

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, 2019. The Company is not subject to externally imposed capital requirements.

(Expressed in Australian Dollars)

14. COMMITMENTS

	December 31, 2019	December 31, 2018
	$	$
a) Operating Lease commitments as per AASB 16 and reflected on the Statement of Financial Position:		
Right of Use asset	**381,020**	-
Lease liability	**394,240**	-

AASB 16 requires lessees to account for all leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

The application date for AASB16 for the Company was 1 April 2019, and as such, the Company applied this standard to its Statement of Financial Position in relation to its Brisbane Office lease.

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, 2019.

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

c) Convertible Notes

On July 10, 2019, the Company announced that it had closed a fully subscribed non-brokered private placement for USD $6,000,000 of Convertible Notes (on conditional acceptance with attaching Warrants offered for one fourth of the commitment amount) to pursue activities for the development of the Lake Giles Iron Project. During the three month period ended December 31, 2019, USD$200,000 of subscribed Convertible Notes were rescinded. The total amount of Convertible Notes as at 31 December 2019 is USD$5,800,000 (AUD $8,739,814).

15. 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")

LPD brought New Proceedings against the Company and some of its directors in November 2012 substantially on the same grounds, following dismissal of the Initial Proceedings. On November 26, 2013 the New Proceedings were stayed by consent pending payment of the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson. No steps have been taken in the New Proceedings by the plaintiff since 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.

15. CONTINGENT LIABILITIES (Cont'd)

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

As previously reported, the FSDC Directors were ordered to pay costs of $31,101 in relation to the FSDC Directors' Claim.

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

The Company and two of its officers applied to the Supreme Court of Queensland to strike out the Second FSDC Directors' Claim on December 3, 2018. The strike out application was set down for hearing on March 13, 2019. Judgement was adjourned to allow the plaintiffs to deliver a third further amended statement of claim by March 27, 2019.

On March 29, 2019, the FSDC Directors filed a Third further Amended Statement of Claim ("Third FSDC Directors' Claim"), based on Flanagan J's judgement of March 13, 2019. The strike out application to the Third FSDC Directors' claim was submitted by the Company and two of its officers on April 23, 2019.

On June 7, 2019, the Proceedings was dismissed in its entirety and an order for costs be awarded to the Company, with an opportunity for the Company to make submissions seeking that costs be awarded on the indemnity basis, rather than on the standard basis, and also the opportunity for the plaintiffs to lodge an appeal by July 5, 2019.

The submission on costs of and incidental to the proceedings on the indemnity basis was filed by the Company on June 21, 2019.

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

The Company considers the FSDC Directors' Claim is without merit and will vigorously defend the FSDC Directors' Claim. Legal advisors have been appointed by the Company in respect of the FSDC Directors' Claim.

16. SUBSEQUENT EVENTS

a) Appointment of EAS advisors

On January 21, 2020 the Company appointed EAS Advisors as its corporate advisor to assist it in the financing strategy for its Lake Giles Iron Project. In connection with the engagement, EAS will be paid a monthly cash retainer of USD 10,000 per month for 8 months. Additionally, to incentivise EAS to assist in the growth of the Company: i) A component of its retainer will also include a monthly equity payment equivalent to USD5,000 of ordinary shares in the Company trading on TSX-V, settled quarterly (calculated based on the 5 day VWAP preceding the last trading day of each month); and ii) A total of 2,000,000 performance based options, struck at a significant premium to the Company's current ASX share price, granted as follows: 1) The exercise price of 500,000 options shall be A$0.32 per fully paid ordinary share. 2) The exercise price of 500,000 options shall be A$0.34 per fully paid ordinary share. 3) The exercise price of 500,000 options shall be A$0.36 per fully paid ordinary share. 4) The exercise price of 500,000 options shall be A$0.38 per fully paid ordinary share. The performance based options will be issued in compliance with the Company's Share Compensation Plan and will be exercisable at any time until 31 December 2022. Depending upon the structure of the financing for the Lake Giles Iron Project, EAS will receive a Fee comprising: i) a Debt Financing Completion Fee equal to 3% of the gross proceeds of debt raised or on debt linked securities; or ii) a Non-Debt Financing Completion Fee equal to 5% of gross proceeds raised for any non-debt related capital raising; or iii) an M&A Fee equal to 3% of the total enterprise value of any M&A transaction.

16. SUBSEQUENT EVENTS (Cont'd)

b) Equity movements

The Company has been granted an approval by the TSX-V for the extension of the expiry date of 14,252,400 and 40,738,520 common share purchase warrants that were issued as part of a non-brokered private placement completed by the Company in September and November 2018, to September 24, 2021 and December 15, 2021 respectively.

The expiry date of 31,712,730 common share purchase warrants issued as part of the Rights Offering completed by the Company in December 2017, was approved by the TSX-V for extension to December 15, 2020. Subsequent to the consolidation of the Company's Share Capital in November 20, 2019, the number of common shares and exercise price issuable under these warrants have been adjusted in accordance with the 4:1 Consolidation ratio.

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