MACARTHUR Minerals

MACARTHUR MINERALS LIMITED

Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

All amounts are in Australian dollars unless otherwise stated

MACARTHUR Minerals

Consolidated Financial Statements – March 31, 2020

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The financial statements are presented in the Australian currency, unless stated otherwise.

The Company's corporate office and principal place of business are detailed on page 7.

The financial statements were authorized for issue by the directors on June 30, 2020. The directors have the power to amend and reissue the financial statements.

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME(LOSS)
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Australian Dollars)

	Notes	2020 $	2019 $
EXPENSES			
Depreciation	5(a)	**(18,310)**	(33,206)
Depreciation – Right of Use asset	5(a)	**(72,702)**	-
Impairment reversal – Exploration and Evaluation	5(e)	**-**	55,851,937
Exploration expenditure		**(16,272)**	(30,964)
Investor relations		**(69,910)**	(12,151)
Office and general expenses	5(f)	**(1,699,060)**	(274,935)
Personnel costs		**(1,566,061)**	(666,442)
Professional fees	5(c)	**(941,702)**	(562,057)
Rent		**-**	(94,758)
Share-based compensation	5(b)	**(1,046,663)**	(413,725)
Share Registry, filing and listing fees		**(386,960)**	(110,021)
Travel and accommodation		**(140,896)**	(148,836)
Total Administrative Expenses		**(5,958,536)**	53,504,842
OTHER REVENUE/(EXPENSES)			
Interest income		**1,086**	4,465
Other income	5(d)	**100,000**	41,323
Change in fair value of warrant liability	16	**1,680,335**	(2,433,415)
		1,781,421	(2,387,627)
Profit/(Loss) before income tax		**(4,177,115)**	51,117,215
Income tax expense	6	**-**	-
Net Profit/(Loss) for the year		**(4,177,115)**	51,117,215
Other Comprehensive Income(loss) Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on Investment in FEL	12(b)	**(133,333)**	-
Total Comprehensive income/(loss) for the year		**(4,310,448)**	51,117,215
Basic and diluted profit/(loss) per ordinary share		**(0.05)**	0.77
Basic and diluted weighted average number of ordinary shares outstanding	7	**87,083,411**	66,225,971

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Australian Dollars)
AS AT MARCH 31, 2020

	Notes	2020 $	2019 $
ASSETS			
Current			
Cash and cash equivalents	8	**4,518,165**	318,028
Other receivables	9	**90,898**	49,898
Security deposits	10	**449,383**	55,750
Total current assets		**5,058,446**	423,676
Non-Current			
Plant and equipment	11	**63,729**	15,667
Right of use asset	22	**329,639**	-
Investment in FE Ltd.	12(b)	**266,667**	-
Exploration and evaluation assets	12(a)	**66,218,216**	62,993,644
Total non-current assets		**66,878,251**	63,009,311
Total assets		**71,936,697**	63,432,987
LIABILITIES			
Current			
Trade and other payables	13	**905,660**	364,667
Provisions	14	**58,756**	42,779
Lease liability		**63,488**	-
Warrant liability	16	**899,565**	2,579,901
Convertible Notes	23	**8,134,049**	-
Total current liabilities		**10,061,518**	2,987,347
Non-Current			
Provisions	14	**27,518**	18,807
Lease liability		**283,412**	-
Total non-current liabilities		**310,930**	18,807
Total liabilities		**10,372,448**	3,006,154
Net assets		**61,564,249**	60,426,833
SHAREHOLDERS' EQUITY			
Contributed equity	15(a)	**104,794,986**	99,671,850
Reserves	15(b)	**4,648,952**	4,539,151
Accumulated losses		**(47,879,689)**	(43,784,168)
Total shareholders' equity		**61,564,249**	60,426,833

Nature and continuance of operations (Note 1)
Commitments (Notes 12 and 24)

Subsequent events (Note 26)
Contingent liabilities (Note 25)

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Australian Dollars)

	Number of Shares	Contributed Equity $	Accumulated losses $	Reserves $	Total $
Balance at April 1, 2018	242,301,414	97,905,030	(94,901,383)	4,125,426	7,129,073
Net profit for the year	-	-	51,117,215	-	51,117,215
Share-based payment transactions	-	-	-	413,725	413,725
Private placements	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	**305,166,284**	**99,671,850**	**(43,784,168)**	**4,539,151**	**60,426,833**
Share consolidation[7]	(228,874,713)	-	-	-	-
Net profit(loss) for the year	-	-	(4,177,115)	-	(4,177,115)
Other comprehensive loss for the year	-	-	-	(133,333)	(133,333)
Transfer from reserves [1]	-	-	81,594	(81,594)	-
Share-based payment transactions [3]	-	-	-	324,728	324,728
ASX IPO[4]	20,032,952	5,008,238	-	-	5,008,238
Vested RSU's[6]	2,750,000	297,112	-	-	297,112
Fees in consideration for shares	21,838	8,384	-	-	8,384
Exercise of options and warrants [2]	1,490,000	351,342	-	-	351,342
Bonus Shares[5]	1,800,000	450,000	-	-	450,000
Share issuance costs	-	(991,940)	-	-	(991,940)
Balance at March 31, 2020	**102,386,361**	**104,794,986**	**(47,879,689)**	**4,648,952**	**61,564,249**

[1] Refer to Note 15(b) - Contributed Equity and Reserves
[2] Refer to Note 15(a)(v) - Contributed Equity
[3] Refer to Note 19 - Share Based Payments
[4] Refer to Note 15(a)(iii) - Contributed Equity
[5] Refer to Note 15(a)(iv) - Contributed Equity
[6] Refer to Note 18(b)(i) – RSU's
[7] On 31 October 2019 the Shareholders approved a consolidation of the Company's share capital on a 1 for 4 basis.

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

MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Australian Dollars)
FOR THE YEARS ENDED MARCH 31, 2020

	Notes	2020 $	2019 $
OPERATING ACTIVITIES			
Payments to suppliers and employees		**(2,739,272)**	(1,917,281)
Interest received		**1,086**	4,465
Other Income		**100,000**	41,323
Interest Paid		**(988,390)**	(9,906)
Net cash flows used in operating activities	8	**(3,626,576)**	(1,881,399)
INVESTING ACTIVITIES			
Net purchases of plant and equipment		**(66,372)**	-
Exploration and evaluation additions		**(3,624,572)**	(868,236)
Net cash flows used in investing activities		**(3,690,944)**	(868,236)
FINANCING ACTIVITIES			
Proceeds from share issues		**5,359,580**	1,704,308
Share issuance costs		**(967,355)**	(6,933)
Proceeds from issue of Convertible Notes		**7,184,449**	-
Principal repayment of lease liability		**(59,017)**	-
Net cash flows provided by financing activities		**11,517,657**	1,697,375
Change in cash and cash equivalents during the year		**4,200,137**	(1,052,260)
Cash and cash equivalents, beginning of the year		**318,028**	1,370,288
Cash and cash equivalents, end of year	8	**4,518,165**	318,028

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

Note 1: Nature and Continuance of Operations

Macarthur Minerals Limited (the "Company" or "Macarthur Minerals") is an Australian public company and is quoted on the Official List of 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 lithium brine interests in the Railroad Valley, Nevada, USA.

As at March 31, 2020, the Company has the following subsidiaries (who are collectively the "Group"):

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

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

The Company maintains its corporate head office and principal place of business at G03, 555 Coronation Drive, Toowong, Queensland 4064, Australia.

The financial statements were authorized for issue on June 30, 2020 by the directors of the Company.

Note 2: Summary of Significant Accounting Policies

Material financial accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. Refer to Note 20 for details of subsidiaries.

a) Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 (Cth). The financial report complies with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The separate financial statements of the parent entity have been presented within this financial report as permitted by the Corporations Act 2001 (Cth).

Except for cash flow information, the financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b) Working capital position

This financial report has been prepared on a going concern basis which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's cash and cash equivalents balance at the reporting date is $4,518,165.

Note 2: Summary of Significant Accounting Policies (cont'd)
b) Working Capital position (cont'd)

The Group's net working capital at 31 March 2020 was $4,030,542 compared with net working capital of $16,230 at 31 March 2019. The Net Working Capital of $4,030,542 (2019: $16,230) excludes those amounts attributable to the warrant liability of $899,565 (2019: $2,579,901) and the Convertible Notes liability of $8,134,049 (2019: Nil) on the basis that the Company does not have any obligation to redeem the Warrants for cash and the Company does not have any obligation to redeem the Convertible Notes for cash until June 2022. These financial instruments have been designated as a current liability in their entirety in order to comply with International Financial Reporting Standards due to the terms and conditions of the conversion features inherent within the derivative attached to the relevant host contract.

The Group's current plans for further development of its exploration projects in the next 12-24 months will require funding in addition to the Group's current working capital availability. Consequently the Group's continuing operations are dependent upon the ability to raise either additional equity capital or other funding, project financing or generate cash flow from operations in the future, which could include the realisation through sale of part or all exploration assets, none of which is assured. This depends upon the realisation of economic, operating and trading assumptions about future events and actions, which may not necessarily occur, and the successful implementation of management plans to commercialise its mining projects through development or sale and to manage the Group's affairs to meet its commitments until this takes place. These conditions may cast significant doubt about the Group's ability to continue as a going concern. The Group is satisfied that it is well placed to continue as a going concern for at least 12 months from the date of this report due to its large cash position being sufficient to meet the Groups operating needs and meet its minimum financial requirements regarding its tenement obligations. The Group does not have any obligations to extinguish its liability attributable to the issued warrants via cash payments and the Group maintains an unconditional right to defer the settlement of the Convertible Notes via cash payments until at least June 2022.

The Group will continue to monitor avenues to expand its key strategic assets whether this be in the form of additional equity raising or debt funding.

During the year ended March 31, 2020, the Group raised funds from new equity of $5,359,580, which included $5,008,238 raised from its IPO on the Australian Securities Exchange completed in December 2019.

The Company has prepared a business plan to manage operations and expenditures over the coming twelve months, in order to ensure that the Company has sufficient funds to meet its obligations as they become due. In particular, the Company has advanced its plans for its Iron Ore projects, and lithium and gold projects.

c) Principles of consolidation

(i) Subsidiaries

The financial report incorporates the assets, liabilities and results of all subsidiaries controlled by the Company.

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent.

Note 2: Summary of Significant Accounting Policies (cont'd)

d) Mineral exploration and evaluation assets

The Company is currently in the exploration stage of its exploration projects and applies the following policies.

(i) Exploration and evaluation properties

Exploration and evaluation expenditure are accumulated separately for each area of interest and capitalised to exploration and evaluation assets. Such expenditures comprise net direct costs but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest. Expenditure in respect of any area of interest or mineral resource is carried forward provided that:

- the Company's rights of tenure to that area of interest are current;
- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively by its sale; or
- exploration and/or evaluation activities in the areas of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

All other exploration and evaluation expenditure are expensed as incurred. Exploration and evaluation expenditure previously capitalised but which no longer satisfies the above policy is impaired and expensed to profit and loss.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

e) Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statements of Profit and Loss and Other Comprehensive Income/(Loss) during the financial period in which they are incurred.

Depreciation in assets is calculated as follows:

Plant & Equipment	5% to 33.33% Straight-line Method
	22.5% Diminishing Value Method
Office Equipment	10% to 33.33% Straight-line Method
	37.5% Diminishing Value Method
Motor Vehicles	20% to 25% Straight-line Method

The assets' residual values and useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting period.

Note 2: Summary of Significant Accounting Policies (cont'd)

e) Plant and equipment (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Depreciation is calculated to write-off the asset's cost over its estimated useful life, commencing from when the asset is first ready for use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit and loss.

f) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's and its subsidiaries functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when they are deferred in equity as qualifying cash flow or net investment hedges.

i) Segment Reporting

The chief operating decision-maker has been identified as the CEO of the Company. The Group has identified one reportable segment (the exploration of mineral resources). All such operations and substantially all the capital assets of the Group are situated in Australia as at the reporting date.

j) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Note 2: Summary of Significant Accounting Policies (cont'd)
j) Leases (cont'd)

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

During the year, the Group changed its accounting policies and make adjustments as a result of adopting AASB 16: Leases. The impact of the adoption of this Standard and the respective accounting policies is disclosed below.

Leases - The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.
Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability is as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

k) New and Amended Accounting Policies adopted by the Group

Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively from 1 April 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The Group has used the interest rate inherent in the lease as at April 1, 2019 to discount the lease payments.

Note 2: Summary of Significant Accounting Policies (cont'd)
k) New and Amended Accounting Policies adopted by the Group (cont'd)

The right-of-use assets which the Group entered into as a lessee for its premises on November 1, 2018 was measured at its carrying amount as if AASB 16: Leases had been applied since the commencement date, but discounted using the interest rate inherent in the lease agreement on April 1, 2019 being 3.5%.

l) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

– amortised cost; or
– fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

– held for trading; or
– initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

– It is a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in a effective hedging relationships, the Group has not entered into any financial guarantee contracts or hedging).

Any gains or losses arising on changes in fair value are recognised in profit or loss.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at amortised cost or fair value through other comprehensive income.

Measurement is on the basis of two primary criteria:

– the contractual cash flow characteristics of the financial asset; and
– the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

– the financial asset is managed solely to collect contractual cash flows; and
– the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Note 2: Summary of Significant Accounting Policies (cont'd)
l) Financial instruments (cont'd)

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3:*Business Combinations* applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Note 2: Summary of Significant Accounting Policies (cont'd)
l) Financial instruments (cont'd)

Compound financial instruments

Compound instruments (convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is convertible and that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of life of the instrument.

Impairment

The Group recognises a loss allowance for expected credit losses on:

– financial assets that are measured at amortised cost or fair value through other comprehensive income;

Loss allowance is not recognised for:

– equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

– the general approach

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

– there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

m) Farm-outs in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for as a gain on disposal.

n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the reporting period date.

Note 2: Summary of Significant Accounting Policies (cont'd)

o) Employee benefits

(i) Wages and salaries, annual leave and superannuation

Liabilities for salaries, including annual leave and superannuation, expected to be settled within 12 months of the reporting date are recognised as Current Employee Benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the

terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(iii) Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods to represent the value of services rendered. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to a reserve. The fair value of equity instruments is determined using the relevant options pricing model. The number of instruments expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

p) Provision for closure and restoration

An obligation to incur closure and restoration costs arises with the retirement of long-lived assets that the Company is required to settle. Such costs arising from the decommissioning of plant, exploration and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the Company operates.

For the periods presented, there are no material provisions for closure and restoration.

q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax ("GST"), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Note 2: Summary of Significant Accounting Policies (cont'd)
q) Goods and services tax (cont'd)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

r) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred income tax is recognised, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, as well as unused tax losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted

by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Deferred Tax Balances

Deferred income tax balances have not been recognised as it has not yet become probable that they will be recovered and utilised.

(ii) Tax consolidation legislation

The Company and its wholly owned Australian incorporated subsidiaries are a tax-consolidated group for income tax purposes. As a consequence, all members of the tax-consolidated group are taxed as a single entity.

s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Proceeds from warrant unit placements are allocated between shares and warrants issued. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Where warrants are denominated in a currency other than the Company's functional currency, they are considered a derivative liability and marked to market at each period using the Black-Scholes model.

t) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to ordinary equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year; adjusted for bonus elements in ordinary shares issued during the year.

Note 2: Summary of Significant Accounting Policies (cont'd)
t) Earnings per share (cont'd)

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive if their exercise price exceeds the average market price of ordinary shares during the period.

However, where their conversion would decrease the loss per share from continuing operations, then this calculation is treated as anti-dilutive.

u) Revenue recognition

The Company's only sources of revenue are other income items such as interest cost recoveries and farm out arrangements.

The Group recognises revenue when the amount can be readily measured, and it is probable that future economic benefit will flow to the entity (control). Interest income is recognised on a time proportion basis using the effective interest method.

v) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.
Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

w) Critical accounting estimates and judgements

The preparation of the financial report requires that management make judgements, estimates and assumptions that affect the reported amounts in the financial report and disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and best available current information, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Note 2: Summary of Significant Accounting Policies (cont'd)
w) Critical accounting estimates and judgements (cont'd)

The estimates and judgements that affect the application of the Company's accounting policies and disclosures and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Exploration and Evaluation Expenditure (Note 12)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely and is based on assumptions about future events or circumstances.

Recoverable value of exploration assets is based on the assessment of current economic conditions.

(ii) Deferred tax assets

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets, as set out in Note 6.

(iii) Share-based payment transactions (Note 17)

The Company measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument. The fair value of equity-settled transactions is determined using the relevant Black-Scholes model as measured on the grant date. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the equity, and the estimated forfeiture rate for market-based vesting conditions.

(iv) Warrant liability (Note 16) and Convertible note derivative (Note 23)

The Group uses the Black-Scholes Option Pricing Model, or other valuation models, for the valuation of Convertible Note Derivatives and Warrant derivatives. Option pricing models require the input of subjective assumptions including expected share price volatility, interest rate, foreign currency and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Group's net loss and equity reserves.

x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to confirm to changes in presentation for the current financial year.

Note 3: Financial Instruments and Financial risk management

Financial risk factors

The Company's principal financial instruments are cash and cash equivalents, the main purpose of which is to fund the Company's operations. The Company has various other financial assets and liabilities such as security deposits, other receivables, trade payables, convertible notes and warrant derivatives which arise directly from its operations. It is and has been throughout the years ended March 31, 2020 and March 31, 2019, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow credit risk, liquidity risk, interest rate risk, and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(Expressed in Australian Dollars)

Note 3: Financial Instruments and Financial risk management (cont'd)

The Company's contracted financial instruments are summarised as:

	Note	Consolidated Carrying Amount 2020 $	2019 $
Financial assets			
Cash and cash equivalents	8	**4,518,165**	318,028
Other receivables	9	**356**	9,630
Security Deposits	10	**56,554**	55,750
		56,910	65,380
Investments in equity instruments designated as at fair value through other comprehensive income		**266,667**	-
Total financial assets		**4,841,742**	383,408
Financial liabilities			
a) Financial liabilities at amortised cost			
Trade and other payables	13	**905,660**	364,667
Convertible notes	23	**8,134,049**	-
		9,039,709	364,667
b) Financial liabilities at fair value through profit and loss			
Warrant liability	**16**	**899,565**	2,579,901
Total financial liabilities		**9,939,274**	2,944,568

a) Credit risk

The Company's primary exposure to credit risk is on its cash and cash equivalents. The Company limits its exposure to credit risk by maintaining its financial liquid assets with high-credit quality financial institutions.

The Company will trade only with recognised, creditworthy third parties. Credit verification procedures will be carried out when deemed necessary and receivable balances will be monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Exposure to credit risk

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

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	**4,518,165**	318,028
Other receivables	**356**	9,630
Security Deposits	**56,554**	55,750
	4,575,075	383,408

The Company's receivables exclude current outstanding taxation payments recoverable from the Australian Government. These statutory amounts are excluded under Accounting Standards in the above analysis.

(Expressed in Australian Dollars)

Note 3: Financial Instruments and Financial risk management (cont'd)

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

	2020 $	2019 $
Australia	**2,460,800**	369,138
Canada	**2,114,276**	14,270
	4,575,075	383,408

b) Liquidity risk

The Company's objective is to raise sufficient funds from equity and/or debt to finance its development and exploration activities until its operations become profitable.

The Company manages its liquidity risk by planning and budgeting its operational and growth requirements. The Company monitors its forecast cash flows and ensures funds are in place to meet its operational needs in the short to medium term.

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop its exploration and evaluation assets. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration or development.

The Company is dependent on raising funds through equity and/or debt, or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance development of its exploration and evaluation assets, further acquisitions, undertake exploration and meet general and administrative expenses in the immediate and long term.

Exposure to liquidity risk

The below table analyses the Company's non-derivative financial assets and liabilities into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

As at March 31, 2020

	$ Within 1 year	$ 1 to 5 years	$ Total
Financial assets	**$4,575,075**	**-**	**$4,575,075**
Financial liabilities	**$(905,660)**	**$(8,134,049)**	**$(9,039,709)**
Net cashflow	**$3,669,415**	**$(8,134,049)**	**$(4,464,634)**

As at March 31, 2019

	Within 1 year	1 to 5 years	Total
Financial assets	$383,408	-	$ 383,408
Financial liabilities	$(364,667)	-	$(364,667)
Net cashflow	$18,741	-	$ 18,741

c) Interest rate risk

The Company's cash equivalents are highly liquid and earn interest at market rates. Due to the short term nature of these financial instruments, fluctuations in market interest rates do not have a significant impact on the fair values of these financial instruments. At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2020 $	2019 $
Interest-bearing financial instruments		
Financial assets	**4,574,719**	373,778

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)
c) Interest rate risk (cont'd)

Financial assets are comprised of:

	2020 $	2019 $
Cash and cash equivalents	**4,518,165**	318,028
Security deposits	**56,554**	55,750
	4,574,719	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 2020.

	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
March 31, 2020				
Interest-bearing financial instruments	**45,747**	**(45,747)**	**45,747**	**(45,747)**
March 31, 2019				
Interest-bearing financial instruments	3,738	(3,738)	3,738	(3,738)

d) Foreign currency risk

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

Exposure to currency risk

The Company's exposure to foreign currency risk at the statement of financial position date was as follows:

	AUD $	CAD $	USD $	AUD $	CAD $
		2020		2019	
Cash and cash equivalents	**2,403,889**	**58,826**	**2,055,450**	303,758	14,270
Receivables	**356**	**-**	**-**	9,630	-
Security Deposits	**56,554**	**-**	**-**	55,750	-
	2,460,799	**58,826**	**2,055,450**	369,138	14,270
Trade and other payables	**838,168**	**67,492**	**-**	303,336	61,331
Employee Benefits	**86,274**	**-**	**-**	61,586	-
Warrant liability	**-**	**899,565**	-	-	2,579,901
Convertible Note liability	**-**	**-**	**8,134,049**	-	-
Lease liability	**346,900**	**-**	**-**	-	-
	1,271,342	**967,057**	**8,134,049**	364,922	2,641,232
Net exposure	**1,189,457**	**(908,231)**	**(6,078,599)**	4,216	(2,626,962)

Sensitivity analysis

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

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)
d) Foreign currency risk (cont'd)

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

		2019	
Equity		**Profit**	**Equity**
$		**$**	**$**
+/-$90,363		+/-$6,361	+/-$6,361
+/-3,246		+/-$746	+/-$746
+/-$135,773		+/-$0	+/-$0
+/-$26,667		+/-$0	+/-$0

d) Commodity price risk

The Company's future revenues are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic, financial and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted.

As the Company has not yet reached the mining stage, its exposure to price risk has no impact on the financial statements, however price risk is a critical assumption for the Group's economic studies on its Iron Ore Projects and for impairment testing.

e) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, other receivables, and accounts payable and accrued liabilities approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature. The Company's only financial instrument classified as fair value through profit or loss is the Warrant Liability, which is classified as Level 2 in the fair value hierarchy, refer to Note 16 for additional information.

Note 4: Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes shareholders' equity.

(Expressed in Australian Dollars)

Note 4: Capital Management (cont'd)

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund activities. In order to carry out planned exploration, conduct studies and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

In addition to its lithium and iron ore exploration and evaluation activities, the Company will continue to assess new properties and seek to acquire an interest in additional properties if there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As set out in Note 15, further equity was issued in the year.

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

Note 5: Revenue and expenses

		2020 $	2019 $
a)	***Depreciation***		
	Depreciation	**18,310**	33,206
	Depreciation - Right of Use asset	**72,702**	-
		91,012	33,206
b)	***Share-based compensation***		
	Share based payments	**596,663**	413,725
	Bonus shares issued to Executives and employees	**450,000**	-
		1,046,663	413,725
c)	***Professional fees:***		
	- Legal costs	**575,747**	275,122
	- External consultants	**365,955**	286,935
		941,702	562,057
d)	***Other income includes:***		
	Cost recoveries:		
	- FSDC legal matter (Note 25(b))	**-**	31,101
	- Rent reimbursements	**-**	10,222
	Option Fee Income:		
	- FE Limited	**100,000**	-
		100,000	41,323
e)	***Impairment reversal***		
	Reversal of Impairment of Exploration and Evaluation assets (Note 12)	**-**	55,851,937
f)	***Office and general expenses includes:***		
	- Interest on Convertible Notes (Note 23)	**659,285**	-
	- Interest on lease liability	**20,663**	-
		679,948	-
	- Foreign exchange loss	**644,736**	1,478

(Expressed in Australian Dollars)

Note 6: Income tax

	2020 $	2019 $
a) Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable		
Profit (loss) from continuing operations before income tax expense	**(4,177,115)**	51,117,215
Tax at Australian tax rate of 27.5%	**(1,148,707)**	14,057,234
Adjustment for the tax effect of:		
Impairment reversal – exploration expenditure	**-**	(15,359,283)
Change in fair value of warrant liability	**(462,092)**	669,189
Share based payments	**287,832**	113,774
Unrealised foreign exchange loss	**177,254**	-
Non-deductible legal fees	**161,930**	-
Allowable expenditure capitalised to exploration and evaluation assets	**(746,505)**	-
Other	**(77,849)**	201
	(1,808,137)	**(518,885)**
Income tax losses and temporary differences not carried forward as deferred tax assets	**1,808,137**	**518,885**
Income tax expense/(credit) attributable to profit/(loss)	**-**	-

b) Change in tax rate

Changes in tax laws and rates may affect any recorded deferred tax assets and liabilities and the Company's effective tax rate in the future. The applicable tax rate as at March 31, 2020 was 27.5% on the basis that Macarthur Minerals was a Small Business Entity for the purposes of the tax law.

Deferred tax in the year to March 31, 2020 has been measured using the effective rate that will apply in Australia to Macarthur Minerals from April 1, 2017 (i.e. 27.5%).

c) Tax consolidation

Macarthur Minerals and its wholly owned Australian subsidiaries are members of an Australian income tax consolidated group.

d) Tax losses

Consolidated tax losses for which no deferred tax has been recognised:

	Tax losses from operations $	Tax losses on capital raising expenses $	Total $
2020			
Tax losses	**84,647,167**	**6,011,523**	**90,658,690**
Potential benefit	**23,277,971**	**1,653,169**	**24,931,140**
2019			
Tax losses	78,170,869	5,217,972	83,388,841
Potential benefit	21,469,835	1,434,942	22,904,777

(Expressed in Australian Dollars)

Note 6: Income tax (cont'd)

The tax benefit of these losses will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- The Company continues to comply with the conditions for deductibility of losses imposed by the relevant tax legislation.

In particular, the Company's tax losses can be carried forward to offset its future income and the future income of members of its tax consolidated group, subject to the satisfaction of the Continuity of Ownership Test or the Same or Similar Business Test, and having regard to the application of the "available fraction".

In this respect the ability to utilise tax losses in the future will be dependent on specific shareholding tracing in the years of losses and the future years of income, and future events including the business activity of the Company in future years of income.

Note 7: Earnings per share

Basic earnings per share is calculated by dividing net income/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive options, RSU's and warrants. Refer to the accounting policy in Note 2(t)(ii).

The following reflects the income and share data used in the total basic and diluted earnings per share computations.

	2020 **$**	**2019** **$**
Total profit/(loss) for the year	**(4,177,115)**	51,117,215
	Number	**Number**
Weighted average number of ordinary shares for basic earnings per share	**87,083,411**	66,225,971*
Weighted average number of ordinary shares for diluted earnings per share	**87,083,411**	66,225,971*

* The Company has restated the weighted average number of shares to reflect the 1 for 4 share consolidation that occurred during the year.

The Company's outstanding options, warrants and RSU's that did not have a dilutive effect at March 31, 2020 are set out in Note 18. None had a dilutive effect, as the average market share price of the Company in the year was below the exercise price of these securities.

Note 8: Cash and cash equivalents

	2020 **$**	**2019** **$**
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	**4,518,165**	318,028
	4,518,165	318,028

The fair value of cash and cash equivalents is $4,518,165 (2019: $318,028).

(Expressed in Australian Dollars)

Note 8: Cash and cash equivalents (cont'd)

	2020 $	2019 $
Reconciliation of net profit/(loss) after income tax to the net cash flows from operations		
Net Profit/(Loss)	**(4,177,115)**	51,117,215
Adjustments for:		
Depreciation	**18,310**	33,206
Depreciation – Right of use asset	**72,702**	
Share-based payments – employees & other costs	**1,046,663**	413,725
Change in fair value of warrant liability	**(1,680,335)**	2,433,415
Foreign exchange loss	**953,768**	-
Shares issued in lieu of Director fees	**8,384**	-
Impairment expense/(income)	**-**	(55,851,937)
Changes in Assets and Liabilities:		
Receivables and other assets	**(434,634)**	40,760
Payables and provisions	**565,681**	(67,783)
Net cash used in operating activities	**(3,626,576)**	**(1,881,399)**

	2020 $	2019 $
Cash paid during the year for interest	**988,390**	9,906
Cash paid during the year for income taxes	**-**	-

During the year ended March 31, 2020, the Company entered into the following non-cash investing and financing activities:

a) The Company received 26,666,667 shares valued at $400,000 on issue date in ASX listed entity FE Limited as consideration for entry into an "earn-in" agreement enabling FE Limited to earn up to 75% of the Groups lithium tenements in the Pilbara, Western Australia.

b) The Company issued 500,000 options to Shaw and Partners with a fair value at grant date of $22,753 as part consideration for their role as Lead Manager in the Company's listing on the ASX.

c) On the December 19, 2019, the Company issued 1,800,000 shares totalling $450,000 to directors and employees as outlined in Note 15(a)(iv).

d) During the year, a total of $2,750,000 Restricted Share Units vested and shares were issued amounting to $297,112.

Note 9: Other Receivables

	2020 $	2019 $
Other receivables (financial instruments)	**356**	9,630
Other receivables (non-financial instruments)	**90,542**	40,268
	90,898	49,898

Note 10: Security Deposits

	2020 $	2019 $
Security deposits	**56,554**	55,750
Prepayments	**392,829**	-
	449,383	55,750

(Expressed in Australian Dollars)

Note 11: Plant and equipment

	Plant & Equipment $	Office Equipment $	Motor Vehicles $	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 and impairment	(650,719)	(384,809)	-	(1,035,528)
Net book amount	5,309	10,358	-	15,667
Year ended March 31, 2020				
Opening net book value	**5,309**	**10,358**	**-**	**15,667**
Additions	**-**	**7,047**	**59,325**	**66,372**
Disposals	**-**	**-**	**-**	**-**
Depreciation charge	**(4,143)**	**(6,579)**	**(7,588)**	**(18,310)**
Closing net book amount	**1,166**	**10,826**	**51,737**	**63,729**
At March 31, 2020				
Cost or fair value	**656,028**	**402,214**	**59,325**	**1,117,567**
Transfers	**(647)**	**647**	**-**	**-**
Accumulated depreciation and impairment	**(654,215)**	**(392,035)**	**(7,588)**	**(1,053,838)**
Net book amount	**1,166**	**10,826**	**51,737**	**63,729**

Note 12: Exploration and Evaluation Assets

(a) The ultimate recoupment of the carrying value of exploration and evaluation assets is dependent on the successful development, commercial exploitation and financing of the areas of interest, or alternatively through sale.

At March 31, 2020, the Company held 100% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiaries MIO and MLi hold assets which include the Iron Ore Projects and Lithium Exploration Projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds a Lithium Exploration Project in Nevada.

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

At March 31, 2020, based on the improvement in global demand and price for iron ore, coupled with the achievement of certain strategic milestones in the development of its iron ore assets, the Company is advancing their projects and has entered into a range of commercial arrangements and funding commitments (refer to Director's Report).

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 $3,224,572 was capitalised during the year ended March 31, 2020 (2019: $ 937,681), as per table below.

(Expressed in Australian Dollars)

Note 12: Exploration and Evaluation Assets (cont'd)
Exploration and evaluation expenditure

	Acquisition Costs	Deferred Exploration Costs	Total
	$	$	$
Balance as at March 31, 2018	**4,010,636**	**2,193,390**	**6,204,026**
Incurred during the year			
Accommodation and camp maintenance	-	15,780	15,780
Drilling	-	78,754	78,754
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**
Incurred during the year			
Accommodation and camp maintenance	-	100,134	100,134
Drilling	-	1,252,063	1,252,063
Environmental surveys	-	14,950	14,950
Tenement acquisitions	-	500,000	500,000
Other	-	42,192	42,192
Personnel and Contractors	-	443,936	443,936
Rent and rates	-	329,501	329,501
Research and reports	-	333,753	333,753
Sampling and testing	-	25,934	25,934
Tenement management and outlays	-	23,131	23,131
Travel	-	26,316	26,316
Vehicle hire	-	27,164	27,164
Fuel costs	-	105,498	105,498
E&E Impairment reversal	-	-	-
	-	**3,224,572**	**3,224,572**
Balance as at March 31, 2020	**4,010,636**	**62,207,580**	**66,218,216**

All capitalised exploration costs represent costs incurred during the exploration and evaluation phase. Capitalised Exploration and Evaluation expenditure at March 31, 2020 totalling $2,072 relating to the Australian lithium projects is the subject of a farm-out agreement with FE Limited ("FEL"). FEL can earn a 75% interest in these projects by expending $500,000 per annum over 3 years. Of the total capitalised exploration and evaluation assets $188,835 (2019: $525,739) relates to lithium projects, the remaining all relates to the Iron ore project.

(Expressed in Australian Dollars)

Note 12: Exploration and Evaluation Assets (cont'd)

(b) Investment in FE Ltd

During the year, FEL contributed $400,000 in accordance with the farm-out agreement by way of issuing the Company $400,000 in FEL Shares. The farm-out contribution has been credited against costs previously capitalized in relation to the Groups Lithium tenements. The Company's investment in FEL has decreased during the period to $266,667 at March 31, 2020 with the fair value decrease being reported in Other Comprehensive Income.

(c) Commitments

In order to maintain its current rights of tenure for exploration and/or mining activities, the Company is required to perform minimum annual expenditure requirements specified in the tenement documents. The expenditure obligations are subject to renegotiation when an application for a mining lease and/or renewal of exploration permits are made or at other times and are subject to whether the Company decides to continue a tenement's rights until its expiry. Due to the nature of the Company's activities, it is difficult to accurately forecast the amount of future expenditure that will be necessary to incur in order to maintain present interests. These obligations are not provided for in the financial statements and are payable at future dates as follows:

	2020	**2019**
	$	**$**
Not later than one year	**904,403**	1,301,789
Later than one year but not later than five years	**3,580,724**	4,754,055
	4,485,127	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 and are payable at future dates as follows:

	2020	**2019**
	$	**$**
Not later than one year	**286,503**	775,489
Later than one year but not later than five years	**3,580,724**	4,754,055
	3,867,227	5,529,544

The Company entered into an option agreement with FEL for its lithium and gold tenements in the Pilbara region of Western Australia. The option was exercised on July 2, 2019 and will result in a $500,799 reduction in expenditure commitments over the coming years.

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

(Expressed in Australian Dollars)

Note 13: Trade and other payables

	2020 $	2019 $
Current		
Trade creditors	**460,140**	267,594
Other creditors and accruals	**445,520**	97,073
	905,660	364,667

Note 14: Provisions

The liabilities recognised for employee benefits consist of the following amounts:

	2020 $	2019 $
Current		
- Short term employee obligations	**58,756**	42,779
Non-current:		
- Long service leave entitlements	**27,518**	18,807
	86,274	61,586

Opening balance	**61,586**	50,274
Additional provisions	**32,868**	65,348
Amounts used	**(8,180)**	(54,036)
Closing Balance	**86,274**	61,586

The current portion of these liabilities represents the Company's obligations to its current employees that relate to annual/long service leave which have vested.

Note 15: Contributed equity and reserves

a) 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.

(Expressed in Australian Dollars)

Note 15: Contributed equity and reserves (cont'd)

a) Ordinary Shares (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.

	2020 $	2019 $
Ordinary shares		
Issued and fully paid	**104,794,986**	99,671,850
	Number	**Number**
Number of shares on issue	**102,386,361**	305,166,284

		2020	2019
At the beginning of the reporting period		**305,166,284**	242,301,414
Share consolidation (1 share for 4 shares)		**(228,874,713)**	-
Shares issued during the year:			
i.	Apr 22 2019 (CAD$0.08 per share) [1]	**2,750,000**	-
ii.	Jun 25 2019 (CAD$0.09 per share) [1]	**21,838**	-
iii.	Dec 2 2019 (AUD$0.25 per share)	**20,032,952**	-
iv.	Dec 19 2019 (AUD$0.25 per share)	**1,800,000**	-
v.	Exercise of options and warrants	**1,490,000**	230,000
vi.	Sept 25 2018 (CAD$0.025 per share)	**-**	14,252,400
vii.	Nov 16 2018 (CAD$0.025 per share)	**-**	40,738,520
viii.	Mar 20 2019 (CAD$0.04 per share)	**-**	7,643,950
At the end of the year		**102,386,361**	305,166,284

[1] All shares on issue were adjusted according to the Consolidation Ratio in conjunction with the share consolidation.

Details of shares issued above are outlined below:

i. On April 22, 2019, pursuant to the Company's Share Compensation Plan, 2,750,000 shares were issued to Employees and Directors of the Company upon conversion of RSU's which vested.
ii. On June 25, 2019, 21,838 shares at C$0.09 per share were issued to a Director in lieu of Director fees.
iii. On December 2, 2019, the Company issued 20,032,952 shares at a price of A$0.25 as part of its ASX IPO.
iv. On December 19, 2019 pursuant to the Company's Share Compensation Plan, 1,800,000 Bonus Shares were issued to directors, employees and consultants of the Company at a deemed price of A$0.25 per share, being the closing share price per Common Share on the ASX on the trading day immediately preceding the day on which they were issued. The value to Contributed Equity was $450,000.
v. During the year, 1,420,000 options and 70,000 warrants were exercised. The value to Contributed Equity was $351,342 (2019: $12,035).
vi. On September 25, 2018, 14,252,400 shares at CAD$0.025 per share were issued in connection with Tranche 1 of the Private Placement announced on August 16, 2018. One unit comprised of one share and one warrant exercisable at CAD$0.10 per share, exercisable until September 24, 2019.
vii. On November 16, 2018, 40,738,520 shares at CAD$0.025 per share were issued in connection with Tranche 2 of the Private Placement announced on August 16, 2018. One unit comprised of one share and one warrant exercisable at CAD$0.10 per share, exercisable until November 15, 2019.
viii. On March 20, 2019, 7,643,950 shares at CAD$0.04 per share were issued in connection with a Private Placement announced on February 22, 2019. One unit comprised of one share.

Note 15: Contributed equity and reserves (cont'd)

b) Reserves

	Share Based Payments Reserve $	Financial Asset Revaluation Reserve $	Total $
As at April 1, 2018	4,125,426	-	4,125,426
Cost of share-based payments (Note 18)	413,725	-	413,725
As at March 31, 2019	4,539,151	-	4,539,151
Fair value loss on financial assets	**-**	**(133,333)**	**(133,333)**
Cost of share-based payments (Note 18)	**324,728**	**-**	**324,728**
Transfer from Reserves	**(81,594)**	**-**	**(81,594)**
As at March 31, 2020	**4,782,285**	**(133,333)**	**4,648,952**

Share-based payment reserve

The Group has issued share options, rights and warrants on specified terms. The cost of these items is measured by reference to their fair value at the date at which they are granted and expensed over the vesting period. The fair value is determined using Option valuation models.

Financial Asset Revaluation Reserve

The financial asset revaluation reserve records revaluations of financial assets.

Note 16: Warrant liability

During the year ended March 31, 2020, equity offerings were completed whereby 4,101,275 warrants were issued with exercise prices denominated in Canadian dollars (March 31, 2019 – 55,270,920). 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 and Loss. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of March 31, 2020, the Company had 25,777,188 [1] (2019 – 86,983,650) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised a gain during the year of $1,680,335 from changes in the fair value of the warrant liability.

[1] All warrants on issue were adjusted according to the Consolidation Ratio in conjunction with the share consolidation.

The Group uses the Black-Scholes Option Pricing Model, or other valuation models, for the valuation of Convertible Note Derivatives and Warrant derivatives. Option pricing models require the input of subjective assumptions including expected share price volatility, interest rate, foreign currency and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Group's net loss and equity reserves.

(Expressed in Australian Dollars)

Note 16: Warrant liability (cont'd)

The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants, with the following assumptions:

	Year ended March 31, 2020	Year ended March 31, 2019
	Weighted average	*Weighted average*
Share price	**CAD $0.08**	CAD $0.09
Exercise price	**CAD $0.52**	CAD $0.14
Risk-free interest rate	**0.46%**	1.56%
Expected life of warrants	**1.89 years**	0.59 year
Annualized volatility	**170.35%**	139.01%
Dividend rate	**0%**	0%

Note 17: Share Compensation Plans and Share Based Payments (refer Notes 18 and 19)

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 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 (see Note 15). For further detail on the accounting treatment of share options refer to Note 2 accounting policies.

Note 18: Macarthur Minerals Limited - Options, RSUs and Warrants
a) Options

Share option transactions issued under the Plans, the number of share options outstanding and their related weighted average exercise prices are summarised below:

	2020		2019	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year[1]	**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	**(1,428,816)**	**$0.27 (CAD$0.24)**	(230,000)	$0.05 (CAD$0.05)
Forfeited	**(250,000)**	**$0.46 (CAD$0.40)**	-	-
Exercised	**(1,420,000)**	**$0.24 (CAD$0.21)**	(10,381,746)	$0.06 (CAD$0.06)
Outstanding, end of period	**5,080,000**	**$0.25 (CAD$0.22)**	30,715,263	$0.06 (CAD$0.06)
Options exercisable, end of year	**5,080,000**	**$0.25 (CAD$0.22)**	30,715,263	$0.06 (CAD$0.06)

(Expressed in Australian Dollars)

Note 18: Macarthur Minerals Limited - Options, RSUs and Warrants
a) Options (cont'd)

[1] The opening balance has been adjusted to reflect the adjusted opening balance in accordance with the Consolidation Ratio in conjunction with the share consolidation.

Share options under the Company's Plans outstanding at March 31, 2020 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
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$0.31	17 Dec 2022

During the year the Company's share price has ranged from CAD$0.05 to CAD$0.50. The weighted average remaining contractual life for the share options as at March 31, 2020 is 1.25 years. The weighted average value of options issued in the year is $0.035 (2019: $0.01).

During the year ended March 31, 2020

(i) On December 17, 2019, the Company granted 500,000 options to Lead Manager and Corporate Advisor, Shaw and Partners with an exercise price of A$0.3125 per option. The options expire 3 years from the date of the offer (Lead Manager Options) these have been recorded in the Consolidated Statement of Changes in Equity as a share issuance cost.

During the year ended March 31, 2019

(i) On December 4, 2018 pursuant to the Plans, the Company granted an aggregate of 2,620,000 stock options of which 1,720,000 were granted to directors of the Company, with an exercise price of C$0.05 per option. The options vest immediately and expire three years from the date of grant.

(ii) On February 8, 2019 the Company granted 1,000,000 options to a consultant with an exercise price of C$0.10 per option. The options vest quarterly over a period of one year and expire 12 months from the date of grant.

(iii) On February 25, 2019 pursuant to the Plans, the Company granted an aggregate of 10,000,000 stock options of which 9,000,000 were granted to directors of the Company, and the remaining options granted to employees and consultants. The Options have an exercise price of $0.05, vest immediately and expire three years from the date of grant.

Since year end and up to the date of this report 1,500,000 options expired and 3,500,000 options issued.

b) Restricted Share Units

During the year ended March 31, 2020

(i) On September 3, 2019, a total of 3,500,000[1] restricted share units ("RSUs"), were granted to employees and consultants, and Cameron McCall, Executive Chairman, Joe Phillips, CEO, Earl Evans, Non-Executive Director, Andrew Suckling, Non-Executive Director, and Alan Phillips, Non-Executive Director, Andrew Bruton, Company Secretary as part of the executive consulting contracts entered into with the Company. The RSU's vest if the closing share price of the Company's shares on the TSX Venture Exchange is greater than C$0.32 for 20 consecutive trading days. The RSU's expire on September 2, 2022.

(Expressed in Australian Dollars)

Note 18: Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)
b) Restricted Share Units (cont'd)

During the year ended March 31, 2019

(i) On December 4, 2018, 1,000,000 restricted share units ("RSUs"), were granted each to Cameron McCall, Executive Chairman, Joe Phillips, CEO, David Lenigas, Non-Executive Director, and Alan Phillips, Non-Executive Director, as part of the executive consulting contracts entered into with the Company. A further 4,500,000 RSU's were granted to employees and consultants. The RSU's vest if 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. The RSU's expire on December 3, 2021.

(ii) On February 25, 2019, 700,000 restricted share units ("RSUs"), were granted each to Cameron McCall, Executive Chairman, Joe Phillips, CEO, David Lenigas, Non-Executive Director, Earl Evans, Non-Executive Director, and Alan Phillips, Non-Executive Director, as part of the executive consulting contracts entered into with the Company. The RSU's vest if 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. The RSU's expire on February 24, 2022.

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

	2020		2019	
	Number of RSUs	**Weighted Average Vesting Price**	Number of RSUs	Weighted Average Vesting Price
Outstanding, beginning of year	**4,126,471[1]**	**$0.48 (CAD$0.52)**	5,505,882	$0.20 (CAD$0.20)
Granted	**3,500,000**	**$0.37 (CAD$0.32)**	12,000,000	$0.08 (CAD$0.08)
Vested	**(2,750,000)**	**$0.37 (CAD$0.32)**	-	-
Expired	**(150,000)**	**$0.65 (CAD$0.56)**	(1,000,000)	$0.08 (CAD$0.08)
Outstanding, end of year	**4,726,471**	**$0.52 (CAD$0.45)**	16,505,882	$0.12 (CAD$0.13)

[1] All RSU's on issue have been adjusted to reflect the adjusted opening balance in accordance with the Consolidation Ratio in conjunction with the share consolidation.

RSUs outstanding at March 31, 2020 are all exercisable and have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
1,176,471	CAD$0.80	27 Nov 2020
112,500	CAD$0.80	19 Feb 2021
3,437,500	CAD$0.32	2 Sept 2022

The value of 2,750,000 RSU's vested on April 22, 2019 was $297,112.

The weighted average remaining contractual life for the RSUs as at March 31, 2020 is 1.95 years. The weighted average value of RSUs issued in the year is $0.046 (2019: $0.026).

(Expressed in Australian Dollars)

Note 18: Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)
b) Restricted Share Units (cont'd)

The following assumptions were used for the trinomial model valuation of RSUs granted during the year:

	Year ended March 31, 2020	Year ended March 31, 2019
	Weighted average	*Weighted average*
Share price	**CAD $0.05**	CAD $0.03
Exercise price	**CAD $0.32**	CAD $0.08
Risk-free interest rate	**1.35%**	2.01%
Expected life of RSU's	**1.95 years**	2.75 year
Annualized volatility	**113.60%**	159.08%
Dividend rate	**0%**	0%

Since year end and up to the date of this report 562,500 RSUs expired.

c) Warrants

During the year ended March 31, 2020

(i) A total of 4,101,275 warrants were issued in connection with the Convertible Notes announced on July 10, 2019 at an exercise price of CAD$0.40 per Warrant. Each whole Warrant entitles the holder to acquire one Common Share for C$0.40 for a term of 3 years from the date of issue of the Unit, unless accelerated by the Company.

During the year ended March 31, 2019

(i) 14,252,400 warrants were issued on September 25, 2018 in connection with Tranche 1 of the Private Placement announced on August 16, 2018 at an exercise price of CAD$0.10 per Warrant. Each whole Warrant entitles the holder to acquire one Common Share for C$0.10 for a term of 12 months from the date of issue of the Unit, unless accelerated by the Company.

(ii) 41,018,520 warrants were issued on November 16, 2018 in connection with Tranche 2 of the Private Placement announced on August 16, 2018 at an exercise price of CAD$0.10 per Warrant. Each whole Warrant entitles the holder to acquire one Common Share for C$0.10 for a term of 12 months from the date of issue of the Unit, unless accelerated by the Company.

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

	Year ended March 31, 2020		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[1]**	**$0.58 (CAD$0.55)**	31,712,730	$0.20 (CAD$0.20)
Granted	**4,101,275**	**$0.46 (CAD$0.40)**	55,270,920	$0.10 (CAD$0.10)
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Exercised	**(70,000)**	**$0.46 (CAD$0.40)**	-	-
Outstanding, end of year	**25,777,188**	**$0.60 (CAD$0.52)**	86,983,650	$0.14 (CAD$0.14)
Warrants exercisable, end of year	**25,777,188**	**$0.60 (CAD$0.52)**	86,983,650	$0.14 (CAD$0.14)

[1] The opening balance of warrants has been adjusted to reflect the adjusted opening balance in accordance with the Consolidation Ratio in conjunction with the share consolidation.

(Expressed in Australian Dollars)

Note 18: Macarthur Minerals Limited - Options, RSUs and Warrants (cont'd)
c) Warrants (cont'd)

Warrants outstanding at March 31, 2020 have the following exercise prices and expiry dates:

Number of warrants	Exercise Price	Expiry Date
7,928,183	CAD$0.80	15 Dec 2020[1]
3,563,100	CAD$0.40	24 Sept 2021[2]
10,184,630	CAD$0.40	15 Dec 2021[3]
3,029,375	CAD$0.40	5 Aug 2022
867,291	CAD$0.40	1 Oct 2022
204,609	CAD$0.40	3 Nov 2022

[1] The TSX-V consented to an extension on the expiry for these warrants, previously expiring December 15, 2019.
[2] The TSX-V consented to an extension on the expiry for these warrants, previously expiring September 24, 2019.
[3] The TSX-V consented to an extension on the expiry for these warrants, previously expiring November 15, 2019.

The weighted average remaining contractual life for the warrants as at March 31, 2020 is 1.67 years. The weighted average value of warrants issued in the year is $0.25 (2019: $0.10).

No warrants have been exercised or expired since March 31, 2020.

Note 19: Share Based Payments

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 and a corresponding amount is recorded to reserves. Refer to Note 18 (a)(i) for details of options granted during the year.

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

	Year ended March 31, 2020	Year ended March 31, 2019
	Weighted average	*Weighted average*
Share price	**CAD$0.24**	CAD$0.048
Exercise price	**CAD $0.31**	CAD $0.05
Risk-free interest rate	**1.72%**	1.83%
Expected life of options	**3.00 years**	2.85 years
Annualized volatility	**243.78%**	198.13%
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. The value of Share based payments during the year was $324,728.

(Expressed in Australian Dollars)

Note 20: Related Party Transactions

a) Interests in subsidiaries

The consolidated financial statements include the financial statements of Macarthur Minerals Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest 2020	% Equity Interest 2019
Esperance Iron Ore Export Company Pty Ltd	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 Australia Limited	Australia	100	100
Macarthur Lithium Nevada Limited	U.S.A	100	100

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

Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated upon consolidation. Macarthur Minerals Limited is the ultimate parent entity for all entities.

b) Other related party transactions

Other related parties are key management personnel – refer Note 21.

Note 21: Key Management Personnel

The following persons were key management personnel of the Company:

Non-Executive Directors
Alan Phillips, Non-Executive Director
David Lenigas, Non-Executive Director (resigned May 21, 2019)
Earl Evans, Non-Executive Director (resigned September 20, 2019)
Andrew Suckling, Non-Executive Director (Independent) (appointed May 21, 2019)
Daniel Lanskey, Non-Executive Director (Independent) (appointed September 20, 2019)

Executive Directors
Cameron McCall, Executive Chairman
Joe Phillips, CEO and Director

(Expressed in Australian Dollars)

Note 21: Key Management Personnel (cont'd)

Details of Remuneration

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

2020	**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/RSUs	Total
	$	$	$	$	$	$	$	$
C McCall	305,000	-	-	50,000	-	-	91,226	446,226
J Phillips	350,000	-	-	100,000	-	-	182,452	632,452
Non-Executive Directors:								
A Phillips	108,258	-	-	-	-	-	-	108,258
A Suckling [3]	78,940		-	50,000	-	-	91,226	220,166
D Lanskey [4]	39,220	-	-	50,000			-	89,220
E Evans [2]	37,209	-	-	-	-	-	91,226	128,435
D Lenigas [1]	-	-	-	8,384	-	-	-	8,384
Total	**918,627**	**-**	**-**	**258,384**	**-**	**-**	**456,130**	**1,633,141**

[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, Andrew Suckling and Daniel Lanskey. David Lenigas received shares in lieu of Director's fees.

Remuneration accrued and payable to key management personnel as at March 31, 2020 was $59,941.

Total remuneration of each key management personnel of the Company for the year ended March 31, 2019 is set out below.

2019	**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/RSUs	Total
	$	$	$	$	$	$	$	$
C McCall	120,000	-	-	-	-	-	86,101	206,101
J Phillips	120,000	-	-	-	-	-	75,833	195,833
Non-Executive Directors:								
A Phillips	80,000	-	-	-	-	-	86,419	166,419
D Lenigas[2]	60,000	-	-	-	-	-	86,419	146,419
E Evans [1]	8,877	-	-	-	-	-	69,341	78,218
Total	**388,877**	**-**	**-**	**-**	**-**	**-**	**404,113**	**792,990**

[1] E Evans was appointed on February 5, 2018. His letter of engagement stipulates that he will forego the first year of Director's Fees in lieu of bonus shares issued in February 2018. The amount shown for the year ended March 31, 2019 include Director Fees from February 5 to March 31, 2019.
[2] D Lenigas resigned May 21, 2019.

Remuneration accrued and payable to key management personnel as at March 31, 2019 was $54,209.

(Expressed in Australian Dollars)

Note 22. Right of Use Asset

a) Variable Lease Payments

The Group maintains one property lease with no variable components.

b) Option to Extend or Terminate

The option to extend the lease is contained within the Groups leased premises and provides the Group the opportunity to manage leases in order to align with its strategies. The extension option is only exercisable by the Group, the extension option which management were reasonably certain to be exercised has been included in the calculation of the lease liability.

c) AASB 16 Related Amounts recognised in the Groups Financial Statements

i. Statement of Financial Position

Right-of-use asset	**March 31, 2020 $**	**March 31, 2019 $**
Leased building	**431,527**	-
Accumulated amortisation	**(101,888)**	-
	329,639	-

ii. Statement of Profit or Loss and Other Comprehensive Income

	March 31, 2020	March 31, 2019
Amortisation charge related to right-of-use asset	**72,702**	-
Interest expense on lease liabilities	**20,663**	-
Short-term lease expense	**93,365**	**-**

	March 31, 2020	March 31, 2019
iii Total Cash outflows		
Interest expense	**20,663**	-
Principal payments	**59,017**	-
	79,680	-

iv Movement in Carrying amount		
Recognised on initial application of AASB 16	**431,527**	-
Amortisation for the period	**(101,888)**	-
Net carrying amount	**329,639**	-

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

As at March 31, 2020

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

Note 23. Convertible Note

On July 10, 2019, the Company closed a fully subscribed private placement offering up to USD$6,000,000 (AUD $8,667,734) of secured convertible notes. The total amount of Convertible Notes as at March 31, 2020 is USD$5,000,000 (AUD $8,134,049).

The Group uses the Black-Scholes Option Pricing Model, or other valuation models, for the valuation of Convertible Note Derivatives and Warrant derivatives. Option pricing models require the input of subjective assumptions including expected share price volatility, interest rate, foreign currency and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Group's net loss and equity reserves.

Convertible Note Derivative
The convertible notes are deemed to contain an embedded derivative ("Convertible Note Derivative") relating to the conversion option. The convertible note derivative was valued upon initial recognition and at balance date at fair value using a Black Scholes binomial method at Nil. The convertible notes are measured at amortized cost and will be accreted to maturity over the term using the effective interest method.

The Company designates its derivatives at fair value through profit or loss on initial recognition. The derivatives are re-measured to fair value at each balance sheet date and the movement in fair value is taken directly to the statement of profit or loss and other comprehensive income. Due to the terms of the convertible note agreements the convertible notes have been designated as a current liability in their entirety not withstanding that the convertible notes cannot be redeemed by the holder until the expiry date being 36 months from the advance date. There are no circumstances in which the holder can compel the Company to settle the convertible notes via cash until expiry date.

In the event the convertible notes are converted to issued capital, the fair value of the convertible note derivative and the carrying value of the convertible notes will be reclassified to share capital.
The key terms of the Convertible Notes are as follows:

(a) each Convertible Note has a face value of USD$10,000;
(b) the Convertible Notes will rank equally among themselves;
(c) the Convertible Notes are secured pursuant to the Security Trust Deed, General Security Deed and the Mining Tenement Mortgage;
(d) the Convertible Notes do not carry a right to vote at a general meeting of the Company;
(e) the Convertible Notes attract interest on the Advance at the interest rate of 12.5% per annum (with a default interest rate of 16.5% applying in the case of a default of payment of interest by the Company) payable monthly in arrears on the last business day of each month;
(f) at any time after the date on which the Advance is paid by the Noteholder, the Noteholder may give a conversion notice to the Company electing to convert part of or the whole of the outstanding amount of the Advance (and any unpaid interest), upon which the Company must issue to the Noteholder (or its nominee) such number of Shares as is equal to the Conversion Amount divided by the Conversion Price;
(g) The Conversion Price is the greater of:
    (1) the USD equivalent (at the exchange rate on the date immediately preceding the date of the Conversion Notice) of 80% of the average VWAP of the Company's Shares during the five trading days immediately preceding the date of the Conversion Notice; and
    (2) the USD equivalent of CAD$0.40 (at the exchange rate on the date immediately preceding the date of the Conversion Notice);
(h) subject to (i) below the Company must repay an Advance (and any accrued interest) in a single instalment on:
    (1) the date which is 36 months after the Advance Date;
    (2) within 20 business days of receiving a notice from the Noteholder in respect of the Company's change of control; or

Note 23: Convertible Note (Cont'd)

(3) within 20 business days of receiving a termination notice from the Noteholder in respect of the failure by the parties to satisfy certain conditions precedent to the issue of the Convertible Notes, upon which each Convertible Notes is cancelled and has no further legal effect; and

(i) the Company is entitled to prepay the Advance at any time, in whole or in part, on giving five days' written notice to the Noteholder (subject to an additional 20% of the principal amount of the Advance if prepayment occurs prior to the first anniversary of the Advance Date). Pursuant to the Investment Agreements, the Noteholders are also entitled to be issued such number of Warrants as is equivalent to 25% of the CAD$ equivalent Face Value of the Convertible Notes subscribed for divided by the Exercise Price.

Note 24: Commitments

a) **Exploration Expenditures**

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 12 to the Consolidated Financial Statements for the year ended March 31, 2020.

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

Note 25: Contingent Liabilities

a) Security Bonds

The Company has a contingent liability of $56,554 for bank guarantees issued for office leasing arrangements in Brisbane and corporate credit cards.

b) Supreme Court Proceedings

LPD v. Macarthur and Ors. ("New 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 this matter remains ongoing.

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 July 5, 2019, the FSDC Directors filed a notice of appeal to the Supreme Court of Queensland where the review will be 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.

Note 26: Subsequent Events

a) Appointment of EAS advisors

On January 21, 2020, EAS Advisors was appointed as the Company's corporate advisor to assist in the financing strategy for its Lake Giles Iron Project. In connection with the engagement, EAS will be paid a monthly cash retainer of USD $10,000 per month and equity payment equivalent to US$5,000 per month settled quarterly for 8 months. Additionally, to incentivise EAS to assist in the growth of the Company, EAS received a total of 2,000,000 performance based options on May 28, 2020, granted as follows: 1) 500,000 options exercise price A$0.16 per fully paid ordinary share expiring December 31, 2020. 2) 500,000 options exercise price A$0.34 per fully paid ordinary share.3) 500,000 options exercise price A$0.36 per fully paid ordinary share. 4) 500,000 options exercise price A$0.38 per fully paid ordinary share. The performance based options were issued in compliance with the Company's Share Compensation Plan and the last three tranches of options will be exercisable at any time until December 31, 2022.

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

b) Engagement of Investor Cubed Inc.

Investor Cubed Inc. has been engaged to provide capital markets advice, investor relations and marketing development services to the Company effective from May 13, 2020.

In connection with the engagement, Investor Cubed has been awarded a consulting contract of CAD$5,000 per month for a term of twelve months and the right to purchase 1,500,000 options issued on May 28, 2020, granted as follows: 1) 500,000 Options exercise price C$0.16 expiring December 31, 2022. 2) 500,000 Options exercise price C$0.24 expiring December 31, 2022. 3) 500,000 Options exercise price C$0.32 expiring December 31, 2022.

c) Appointment of Northland Capital Markets

To reinstate trading on OTCQB, Northland Capital Markets, a full-service investment bank headquartered in the U.S., is engaged to act as OTCQB Sponsor and Advisor to the Company on May 4, 2020. As part of the listing process, the application to reinstate trading is currently subject to review and approval by Financial Industry Regulatory Authority ("FINRA") and OTC Markets Group.

d) Agreement with Arrow Minerals Limited

Macarthur has entered into an agreement with Arrow Minerals Limited ("Arrow") on December 20, 2019 to acquire mineral tenure for the development of site infrastructure at its Lake Giles Iron Project covering approximately 4950 ha adjacent to the Moonshine Magnetite deposit.

As part of the consideration for entering into the agreement, Macarthur has issued 1,702,997 shares valued at $250,000 on June 23, 2020.

Macarthur Minerals Limited
Directors' declaration

In accordance with a resolution of the directors of the Company, I declare that:

1. the financial statements and notes, as set out on pages 3 to 47 are in accordance with the *Corporations Act 2001 (Cth)* and:

   (i) comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the financial position as at March 31, 2020 and of the performance for the year ended on that date of the consolidated group; and

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Cameron McCall
Executive Chairman

Dated: June 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Macarthur Minerals Limited

Opinion

We have audited the accompanying consolidated financial statements of Macarthur Minerals Limited (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of profit and loss and other comprehensive income (loss), changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2b in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Macarthur Minerals Limited's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

June 30, 2020