



ABN 93 103 011 436

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

For the Nine months ended December 31, 2022

All amounts are in Australian dollars unless otherwise stated

Condensed Interim Consolidated Financial Statements – December 31, 2022

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This condensed interim financial report covers the consolidated financial statements for the entity consisting of Macarthur Minerals Limited and its subsidiaries. The financial report is presented in the Australian currency.

The Company's registered office and principal place of business is detailed on page 7.

The financial report was authorised for issue by the directors on February 14, 2023. The directors have the power to amend and reissue the financial report.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

MACARTHUR MINERALS LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31, 2022

(Expressed in Australian Dollars)

(Unaudited)

	Notes	December 31, 2022	March 31, 2022
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		2,628,382	1,625,572
Other receivables		264,430	221,841
Security deposits and other assets		127,558	177,141
Total current assets		3,020,370	2,024,554
Non-Current			
Plant and equipment		58,965	40,732
Right of use asset		157,551	-
Investments accounted for using the equity method	14	4,071,918	3,384,363
Exploration and evaluation assets	4	74,271,421	73,031,754
Total non-current assets		78,559,855	76,456,849
Total assets		81,580,225	78,481,403
LIABILITIES			
Current			
Trade and other payables		288,765	1,173,019
Provisions		99,877	93,731
Lease liabilities		71,434	-
Warrant liability		-	520,350
Loan from unrelated parties	16	-	1,000,000
Total current liabilities		460,076	2,787,100
Non-Current			
Provisions		67,665	51,043
Lease liabilities		93,717	-
Total non-current liabilities		161,382	51,043
Total liabilities		621,458	2,838,143
Net assets		80,958,767	75,643,260
SHAREHOLDERS' EQUITY			
Contributed equity		127,733,593	121,772,352
Reserves	5	10,834,998	7,693,697
Accumulated Losses		(57,609,824)	(53,822,789)
Total shareholders' equity		80,958,767	75,643,260

Nature and continuance of operations (Note 1)

Subsequent events (Note 17)

Contingent liabilities (Note 15)

On behalf of the Board of Directors:

"Cameron McCall"

Director

"Andrew Suckling"

Director

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

MACARTHUR MINERALS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

(Expressed in Australian Dollars)

(Unaudited)

	Three months ended December 31, 2022 \$	Three months ended December 31, 2021 \$	Nine months ended December 31, 2022 \$	Nine months ended December 31, 2021 \$
EXPENSES				
Depreciation – plant and equipment	(3,835)	(9,594)	(12,076)	(17,155)
Depreciation – Right of use asset	(16,881)	-	(45,015)	(17,980)
Exploration expense	(262)	(230,934)	(55,951)	(2,297)
Investor relations	(53,214)	(25,528)	(185,480)	(81,450)
Loss from share of associate (Note 14)	52,433	-	(430,995)	-
Impairment of investment in associate (Note 14)	-	-	896,550	-
Office and general	(62,547)	(125,191)	(236,925)	(264,012)
Personnel fees	(231,688)	(473,595)	(1,529,478)	(1,132,032)
Professional fees	(176,604)	(2,953)	(618,448)	(256,602)
Share-based compensation	(467,279)	1,823,918	(2,088,436)	(228,671)
Share registry, filing and listing fees	(41,410)	(91,056)	(215,506)	(249,412)
Travel and accommodation	(20,147)	(3,963)	(127,598)	(30,768)
Borrowing costs	(4,249)	(1,640)	(15,564)	(9,580)
	(1,025,683)	859,464	(4,664,922)	(2,289,959)
REVENUE				
Interest Income	2,255	166	2,830	386
Other Income	164,676	-	281,511	604,980
Net rental income/(expense) from associated entity	21,244	(35,215)	52,488	(35,215)
Gain on foreign exchange	(16,598)	(7,810)	20,709	67,015
Gain/(Loss) on change in fair value of warrant liability (Note 5)	-	(3,186,560)	520,350	6,138,219
	171,577	(3,229,419)	877,888	6,775,385
Profit/(loss) before income tax from continuing operations	(854,106)	(2,369,955)	(3,787,034)	4,485,426
Income tax expense	-	-	-	-
Net profit/(loss) for the period from continuing operations	(854,106)	(2,369,955)	(3,787,034)	4,485,426
Net (loss)/profit from discontinued operations	-	(360,591)	-	(951,562)
Net (loss)/profit for the period	(854,106)	(2,730,546)	(3,787,034)	3,533,864
Other Comprehensive Income/(loss) Items that will not be reclassified subsequently to profit or loss:				
Fair value loss on Investment at fair value through other comprehensive income	-	(232,333)	-	(515,000)
Total comprehensive income/(loss) for the period	(854,106)	(2,962,879)	(3,787,034)	3,018,864
Basic and diluted profit/(loss) per ordinary share	(0.0052)	(0.0117)	(0.0230)	0.0119
Basic and diluted weighted average number of ordinary shares outstanding	165,653,488	253,953,259	164,305,124	253,953,259

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

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

	Note	Number of Shares #	Contributed Equity \$	Accumulated losses \$	Reserves \$	Total Equity \$
Balance at April 1, 2021		139,614,135	119,342,705	(58,206,104)	7,049,070	68,185,671
Net profit/(loss) for the period		-	-	3,533,864	-	3,533,864
Other comprehensive loss for the period		-	-	-	(515,000)	(515,000)
Share-based payment transactions		-	-	-	800,247	800,247
Exercise of options and warrants		5,526,702	2,149,436	-	-	2,149,436
IML IPO		65,000,000	11,500,000	-	-	11,500,000
IML Shares in consideration for brokerage services		1,250,000	1,250	-	-	1,250
IML Shares in consideration for purchase of assets.		20,000,000	4,000,000	-	-	4,000,000
Adjustment to retained earnings		-	-	5,285,286	-	5,285,286
Infinity Mining Ltd Investment in MAL		22,562,422	-	-	-	-
Cost of Share Capital		-	(2,065,062)	-	-	(2,065,062)
Balance at December 31, 2021		253,953,259	134,928,329	(49,386,954)	7,334,317	92,875,692
Balance at April 1, 2022		146,253,488	121,772,352	(53,822,790)	7,693,697	75,643,259
Net loss for the period		-	-	(3,787,034)	-	(3,787,034)
Share-based payment transactions		-	-	-	3,141,301	3,141,301
Bonus shares		4,400,000	1,430,000	-	-	1,430,000
Share issue - Private placement		15,000,000	5,338,476	-	-	5,338,476
Cost of share capital		-	(807,235)	-	-	(807,235)
Balance at December 31, 2022		165,653,488	127,733,593	(57,609,824)	10,834,998	80,958,767

(Expressed in Australian Dollars) (Unaudited)

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

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

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
	\$	\$
OPERATING ACTIVITIES		
Net profit/(loss) for the period	(3,787,034)	3,533,864
<i>Items not involving cash:</i>		
Depreciation – plant and equipment	12,076	17,791
Depreciation – Right of use assets	45,015	17,980
Change in fair value of warrant liability	(520,350)	(6,138,219)
Share-based compensation	2,088,436	228,671
Loss from share of associate	430,995	-
Impairment reversal of investment in associate	(896,550)	-
Change in foreign exchange – unrealized	(20,709)	-
<i>Changes in assets and liabilities:</i>		
(Decrease)/increase in trade and other payables	(863,546)	971,008
Increase in prepayments	-	(187,441)
Decrease/(increase) in receivables and security deposits	6,994	(208,049)
Increase in employee benefits	22,768	48,616
Other – Non-cash prior period adjustment to warrant liability and corresponding expense.	-	(4,214,178)
Net Cash (used in)/from Operating Activities	(3,481,905)	(5,929,957)
INVESTING ACTIVITIES		
Plant & Equipment purchases	(47,109)	(14,410)
Proceeds from the sale of Plant & Equipment	16,800	-
Sale of financial assets	-	1,120,000
Purchase of IML shares	(222,000)	-
Deferred exploration expenditures	(1,239,667)	(6,080,899)
Net Cash used in Investing Activities	(1,491,976)	(4,975,309)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	7,500,000	16,927,486
Share issuance costs	(485,894)	-
Payments for lease liabilities	(37,415)	-
Repayment of borrowings	(1,000,000)	(25,694)
Net Cash provided by (used in) Financing Activities	5,976,691	16,901,792
Change in cash and cash equivalents during period	1,002,810	5,996,526
Cash and cash equivalents, beginning of period	1,625,572	5,018,170
Cash and cash equivalents, end of period	2,628,382	11,014,696

Supplemental disclosures with respect to cash flows (Note 10)

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

MACARTHUR MINERALS LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS), Australian Securities Exchange ("ASX") (symbol: MIO) and OTCQB Venture Market ("OTCQB") (symbol: MMSDF). The Company has three iron ore projects in the Yilgarn region of Western Australia. The Company also has two exploration project areas in the Pilbara, Western Australia targeting iron ore. In addition, Macarthur Minerals has lithium brine interests in the Railroad Valley, Nevada, USA.

As at December 31, 2022, the Company has the following subsidiaries (collectively referred to as the "Group"):

- 100% of Macarthur Australia Limited, which holds the following 100% subsidiaries:
- 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 Bulk Handling Pty Ltd and its 100% subsidiary, Macarthur Tulshyan Pty Ltd.

There was no change in the nature of the Company's principal activities during the period. On January 1, 2022, Infinity Mining Limited ("IML") exited the Macarthur Minerals Consolidated Group and, effective from financial year end March 31, 2022, IML was accounted for as an associate of Macarthur Minerals Group. IML, following its own successful IPO on November 19, 2021, was separately listed on the ASX on December 20, 2021. The carrying value of the Company investment in Infinity Mining Limited as at December 31, 2022 was \$4,071,918, representing its holding of 23,762,422 shares at market value at reporting date.

The Company corporate head office and principal place of business is Suite 1G, Building 1, Kings Row Office Park, 40 McDougall Street, Milton QLD 4064, Australia.

2. BASIS OF PRESENTATION

These general-purpose interim consolidated financial statements for the nine-month reporting period ended December 31, 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Macarthur Minerals Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the nine-month period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended March 31, 2022, together with any public announcements made during the following nine-month period.

These condensed interim consolidated financial statements were authorised by the Board of Directors of the Company on February 14, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 2 to the audited financial statements for the year ended March 31, 2022, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

MACARTHUR MINERALS LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian Dollars)
(Unaudited)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

4. EXPLORATION AND EVALUATION ASSETS

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

At December 31, 2022, the Company held 100% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiary MIO holds assets which include the Iron Ore Projects. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds a Lithium Exploration Project in Nevada.

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

The Iron Ore projects' book value reflects the historical costs of exploration and evaluation expenditure capitalised in accordance with the Company's accounting policy and Australian Accounting Standards and IFRS.

Exploration expenditure of \$1,239,667 was capitalised during the period ended December 31, 2022, as per table below.

Exploration and evaluation expenditure

Interim Expenditure

The following is a summary of acquisition and exploration costs incurred:

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance as at March 31, 2021	4,010,636	63,502,909	67,513,545
Incurred during the year			
Accommodation and camp maintenance	-	43,499	43,499
Other	-	11,372	11,372
Personnel and Contractors	-	265,765	265,765
Rent and rates	-	265,036	265,036
Research and reports	-	5,068,458	5,068,458
Sampling and testing	-	9,640	9,640
Tenement acquisitions	-	(178,590)	(178,590)
Tenement management and outlays	-	1,482	1,482
Travel	-	7,114	7,114
Vehicle hire	-	24,433	24,433
	-	5,518,209	5,518,209
Balance as at March 31, 2022	4,010,636	69,021,118	73,031,754
Incurred during the period			
Accommodation and camp maintenance	-	40,450	40,450
Other	-	158,212	158,212
Personnel and Contractors	-	208,182	208,182
Rent and rates	-	173,997	173,997
Research and reports	-	617,549	617,549
Sampling and testing	-	5,118	5,118
Tenement management and outlays	-	17,832	17,832
Travel	-	1,567	1,567
Vehicle hire	-	16,760	16,760
	-	1,239,667	1,239,666
Balance as at December 31, 2022	4,010,636	70,260,785	74,271,421

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

4. EXPLORATION AND EVALUATION ASSETS (Cont'd)

Commitments

In order to maintain its current rights of tenure for exploration and/or mining activities, the Company is required to perform minimum annual expenditure requirements specified 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:

	December 31, 2022	March 31, 2022
	\$	\$
Not later than one year	1,056,183	980,663
Later than one year but not later than five years	3,942,326	3,674,506
	4,998,509	4,655,169

For the 12-month period ending December 31, 2023, 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:

	December 31, 2022	March 31, 2022
	\$	\$
Not later than one year	427,483	407,205
Later than one year but not later than five years	3,942,326	3,674,506
	4,369,809	4,081,711

MACARTHUR MINERALS LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian Dollars)
(Unaudited)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

5. CONTRIBUTED EQUITY

Ordinary Shares

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

	December 31, 2022	March 31, 2022
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	127,733,593	121,772,352
	Number	Number
<i>Number of shares on issue</i>	165,653,488	146,253,488

	December 31, 2022	March 31, 2022
At the beginning of the reporting period	146,253,488	139,614,135
Shares Issued during the period:		
April 8, 2022 (AUD\$0.50 per share)	15,000,000	-
Bonus shares	4,400,000	-
Exercise of options and warrants	-	6,639,353
At the end of the reporting period	165,653,488	146,253,488

Reserves

	Share Based Payments Reserve	Financial Asset Revaluation Reserve	Share Capital Reserve	Total
	\$	\$	\$	\$
As at April 1, 2021	6,142,313	720,000	186,757	7,049,070
Fair value loss on financial assets	-	68,333	-	68,333
Cost of share-based payments	576,294	-	-	576,294
As at March 31, 2022	6,718,607	788,333	186,757	7,693,697
Cost of share-based payments	3,141,301	-	-	3,141,301
As at December 31, 2022	9,859,908	788,333	186,757	10,834,998

5. CONTRIBUTED EQUITY (Cont'd)

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.

Share Capital Reserve

The share capital reserve records the residual value of contributed equity after deducting the fair value of the common shares issued.

Share Compensation Plans

The Company, in accordance with the Company's Omnibus, Employee and Consultant Share Compensation Plans ("Plans") and the policies of the TSX-V and ASX, is authorised to grant incentive stock options ("Options"), award equity restricted share units ("RSU's"), or bonus shares or issue ordinary shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 20% of issued and outstanding ordinary shares as at August 3, 2022, being 165,653,488 Common Shares. The Plans were approved on August 31, 2022 by the shareholders and replace the Company's previous Plans.

The exercise price of the Options is fixed by the Board at no less 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.

Share Options

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.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

5. CONTRIBUTED EQUITY (Cont'd)**Share Options – Employees and Consultants**

Share option transactions issued to employees and consultants and the number of share options outstanding are summarized as follows:

	Nine months ended December 31, 2022		Year ended March 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,500,000	\$0.28 (CAD\$0.27)	5,035,000	\$0.27 (CAD\$0.25)
Granted	1,800,000	\$0.50 (CAD\$0.46)	500,000	\$0.85 (CAD\$0.80)
Expired	(2,500,000)	\$0.46 (CAD\$0.42)	(30,000)	\$0.21 (CAD\$0.20)
Forfeited	-	-	(911,797)	\$0.21 (CAD\$0.20)
Exercised	-	-	(2,093,203)	\$0.21 (CAD\$0.20)
Outstanding, end of period	1,800,000	\$0.50 (CAD\$0.46)	2,500,000	\$0.28 (CAD\$0.27)
Options exercisable, end of period	1,800,000	\$0.50 (CAD\$0.46)	2,500,000	\$0.28 (CAD\$0.27)

Share options for employees and consultants outstanding at December 31, 2022 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
500,000	AUD\$0.65	25 May 2024
650,000	AUD\$0.45	26 Oct 2024
500,000	AUD\$0.40	26 Oct 2025
150,000	AUD\$0.50	26 Oct 2024

The range of exercise prices for options outstanding at December 31, 2022 is AUD\$0.40 to AUD\$0.65.

The weighted average remaining contractual life for the share options as at December 31, 2022 is 0.39 years.

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

5. CONTRIBUTED EQUITY (Cont'd)**Share Options – Private Placement**

Option transactions with an Australian Dollar exercise price issued under the private placements and the number of options outstanding and their related weighted average exercise prices are summarised as follows:

	Nine months ended December 31, 2022		Year ended March 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	12,862,618	AUD\$0.88	12,862,618	AUD\$0.88
Granted	Mima1973	AUD\$0.65	-	-
Expired	(12,862,618)	AUD\$0.96	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, end of period	17,000,000	AUD\$0.65	12,862,618	AUD\$0.88
Options exercisable, end of period	17,000,000	AUD\$0.65	12,862,618	AUD\$0.88

Share Options – Private Placement

Share options under private placement outstanding at December 31, 2022 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
17,000,000	AUD\$0.65	8 April 2024

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

(Expressed in Australian Dollars)

(Unaudited)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

5. CONTRIBUTED EQUITY (cont'd)**Restricted Share Units**

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

	Nine months ended December 31, 2022		Year ended March 31, 2022	
	Number of RSUs	Weighted Average Exercise Price	Number of RSUs	Weighted Average Exercise Price
Outstanding, beginning of period	7,082,500	\$0.87 (CAD\$0.82)	3,282,500	\$0.72 (CAD\$0.68)
Granted	-	-	5,600,000	\$0.96 (CAD\$0.90)
Vested	-	-	-	-
Forfeited	(137,500)	\$0.76 (CAD\$0.70)	(1,800,000)	\$0.90 (CAD\$0.84)
Expired	-	-	-	-
Outstanding, end of period	6,945,000	\$0.89 (CAD\$0.82)	7,082,500	\$0.87 (CAD\$0.82)

RSUs outstanding at December 31, 2022 have the following vesting prices and expiry dates:

Number of RSUs	Vesting Price	Expiry Date
1,000,000	CAD\$0.65	8 Dec 2023
1,595,000	CAD\$0.70	19 Jan 2024
4,350,000	CAD\$0.90	11 Jun 2024

The weighted average remaining contractual life for the RSUs as at December 31, 2022 is 1.28 years.

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5. CONTRIBUTED EQUITY (cont'd)

Warrants

Warrants relating to rights issues and private placements at the beginning of the period totaled 4,101,275. No warrants were granted during the period ended December 31, 2022. 4,101,275 warrants expired during the period ended December 31, 2022.

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

	Nine months ended December 31, 2022		Year ended March 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	4,101,275	\$0.43 (CAD\$0.40)	25,777,188	\$0.55 (CAD\$0.52)
Granted	-	-	-	-
Forfeited	-	-	-	-
Expired	(4,101,275)	\$0.43 (CAD\$0.40)	(17,129,763)	\$0.62 (CAD\$0.59)
Exercised	-	-	(4,546,150)	\$0.43 (CAD\$0.40)
Outstanding, end of period	-	-	4,101,275	\$0.43 (CAD\$0.40)
Warrants exercisable, end of period	-	-	4,101,275	\$0.43 (CAD\$0.40)

Warrant Liability

During the period ended December 31, 2022, no warrants were granted. Where the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (Australian dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of December 31, 2022, the Company had Nil (March 31, 2022 – 4,101,275) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised a gain of \$520,350 (December 31, 2021 – gain of \$6,138,219) from changes in the fair value of the warrant liability. The value of warrant liability as at December 31, 2022 is \$nil (March 31, 2022 – \$520,350).

Equity Finance Facility

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

The additional key terms of the Equity Finance Facility are described in the Company's News Release dated October 13, 2020.

6. SHARE-BASED COMPENSATION

The Company measures the cost of share options at fair value at the grant date using the Black-Scholes formula, adjusted to reflect market vesting conditions, but excludes any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest and the entity revises its estimate of options that are expected to vest at each reporting date.

The fair value calculated for options issued is expensed over their vesting period as share-based compensation in the Condensed Interim Statement of Profit and Loss and Comprehensive Income/(Loss) and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. Refer to Note 6 for details of options.

7. RELATED PARTY TRANSACTIONS

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	
		December 31, 2022	December 31, 2021
Esperance Iron Ore Export Company Pty Ltd	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Bulk Handling 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.

Interests in Associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material (IML) to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		December 31, 2022	December 31, 2021
		%	%
Infinity Mining Limited (IML)	Australia	21.10	20.74*

*As at December 31, 2021, the company held 100% ownership in Macarthur Lithium Pty Ltd (renamed later to Infinity Mining Limited – refer to Note 14 for further details).

7. RELATED PARTY TRANSACTIONS (Cont'd)

Transactions with associate

The following transactions occurred with associate:

	Consolidated 2022 \$	2021 \$
Receipts for goods and services:		
Costs recoveries for services to associate	180,075*	-
<i>*Includes \$323,704 reversal of FY2022 charges</i>		

Receivable from associate

The following balances are owing at the reporting date in relation to transactions with associate:

Balance owed from associate at period end	40,662	-
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Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of IAS 24. Where transactions are entered into with those entities the terms and conditions are no more favourable than those that it is reasonable to expect the entity would have adopted if dealing on an arm's length basis. The Company did not enter into any transactions with entities over which key management personnel have significant influence during the period and the corresponding prior period.

8. TAX CONSOLIDATION

Macarthur Minerals and its wholly owned Australian subsidiaries are members of an Australian Income Tax Consolidated Group.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Cash paid during the period for interest	<u>15,564</u>	<u>386</u>

10. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of mineral properties in Australia. All of the Company's exploration and evaluation assets and plant and equipment are located in Australia.

11. FINANCIAL INSTRUMENTS

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.

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12. FINANCIAL INSTRUMENTS (Cont'd)

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. This amount consists of Cash and cash equivalents of \$3,561,553 (March 31, 2022: \$1,625,572), Other receivables of \$104,762 (March 31, 2022: \$127,090) and Security Deposits of \$35,397 (March 31, 2022: \$56,642).

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

	December 31, 2022 \$	December 31, 2021 \$
Australia	2,349,519	9,897,125
North America	458,735	1,580,413
	<u>2,808,254</u>	<u>11,477,538</u>

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 is being the functional currency of the Company.

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date was as follows:

	AUD \$	CAD \$	USD \$	AUD \$	CAD \$	USD \$
	December 31, 2022			March 31, 2022		
Cash and cash equivalents	2,169,647	458,424	311	839,128	634,363	152,081
Receivables	144,475	-	-	127,090	-	-
Security Deposits	35,397	-	-	56,642	-	-
	<u>2,349,519</u>	<u>458,424</u>	311	1,022,860	634,363	152,081
Trade and other payables	276,091	12,674	-	1,116,688	48,228	8,103
Employee Benefits	167,542	-	-	144,774	-	-
Warrant liability	-	-	-	-	520,350	-
Loan - Other	-	-	-	1,000,000	-	-
Lease liability	165,151	-	-	-	-	-
	<u>608,784</u>	<u>12,674</u>	-	2,261,462	568,578	8,103
Net exposure	<u>1,740,735</u>	<u>445,750</u>	311	(1,238,602)	65,785	143,978

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12. FINANCIAL INSTRUMENTS (Cont'd)

Sensitivity analysis

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

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

	December 31, 2022		March 31, 2022	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
+/-2% in interest rates	+/- \$53,276	+/- 53,276	+/\$33,644	+/\$33,644
+/-5% in \$AUD/\$CAD	+/- \$22,288	+/- \$22,288	+/- \$3,289	+/- \$3,289
+/-5% in \$AUD/\$US	+/- \$16	+/- \$16	+/- \$7,199	+/- \$7,199
+/-10% in listed investments	Nil	Nil	+/- \$Nil	+/- \$Nil

Interest rate risk

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

	December 31, 2022	March 31, 2022
	\$	\$
Interest-bearing financial instruments		
Financial assets	2,663,779	1,682,214
Financial assets are comprised of:		
Cash and cash equivalents	2,628,382	1,625,572
Security deposits	35,397	56,642
	2,663,779	1,682,214

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 2022.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
December 31, 2022				
Interest-bearing financial instruments	26,638	(26,638)	26,638	(26,638)
March 31, 2022				
Interest-bearing financial instruments	16,822	(16,822)	16,822	(16,822)

13. CAPITAL MANAGEMENT

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

In the management of capital, the Company includes shareholders' equity. 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. There were no changes in the Company's approach to capital management during the period ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

During the period ended December 31, 2022, the Group acquired 1,200,000 (\$222,000) shares in Infinity Mining Limited (IML). The Group has a 21.10% interest in Infinity Mining Limited (IML) as at December 31, 2022. The Group's interest in IML is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's investment in IML:

	December 31, 2022	March 31, 2022
	\$	\$
Current Assets	4,495,807	8,314,888
Non-Current Assets	11,841,194	9,340,642
Current Liabilities	(232,154)	(140,029)
Non-Current Liabilities	(31,088)	(47,282)
Equity	<u>16,073,759</u>	<u>17,468,219</u>
Group's share in equity – 21.10% (Mar 31, 2022: 20.74%)	3,606,363	3,622,909
Reversal of impairment	896,550	-
Share of loss in associate	(430,995)	-
Fair value adjustment for remaining interest	-	(238,545)
Group's carrying amount of the investment	<u>4,071,918</u>	<u>3,384,364</u>
Other Income	42,010	1,133
Administrative expenses	(1,422,782)	(427,675)
Share based payments	(661,860)	(690,000)
Loss for the period (continuing operations)	<u>(2,042,632)</u>	<u>(1,116,542)</u>
Group's share of loss for the period – 21.10% (Mar 31, 2022: 20.74%)	<u>(430,995)</u>	<u>(231,571)</u>

The associate had no contingent liabilities or capital commitments as at December 31, 2022.

15. CONTINGENT LIABILITIES

a) *Security Bonds*

The Company has a contingent liability of \$35,397 for bank guarantees issued for office leasing arrangements in Brisbane and corporate credit cards.

16. LOANS

During February 2022, the Company entered into an unsecured loan arrangement with a third party for the amount of \$1,000,000 at an annualised percentage rate (APR) of 7.00% interest. The Company repaid this loan in April 2022.

17. SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the reporting date that has significantly affected, or may significantly affect, the operations of the Group, or state of affairs of the Company.