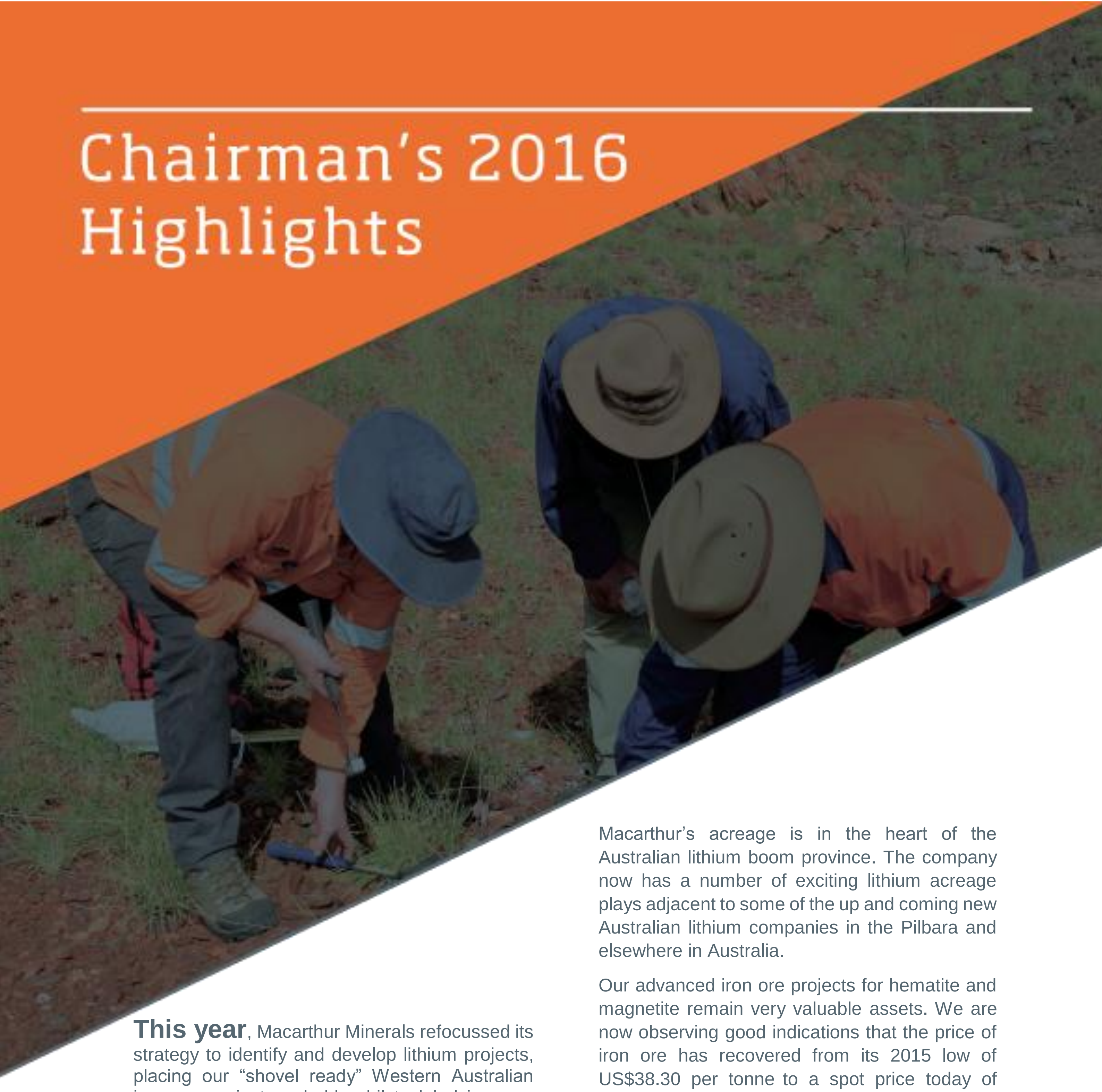
MACARTHUR® Minerals

Australian Annual Report

Year End 31 March 2016

Chairman's 2016 Highlights



This year, Macarthur Minerals refocussed its strategy to identify and develop lithium projects, placing our "shovel ready" Western Australian iron ore project on hold, whilst global iron ore markets continue to recover. We are excited about the potential of our iron ore assets to add real value for our shareholders in the future.

We have made significant steps forward to become a significant new player in the evolving global lithium supply market, acquiring one of the largest "hard rock" lithium acreage packages for any junior company. Macarthur currently holds a very large lithium acreage portfolio in Australia, now covering a total area of 1,678 square kilometres in the Pilbara, Ravensthorpe and Edah regions of Western Australia.

Macarthur's acreage is in the heart of the Australian lithium boom province. The company now has a number of exciting lithium acreage plays adjacent to some of the up and coming new Australian lithium companies in the Pilbara and elsewhere in Australia.

Our advanced iron ore projects for hematite and magnetite remain very valuable assets. We are now observing good indications that the price of iron ore has recovered from its 2015 low of US$38.30 per tonne to a spot price today of US$60.70 per tonne. Since its 2015 low, the price has risen by over 58% and we are optimistic that this positive sentiment can continue. There is real potential for our iron ore assets to again add considerable market value in the future, with the company having previously spent over $60 million to develop them to a "shovel ready" stage.

Lithium Acreage

Macarthur's Pilbara lithium acreage is adjacent to and covers similar geological settings to the "world class" Pilgangoora lithium deposits, which host the advanced lithium projects of ASX listed companies, Pilbara Minerals Limited and Altura Mining Limited. Intial reconnaissance across a fraction of our Pilbara lithium acreage has been very encouraging justifying continued assessment.

Rare Earth Minerals Strategic Investment

Rare Earth Minerals plc recently made a strategic investment in Macarthur. REM a London listed company holds 13.07% interest in Macarthur and it is proposed at the AGM to obtain shareholder approval to increase its interest to 23.12% through exercise of warrants. REM is creating a diverse portfolio of interests in lithium projects globally. REM brings to Macarthur expertise is developing global lithium projects and strong support for our future activities.

Sulphur Springs and Whim Creek Joint Venture

Macarthur has recently entered into a Memorandum of Understanding with an ASX listed company for a Farm-in and Joint Venture Agreement for rights to lithium on their Sulphur Springs and Whim Creek Projects in the Pilbara, which is contiguous with some of our lithium acreage.

Ravensthorpe Farm-in by Canadian Company

Macarthur recently entered into a Memorandum of Understanding with a Canadian lithium company for a farm-into our lithium acreage at Ravensthorpe for minimum expenditure of A$2 million to earn a 51% interest. The farm-in allows us to accelerate our lithium exploration activities over Macarthur's large acreage package and to maximise our exploration efforts in the Pilbara region.

Macarthur Iron Ore Projects

Macarthur retains its two iron ore projects in Western Australia; the Ularring hematite project (Indicated 54.46 million tonnes @ 47.2% Fe, Inferred 25.99 million tonnes @ 45.4% Fe - Pre-Feasibility Study) and the Moonshine magnetite project (1.3 billion tonnes @ 30.1% Fe - Preliminary Economic Assessment). We previously received approval to develop an iron ore mine for the Ularring project. We are receiving renewed interest in our iron ore projects with recovery of the iron ore price from its historic lows.

Moving Forward

Macarthur will rapidly move forward to explore its lithium acreage and continue to identify and acquire high quality lithium assets. We have an excellent acreage package forming the foundations for our future success in the lithium supply industry. While we continue to develop and grow our lithium assets, we will also identify opportunities to maximise the value of our two iron ore projects as the global iron ore market continues to recover.

Cameron McCall

Non-Executive Chairman

MACARTHUR MINERALS

AUSTRALIAN ANNUAL REPORT

MACARTHUR Minerals

ACN 103 011 436

Annual Report - Year ended 31 March 2016

Contents	**Page**
Corporate directory	1
Directors’ report	2
Auditor’s independence declaration	20
Financial report	21
Directors’ declaration	65
Independent audit report to the members	66

Corporate Directory
31 March, 2016

Stock Exchange Listing

Macarthur Minerals Limited (the "Company" or "Macarthur") is an Australian public company and is quoted on the Official List of the TSX Venture Exchange ("TSX-V") (symbol: MMS). The Company was previously listed on the Toronto Stock Exchange ("TSX") until 24 June 2015 and the OTC Market Place, OTCQX International ("OTCQX") (symbol: MMSDF) until 31 December 2015. The Company is incorporated in Australia and registered in Queensland.

Directors

Cameron McCall, Non-Executive Chairman (appointed Non-Executive Chairman 3 December 2015 and appointed Director 28 April 2015)
David Lenigas, Independent Director (appointed 11 July 2016)
David Taplin, President, CEO and Director (appointed President and CEO 3 December 2015 and appointed Executive Director 28 April 2015)
Alan Spence ("Alan") Phillips, Executive Director (resigned as Chairman 14 May 2015 and resigned as CEO 28 April 2015)

Alan Joseph ("Joe") Phillips, CEO (resigned as CEO and Director on 3 December 2015 and appointed CEO and Director, 28 April 2015)
Earl Evans (resigned 3 December 2015, appointed Director 28 April 2015 and appointed Chairman 14 May 2015)
John Toigo (resigned 28 April 2015)
Jon Starink (resigned 28 April 2015)
Jeffrey Wall (resigned 28 April 2015)
Richard Patricio (resigned 28 April 2015)

Company Secretary

Nicola Ingram (appointed 31 March 2016)
David Taplin (resigned 31 March 2016)

Registered and Head Office

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Canadian Share Registry

Computershare Investor Services Inc.
510 Burrard St, 3rd Floor
Vancouver, BC V6C 3B9
Canada

Website address: www.computershare.com

Australian Share Registry

Computershare Investor Services Inc.
117 Victoria St, West End
Brisbane, QLD 4101
Australia

Website address: www.computershare.com.au

Auditors – Australia

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Australia
Telephone: +61 7 3229 2022
Fax: +61 7 3229 3277

Website address: www.nexia.com.au

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Website address: www.davidson-co.com

Directors' Report
31 March, 2016

Your directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the Group) consisting of Macarthur Minerals Limited ACN 103 011 436 and the entities it controlled at the end of, or during, the year ended 31 March, 2016. All dollar amounts are presented in the Australian currency unless stated otherwise.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless stated otherwise:

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
Mr Cameron McCall Non-Executive Chairman Chair of Audit Committee	Mr McCall was appointed as Independent Director on 28 April 2015 and Non-Executive Chairman on 3 December 2015. Mr McCall has a wealth of experience across the financial services and commercial property industries within Australia and internationally. He has been providing investment, equity capital raising and share trading advice for over 17 years to corporate entities and private clients at Hartleys Limited and Macquarie Bank Limited. Mr McCall has during his 40 year career built an extensive network of international and Australian based high net worth individuals and corporate entities. Mr McCall is currently running a corporate advisory business providing advice on asset acquisition and capital raising to international and Australian based organisations.
Mr David Lenigas Independent Director Member of Audit Committee	Mr Lenigas was appointed as Independent Director on 11 July 2016. Mr Lenigas is a Mining Engineer, with extensive experience in the lithium business, having recently retired as the Executive Chairman of Rare Earth Minerals plc (AIM: REM, OTC: REMMY) ("REM"). REM is a London and New York listed Investment Company, which has a number of strategic investments in lithium projects around the world. Mr Lenigas is Executive Chairman of London listed Leni Gas Cuba Limited (ISDX: CUBA)("LGC"). LGC is currently subject to a reverse take over with TSX-V listed Knowlton Capital Inc (TSX-V: KWC.H) and on completion Mr Lenigas will be the Co-Chairman and Chief Executive of the renamed entity; LGC Capital Ltd listed on the TSX-V. In addition, he is the Executive Chairman of a bespoke agri-logistics company; London listed AfriAg plc (ISDX: AFRI) and Executive Chairman of UK oil company, Doriemus plc (ISDX: DOR).
Mr Alan Phillips Executive Director Former Member of Audit Committee	Mr Alan Phillips was appointed to the board on 19 October 2005. Mr Phillips was President and CEO of the Company from 31 August 2009 until his resignation from those positions on 28 April 2015. Mr Phillips continues as Executive Director. Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 40 years. Mr Phillips specialises in start-up and turnaround companies across a broad range of industries, but predominantly in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.
Mr David Taplin President, CEO and Director Member of Audit Committee	Mr Taplin was appointed as an Executive Director on 28 April 2015 and appointed President and CEO on 3 December 2015. Prior to his appointment as President and CEO from 31 August 2009 Mr Taplin was the Company's CFO, General Counsel and Company Secretary. Mr Taplin resigned as Company Secretary on 31 March 2016. Mr Taplin has 25 years' experience as an executive in mining, gas and electricity. In addition to CEO, he has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX and TSX-V companies and government-owned corporations. Mr Taplin has worked extensively in corporate finance, corporate law and corporate governance both in Australia and internationally. Mr Taplin holds Bachelor of Laws, Master of Business Administration (AGSM), Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Business Management, and is a solicitor, CPA, Chartered Secretary (ACIS and FGIA) and member of the Australian Institute of Company Directors.

Directors (Cont'd)

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
Mr Earl Evans Former Non-Executive Independent Chairman (resigned 3 December 2015) Former Member of Audit Committee	Mr Evans was appointed as Independent Director on 28 April 2015 and appointed Non-Executive Independent Chairman on 14 May 2015. Mr Evans resigned on 3 December 2015. Mr Evans has held a range of management and executive roles throughout his 23 year career within the Financial Services industry. He has extensive experience as an investment banking executive including as Executive Director within the Macquarie Group Limited for 11 years spending the last 5 years in Canada as head of Banking and Financial Services for North America. Mr Evans has significant previous experience as a board director and has vast international and Australian based business expertise and relationships. Mr Evans is currently a Director of Shaw and Partners, and head of its Private Wealth Division.
Mr Joe Phillips Former Executive Director and CEO (resigned 3 December 2015)	Mr Phillips was appointed as Executive Director and CEO on 28 April 2015, previous to that he was the COO (appointed 15 October 2010). Mr Phillips resigned as Executive Director and CEO on 3 December 2015. Mr Phillips is Chairman of Plus Connect Ltd and has had an extensive 16 year career in public administration with eight years as the general manager for economic development for the city of Brisbane, followed by a period as a member of the executive of Energex, the Queensland Government owned Electricity Company and completing this phase of his career as the executive responsible for the privatisation of Queensland Government owned lottery business. Educated at the University of Queensland he combines strong project management skill with a discipline in economics and a detailed understanding of the operation of public administrations and the elected governments in Australia
Mr John Toigo Former Non-Executive Independent Director (resigned 28 April 2015) Former Chair of Audit Committee and member of Remuneration and Nomination Committee	Mr Toigo was appointed to the board on 31 August 2009 and resigned on 28 April 2015. Mr Toigo is the managing partner of ClarkeKann Lawyers, an Australian based corporate and commercial law firm with offices in both Brisbane and Sydney. Mr Toigo has over 28 years' experience as a corporate & resources lawyer with particular emphasis on capital raisings, public and private, mergers and acquisitions, companies and securities regulation, resource projects, company structuring, corporate governance, corporate finance and complex commercial transactions. He holds a Bachelor of Laws (Hons) and a Graduate Diploma in Applied Finance and Investment. Mr Toigo is a member of Australian Institute of Company Directors, Queensland Law Society, Law Society of New South Wales, and the Resources and Energy Law Association.
Mr Jon Starink Former Non-Executive Director (resigned 28 April 2015)	Mr Starink was appointed to the board on 23 June 2011 and resigned on 28 April 2015. Mr Starink has 35 years' experience in the mining industry. He is a Chartered Professional Engineer, a Chartered Scientist and Chartered Chemist. His corporate experience includes board level corporate governance, executive corporate management and administration, corporate finance and strategic business development, technical and financial project audit and evaluation, introductions to capital markets and investment risk management. Mr Starink holds a Bachelor of Science (Hons1), Bachelor of Chemical Engineering (Hons1), Master of Applied Science and holds the following grades and memberships of professional bodies, FAusIMM, FIEAust, FIChemE, MRACI and MTMS.

Directors (Cont'd)

Name, Independence Status and Special Responsibilities	**Experience, expertise and qualifications**
Mr Richard Patricio Former Non-Executive Independent Director (resigned 28 April 2015) Former a member of Audit Committee and Remuneration and Nomination Committee	Mr Patricio was appointed to the board on 18 September 2012 and resigned on 28 April 2015. Mr Patricio is CEO and President of Mega Uranium Ltd. Previous to that he was CEO and the vice president legal and corporate affairs at Pinetree Capital Ltd ("Pinetree"). Mr Patricio was responsible for Pinetree's merger and acquisition activity, corporate transactions, compliance, corporate governance and the administration of Pinetree. Mr Patricio currently holds directorships with several Australian and Canadian based resource companies. Mr Patricio received his law degree from Osgoode Hall, was called to the Ontario bar in 2000 and previously practised law at Oslers LLP in Toronto.
Mr Jeffrey Wall Former Non-Executive Independent Director, (resigned 28 April 2015) Former Chair of Remuneration and Nomination Committee and Member of Audit Committee	Mr Wall, CBE, was appointed to the board on 15 June 2012 and resigned on 28 April 2015. Mr Wall, CBE, is a political advisor, company director and Chairman of Ferguson Cannon, lawyers. Over the past 40 years he has served as chief and senior advisor to Prime Ministers and Senior Ministers in Papua New Guinea; as a senior advisor to federal and state Ministers in the Federal and Queensland Governments; and as an advisor to the Lord Mayor of Brisbane. He also acted as a consultant to the World Bank and to the Queensland Government on issues relating to Papua New Guinea and the South Pacific. He began his working life as a journalist, and has served in administrative roles in rugby league, the Anglican Church, and several charities. In 1992 he was made an Officer of the Order of the British Empire (OBE) and in 2010 a Commander of the Order of the British Empire (CBE) for services to government and community in Papua New Guinea.

Directorships of other Listed Companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

Directors	*Company*	*Period of Directorship*
Cameron McCall	-	-
David Lenigas	LGC Capital Ltd. (TSX-V: QBA)	13 Jul, 2016 – Current
	AfriAg plc (ISDX: AFRI)	30 Jun, 2016 – Current
	Doriemus plc (ISDX: DOR)	27 Jul, 2016 - Current
	Leni Gas Cuba Limited (now subsidiary of LGC Capital Ltd. and no longer listed (ISDX: CUBA))	15 Apr, 2015 – Current
	Bacanora Minerals Plc (TSX-V: BCN AIM: BCN)	20 Mar, 2015 – 21 Dec, 2015
	Evoctus Plc (AIM:EVO)	12 Sep, 2014 – 21 Dec, 2015
	Octagonal Plc (AIM: OCT)	5 Jun, 2014 – 30 Jun, 2015
	UK Oil & Gas Investments Plc (AIM: UKOG)	26 Nov, 2013 – 8 Jul, 2015
	Inspirit Energy Holdings Limited (AIM: INSP)	11 Aug, 2013 – 21 Dec, 2015
	Polemos Plc (AIM: PLMO)	1 Apr, 2013 – 27 Aug, 2014
Alan S Phillips	-	-
David Taplin	-	-
Earl Evans	-	-
Joe Phillips	-	-
John Toigo	-	-
Jon Starink	Gippsland Ltd (ASX: GIP)	8 May, 2007 – 31 July, 2015
Jeffrey Wall	-	-
Richard Patricio	Plateau Uranium Inc. (TSX:YEL)	7 Apr, 2014 - Current
	Toro Energy Ltd (ASX: TOE)	19 Nov, 2013 – Current
	NexGen Energy Ltd (CN:NXE)	12 Dec, 2012 – Current
	U3O8 Corp (TSX: UWE)	19 Aug, 2010 – Current
	Energy Fuels Inc (TSX: EFR)	29 Feb, 2013- 18 Jun, 2015
	Caledonia Mining Corp (TSX: CAL)	15 May, 2013 – 13 Jul, 2015
	Terreno Resources Corp (TSX-V: TNO)	16 Feb, 2010 – 29 Jul, 2015
	Mega Precious Metals Inc (TSX-V: MGP)	3 Oct, 2005 – 22 Jun, 2015

Company Secretary

Mr David Taplin was appointed company secretary on 31 August 2009 and resigned as company secretary on 31 March 2016. See profile on Mr Taplin under "Directors" above. Ms Nicola Ingram was appointed company secretary on 31 March 2016.

Name, Independence Status and Special Responsibilities	Experience, expertise and qualifications
Ms Nicola Ingram Company Secretary	Ms Ingram has over 6 years' experience working closely with the Board and Management of Macarthur engaged in all aspects of the Company's corporate governance practices, including Australian and Canadian regulatory and exchange requirements. Ms Ingram holds a Bachelor of International Business, a Graduate Diploma in Applied Corporate Governance and is a Chartered Secretary (ACIS and AGIA).

Principal Activities

Macarthur Minerals Limited is an Australian public company listed in Canada on the TSX-V (symbol: MMS) currently focused on identifying and developing high grade lithium projects and counter cyclical investments that compliment Macarthur's capabilities. The Company also retains its Western Australian iron ore projects. The Company was previously listed on the TSX until 24 June 2015 and the OTCQX (symbol: MMSDF) until 31 December 2015.

Macarthur Lithium Acreage

Since February 2016, Macarthur has applied for 20 Exploration Licence Applications and prospective interest in rights to lithium on Sulphur Springs and Whim Creek covering a total area of 1,678 square kilometers ("km^2") (414,642 acres) (as at 21 July 2016) in the Pilbara Craton, and in the Ravensthorpe and the Edah regions of the Yilgarn Craton of Western Australia.

Macarthur's lithium tenure (acreage) is held by its wholly owned subsidiary Macarthur Lithium Pty Ltd ("MLi").

On 27 May, 2016 MLi entered into a Memorandum of Understanding ("MOU") with Venturex Resources Limited ("VXR") to enter into a Farm-in and Joint Venture Agreement for rights to lithium on VXR's Sulphur Springs Project ("Sulphur Springs") and Whim Creek Project ("Whim Creek"), in the Pilbara region of Western Australia, which is contiguous with some of the Company's Exploration Licence Applications. On 12 July, 2016 MLi also entered into a MOU with Zadar Ventures Ltd to enter into a Farm-in Agreement for lithium exploration on the Company's Ravensthorpe acreage, for minimum expenditure of A$2 million.

The Company is currently undertaking reconnaissance of its Exploration Licence Applications and lithium interests to identify high grade lithium mineralisation targets.

Macarthur Iron Ore Projects

Macarthur's iron ore projects are owned by its wholly-owned subsidiary Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO").

The iron ore projects consist of two distinct mineral projects:

1. The Ularring Hematite Project: encompassing hematite iron ore ("hematite"), to be marketed as potential direct shipping and/or beneficiated iron ore; and
2. The Moonshine Magnetite Project: encompassing magnetite iron ore ("magnetite"), to be marketed as a beneficiated magnetite concentrate;

   (together the "Iron Ore Projects").

The Iron Ore Projects are located on mining and miscellaneous tenements covering approximately 140 km^2 (as at 21 July 2016) located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements, at least 75 km strike extent of outcropping banded iron formation occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

There was no change in the nature of the Group's principal activities, being mineral resource exploration and evaluation, during the year.

Directors' Report
31 March, 2016

Dividends

No dividends were paid or recommended for payment during the financial year.

Report on Operations and State of Affairs

Operating Results

	Year ended 31 March 2016 $	Year ended 31 March 2015 $
Operating Expenses (net)	**(3,002,370)**	(3,198,722)
Impairment Expense	**(56,075,582)**	-
Interest Income	**19,944**	100,299
Other Income	**518,393**	1,879,886
Net loss for the year	**(58,608,070)**	(1,218,537)

The Group's consolidated loss for the year ended 31 March, 2016 amounted to $58,608,070 after income tax. As an exploration and evaluation company, the Company will continue to report losses until such time as profit is earned from potential production activities.

The Company's loss was mainly attributable to an impairment expense of $55,851,937 relating to its Iron Ore Projects (exploration and evaluation assets) and $223,645 impairment of Western Australian property, plant and equipment.

During the year ended 31 March, 2016, the Company expended $713,836 on transaction costs with respect to the Roper Bar Iron Ore Project as part of the acquisition of debt facilities, which are included in Administrative Expenses (see "Acquisition of Debt Facilities Secured Over Western Desert Resources Limited's Roper Bar Iron Ore Project"). Excluding impairment and Roper Bar Iron Ore Project transaction costs, operating expenses decreased by 28% mainly due to reduced personnel costs.

Financial Position

Australian $	Year ended March 31, 2016	Year ended March 31, 2015
Cash and cash equivalents	267,841	2,807,129
Exploration and Evaluation assets	6,000,000	60,800,223
Property, Plant and Equipment	108,682	468,517
Total Assets	6,516,758	64,272,485
Accounts payable and accrued liabilities	342,876	396,795
Total Liabilities	761,761	490,143
Net Assets	5,754,997	63,782,342
Net Working Capital	27,453[1]	2,514,541

[1] Excludes warrant liability of $211,103.

At 31 March, 2016 the Company had net assets of $5,754,997 compared to $63,782,342 at 31 March, 2015. The decrease is due to impairment of exploration and evaluation assets made during the year totalling $55,851,937. See Note 13 of the Financial Statements.

The Company's cash and cash equivalents balance was $267,841 at 31 March, 2016 which was a decrease of $2,539,288 from 31 March, 2015.

Property, plant and equipment was $108,682 at 31 March, 2016 reflecting the $223,645 impairment of Western Australian property, plant and equipment and the depreciated book value of various office equipment.

The Company's net working capital at 31 March, 2016 was $27,453 compared with net working capital of $2,514,541 at 31 March, 2015. The decrease in the net working capital over the year is due to exploration, evaluation and operating expenditure.

Report on Operations and State of Affairs (Cont'd)

The Company's continuing operations are dependent upon its 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 of the exploration asset, 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 consolidated entity's affairs to meet its commitments until this takes place. These conditions may cast significant doubt about the Company's ability to continue as a going concern.

During the year ended 31 March, 2016, the Company raised new share capital of $537,510.

Since the year ended 31 March 2016, the Company completed a private placement of 15,000,000 units at a price of CAD$0.02 per unit for gross proceeds of CAD$300,000. In addition the Company has restructured $160,746 of Executive Directors' salary as not repayable before 1 April 2017 (refer to Note 27a), unless otherwise agreed.

Management has prepared a budget approved by the Board of Directors, to manage expenditures over the coming twelve months, in order to ensure that the Company has sufficient funds to meet its obligations as they become due, until further funds are raised. As a result, the Company believes these funds and the reduction of expenditures, until further funds are raised, will enable the Company to meet its obligations and commitments for the foreseeable future.

This financial report does not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital, financing or generate cash from operations in the future.

MACARTHUR LITHIUM ACREAGE

Since February 2016, the Company has made 20 Exploration Licences Applications and has prospective interest in rights to lithium on Sulphur Springs and Whim Creek covering a total area of 1,678 km^2 (414,642 acres) (as at 21 July 2016) in the Pilbara Craton, and in the Ravensthorpe and the Edah regions of the Yilgarn Craton of Western Australia.

<u>Pilbara Acreage Package</u>

The Company has a total of 17 exploration license applications in the Pilbara covering a total area of 1,227 square kilometres (315,553 acres) (as at 21 July 2016).

The Pilbara applications cover similar geological settings to the Pilgangoora Li-Ta pegmatite deposits, which host the lithium projects of Australian Securities Exchange listed companies, Pilbara Minerals Limited (ASX: PLS) and Altura Mining Limited (ASX: AJM).

Macarthur's applications in the Pilbara are selected on the basis of geological attributes that are broadly consistent with the currently accepted exploration/mineral system model for Lithium-Caesium-Tantalum ("LCT" type) rare element pegmatites. The tenement applications cover areas of potential LCT pegmatite host rocks such as greenstone belts (meta-volcanic sequences), earlier granitoids and gneisses. The tenement applications are located within 5–10 km of ~2.89 to 2.83 Ga[1] post-tectonic monzogranite (S-type) intrusions, which are considered to be the source of magmatic melts from which the LCT pegmatites evolved. The fertile character of the highly fractionated younger monzogranites[2], and their potential link to lithium mineralisation, adjacent to and within the new application is supported by numerous associated occurrences of lithium (Li), tantalum (Ta), tin (Sn), and beryllium (Be).

[1] Ga is giga anna – 1 Billion years.
[2] S-type monzogranites are biotite-bearing granitoids considered to have formed by crystallisation of melts from metasedimentary protoliths.

Report on Operations and State of Affairs (Cont'd)

In May 2016, the Company completed its initial heliborne reconnaissance across a portion of its acreage in the Pilbara region of Western Australia. Assay results from the initial heliborne reconnaissance sampling of pegmatites located within three of the Company's Exploration Licence Applications (E45/4702, E45/4711 and E45/4748) are encouraging.

Given the short nature of the initial reconnaissance trip and the large acreage holding, the Company is confident in locating lithium-bearing pegmatites and is currently working through the exploration strategy designed to locate economic pegmatite deposits in the company's tenement portfolio.

Reconnaissance, including sampling, was only conducted on seven of the Company's 17 Exploration License Applications in the Pilbara and did not include all areas contained in those applications. In essence, the initial reconnaissance program only assessed the lithium potential of a fraction of the Company's acreage package. The Company will undertake further reconnaissance of its Exploration Licence Applications.

Ravensthorpe Acreage Package

The Company has applied for two exploration licenses in the Ravensthorpe district in South Western Australia covering an area of 91 km^2 (as at 21 July 2016).

On 12 July, 2016 MLi entered into a MOU with Zadar Ventures Ltd ("ZAD") for entering into a Farm-in Agreement ("FIA") for lithium exploration on the Company's Ravensthorpe acreage for minimum expenditure of A$2 million.

The key terms of the MOU are:

- the Company and ZAD will enter into a FIA for the Ravensthorpe lithium acreage within 4 months.
- entry into the FIA is conditional upon ZAD conducting due diligence within 3 months to confirm that the Ravensthorpe acreage is prospective for lithium and for the Company to conduct due diligence on ZAD.
- ZAD will initially earn into 51% of the Ravensthorpe lithium acreage by expending a total of A$2,000,000 within 2 years from the grant of the Ravensthorpe exploration licences.
- ZAD will earn into an additional 24% of the Ravensthorpe lithium acreage taking its total interest to 75% upon completing a positive NI43-101 Preliminary Economic Assessment ("PEA") within 3 years from the grant of the Ravensthorpe exploration licences.
- MLi have a free carried interest during and after farm-in, for the life of the Ravensthorpe tenure and any related project, of not less than 25%.
- the Company will manage the Ravensthorpe lithium exploration program and will be paid a project management fee of 15% of total expenditure until ZAD has completed a positive NI 43-101 PEA.
- ZAD will pay for all expenditure and project management fees in advance and MLi will be reimbursed all its associated costs in full.
- once ZAD has acquired 75% interest in the Ravensthorpe lithium acreage, ZAD will have the first right to offer to purchase MLi's remaining 25% interest.
- if ZAD does not meet expenditure of A$200,000 in the first 3 months after the FIA has been entered into or by the time exploration licences are granted, whichever is later, the FIA will end and 100% of the ownership of the Ravensthorpe lithium acreage will revert back to MLi.
- if ZAD does not complete a positive NI 43-101 PEA, a joint venture will be formed (ZAD 51% and MLi 49%), whereby MLi continues to have free carried interest of 25%, effectively only contributing to 24% of expenditure.

The ZAD farm-in allows the Company to accelerate its exploration activities over its large acreage package prospective for lithium, which is one of the largest for any junior listed company. This allows the Company to maximise its efforts on its Pilbara acreage.

Report on Operations and State of Affairs (Cont'd)

The Canadian company plans to commence initial field reconnaissance on Macarthur Minerals' lithium acreage at Ravensthorpe in the near future.

The Company will manage the exploration program for the Ravensthorpe acreage contributing the resources of its very experienced lithium technical team.

The FIA, although not envisaged, may be subject to regulatory approval.

Edah Hill Acreage Package

The Company has made application for one exploration licence in the Mt Edah district in the greenstone terrane of the Murchison Province of the Yilgarn, Western Australia covering an area of 121 km^2 (as at 21 July 2016).

Sulphur Springs and Whim Creek Joint Venture

On 27 May 2016, MLi and VXR entered into a MOU that serves as a framework for entering into a Farm-in and Joint Venture Agreement ("FJVA") for rights to lithium on Sulphur Springs and Whim Creek in the Pilbara region of Western Australia, which is contiguous with some of the Company's Exploration Licence Applications.

The key terms of the MOU are:

- the Company and VXR will negotiate and enter into a FJVA for lithium rights on the Sulphur Springs and Whim Creek acreage within 3 months.
- entry into the FJVA is conditional upon the Company conducting due diligence within two months to confirm that Sulphur Springs and Whim Creek is prospective for lithium.
- the Company will earn into 51% of the rights for lithium on Sulphur Springs and Whim Creek by paying expenditure over a period of time, thereafter the FJVA will be a contributing joint venture 51% Macarthur and 49% VXR.
- the amount of the Company's expenditure to earn 51% is to be negotiated following completion of due diligence by the Company.
- the Company will manage the FJVA and will be paid a project management fee upon the forming of a contributing joint venture.

The FJVA is subject to regulatory and TSX-V approval, if required.

Sulphur Springs covers approximately 118 km^2 (29,158 acres) of Mining Leases, Exploration Licence applications and Miscellaneous Licenses for haul road access into the project area. Sulphur Springs covers a northeast-southwest trending faulted geological contact between mafic rocks and folded sediments where the Archean greenstones and volcaniclastic rocks are folded around the intrusive Strelley Granite batholith. The acreage covers an area of potential host rock sequences ('greenstone belts') for LCT class of pegmatites and is located within 5–10km of a monzogranite intrusion (Strelley batholith), which may be the magmatic source for LCT pegmatites.

The Sulphur Springs acreage is adjacent to Macarthur's exploration licence applications E45/4735, E45/4732 and E45/4779.

Whim Creek covers approximately 124 km^2 (30,641 acres) of Mining Leases, Exploration Licences and Miscellaneous Licenses. The Whim Creek project area covers the Archaean Whim Creek Greenstone Belt within the North Pilbara region, consisting of heavily faulted North-East trending volcanic and sedimentary rocks wrapped around earlier granitoid batholiths. The acreage covers an area of potential host rock sequences ('greenstone belts') for LCTclass of pegmatites and are located within 5–10km of the Caines Monzogranite which may be the magmatic source for LCT pegmatites.

Report on Operations and State of Affairs (Cont'd)

Sulphur Springs and Whim Creek Strategy

The majority of the acreage is comprised of granted Mining Leases M45/653, M45/494, M45/587,M45/1001, M 47/236, M 47/443, M 47/238, M47/323 and M47/324, which will allow for drilling and exploration activities for lithium to be fast-tracked, once the area is confirmed to be prospective for lithium. VXR has conducted reverse circulation (RC) drilling for zinc-copper across the Sulphur Springs acreage, which has generated a geochemical database and the opportunity to resample existing drill spoil and RC drill chips for lithium or lithium pathfinder elements.

Many of Macarthur's Exploration Licence Applications and VXR's Sulphur Springs acreage is adjacent to acreage of Australian iron ore producer, Atlas Iron Limited (ASX: AGO) ("Atlas"). Atlas' Managing Director, David Flanagan, speaking to CNBC at the Resources' Rising Stars Conference in May 2016, said: "It turns out we've got a lot of tenements near companies with high-value lithium projects. It also turns out that some of that lithium also appears on our grounds,"[3] Atlas announced in its May 2016 Investor Presentation that it held "prospective tenure in zones of known world-class lithium-tantalum deposits"[4] in the Pilbara region of Western Australia.

Lithium Strategy

Macarthur is focussed on the acquisition and development of high quality lithium acreage. Consistent with this strategy, the Company has applied for acreage in the Pilbara region where Pilbara Minerals Limited (ASX: PLS) has its Pilgangoora lithium-tantalum project for which it recently raised A$100 million for further development[5], Altura Mining Limited (ASX: AJM) has its Pilgangoora Lithium Project for which it recently raised A$20 million[6] and Dakota Minerals Limited (ASX: DKO) has its Lynas Find Project for which it recently raised A$12.3 million to conduct further exploration[7]. The Company has also applied for acreage in the Ravensthorpe region where Galaxy Resources Limited (ASX: GXY) has commenced production for spodumene and tantalum concentrate at its Mt Cattlin project.

Macarthur is currently evaluating its acreage and commencing discussions with various third parties concerning potential joint ventures to maximise the exploration effort throughout 2016.

The Company has undertaken an extensive review of geological datasets for available acreage prospective for lithium spodumene in Western Australia based on geological attributes referred to above. That review indicates that available acreage in Western Australia having those geological attributes is becoming scarce.

Global Industrial Mineral Exploration and Mining Experts Appointed

Complementary to the Company's in-house mining and exploration expertise the Company has appointed Dr Andrew Scogings, Mr Graham Jeffress and Mr Ralph Porter from CSA Global Pty Ltd ("CSA Global"), who are Western Australia based consultants with substantial experience in the field of industrial minerals exploration, including lithium and graphite.

CSA Global will be initially undertaking technical evaluation of exploration targets for the Company's lithium projects as well as supporting their development over the coming months.

[3] CNBC, Nyshka Chandran May 25, 2016 *Australian lithium miners in focus on rising global demand for electric vehicles* http://www.cnbc.com/2016/05/25/australian-lithium-miners-in-focus-on-rising-global-demand-for-electric-vehicles.html
[4] Atlas Iron Limited's May 2016 Investor Presentation, http://www.atlasiron.com.au/irm/PDF/5868/May2016InvestorPresentation
[5] Pilbara Minerals Limited's ASX announcement dated April 7, 2016, http://www.asx.com.au/asxpdf/20160407/pdf/436cb822nflw3w.pdf
[6] Altura Mining Limited's ASX announcement dated June 20, 2016 http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01750088
[7] Dakota Minerals Limited's ASX announcement dated May 2, 2016, http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01736822

Report on Operations and State of Affairs (Cont'd)

Emeritus Professor Ken Collerson Phd, FAusIMM

The Company appointed of Emeritus Professor Ken Collerson PhD, FAusIMM to provide technical advice the Company's board for the development of its lithium projects.

Professor Collerson has more than 40 years' experience as a geoscientist. He will provide a significant depth of knowledge and breadth of lithium experience to the Company that is unsurpassed. Professor Collerson is a world leading authority on the geology and geochemistry of strategic metal mineralization including lithium. He has significant experience with LCT spodumene-bearing pegmatites and has worked extensively in the Pilbara region where the Company's acreage is located in Western Australia. Most recently Ken worked on a hard rock lithium project in the Jarkvissle area of Sweden. Professor Collerson believes that the Company's acreage in the Pilbara region of Western Australia is highly prospective for lithium.

Professor Collerson has a PhD from the University of Adelaide and is an internationally recognized thought leader in the geosciences. He has published extensively and his work is highly cited.

MACARTHUR IRON ORE PROJECTS

The Iron Ore Projects, consist of two distinct mineral projects:

1. The Ularring Hematite Project: encompassing hematite iron ore ("hematite"), to be marketed as potential direct shipping and/or beneficiated iron ore; and
2. The Moonshine Magnetite Project: encompassing magnetite iron ore ("magnetite"), to be marketed as a beneficiated magnetite concentrate.

The Company's 100% subsidiary MIO owns the Iron Ore Projects.

The Iron Ore Projects are located on mining and miscellaneous tenements covering approximately 140 km^2 (as at 21 July, 2016) located 175 km northwest of Kalgoorlie in Western Australia.

Development of the Iron Ore Projects remains constrained due to the prevailing oversupplied global iron ore market and prevailing iron ore prices.

As announced on 13 October, 2015, the Company entered into a Share Sale Agreement with FIG Australia Pty Limited (previously named GIM Australia Pty Ltd) ("FIG") to dispose of all the shares of its wholly owned subsidiary, MIO for A$6 million ("MIO Sale Transaction"). Financial close of the MIO Sale Transaction was due on 31 January, 2016. FIG was unable to complete the purchase of MIO by financial close as the MIO Sale Transaction was part of a larger consolidation of the area. The Company continues to receive interest from third parties for potential purchase of its Iron Ore Projects.

The Company's has been maintaining the core Iron Ore Projects' assets and waiting for improved market conditions, as well as looking for new project opportunities.

The Ularring Hematite Project's Mineral Resource consisting of Indicated 54.46 Mt @ 47.2% Fe and Inferred 25.99Mt @ 45.4% Fe, was previously announced on 16 August, 2012 (NI 43-101 Technical Report filed 1 October, 2012, titled "NI 43-101 Technical Report, Macarthur Minerals Limited, Pre-Feasibility Study, Ularring Hematite Project, Western Australia").

The Company has received approval to develop an iron ore mine for the Ularring Hematite Project and associated infrastructure at the project location under the *Environmental Protection Act 1986* and the *Environmental and Biodiversity Conservation Act 1999*.

The Inferred Mineral Resource estimate for the Moonshine Magnetite Project was initially prepared by CSA Global Pty Ltd (NI43-101 Technical Report filed 17 December, 2009, titled "NI43-101 Technical Report on Lake Giles Iron Ore Project: Western Australia") and was updated by Snowden Mining Industry Consultants (NI43-101 Technical Report filed March 25, 2011, titled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron Project, Western Australia, NI43-101 Technical Report – Preliminary Assessment"), with an Inferred Mineral Resource consisting of 1,316 Mt @ 30.1% Fe.

Report on Operations and State of Affairs (Cont'd)

TENEMENTS

Macarthur Lithium Acreage

At 31 March, 2016 the Company had applied for 11 Exploration Licenses covering a total of area of 978 km^2.

At 21 July, 2016 the Company has 20 Exploration Licences Applications and has prospective interest in rights to lithium on Sulphur Springs and Whim Creek covering a total area of 1,678 km^2 (414,642 acres).

Iron Ore Projects

At 31 March, 2016 the Company held mineral tenure totalling 15 Mining Leases covering a total area of approximately 66 km^2. In addition the Company also held four Miscellaneous Licences, covering 186 km^2, for the purpose of infrastructure such as haul roads, rail loading and water exploration. These licenses do not have associated expenditure commitments. The total tenement package covered 252 km^2.

During the year ended 31 March 2016, six Exploration Licenses and two Mining Leases considered to be non-prospective ground were relinquished and 15 remaining Mining Leases were partially surrendered resulting in an overall reduction in mineral tenure and expenditure commitments. The option held by the Company over exploration licence E30/0317 expired during the year and therefore this tenement is no longer in the control of the Company.

Since 31 March, 2016 two Miscellaneous Licenses were relinquished. At 21 July, 2016 the Company held tenure covering approximately 140 km^2.

ACQUISITION OF DEBT FACILITIES SECURED OVER WESTERN DESERT RESOURCES LIMITED'S ROPER BAR IRON ORE PROJECT

On 16 October 2015 Macarthur, through a newly incorporated wholly owned subsidiary, Macarthur Minerals NT Pty Ltd, entered into a joint venture agreement with the Tulshyan Group, through its associated entity, New Finley Assets Limited, to establish the Macarthur Tulshyan Joint Venture (the "JV"). The JV was to be a contributing joint venture such that the Tulshyan Group and Macarthur have a 51% and 49% participating interest, respectively, in the JV.

On 27 October 2015 the JV entered into a Framework Agreement with Macquarie Bank Limited, to purchase the Syndicated Project Facility which is a debt facility whereby WDR Iron Ore Pty Ltd (receivers and managers appointed) (in liquidation) ("WDRIO") as borrower and Western Desert Resources Limited's (receivers and managers appointed) (in liquidation) ("WDR") as guarantor borrowed funds which were secured over the assets of the Roper Bar Iron Ore Project (the "WDR Transaction").

Financial close of the WDR Transaction was due on 30 November 2015. However, on 4 December 2015 the Company announced that due to the prevailing iron ore price and the pessimistic outlook for the iron ore market, the WDR Transaction was not proceeding. The Receivers of WDR and WDRIO have since retired on 28 January 2016. WDR and WDRIO remain in liquidation.

The JV contributed care and maintenance costs with respect to the Roper Bar Iron Ore Project whilst the WDR Transaction was in progress.

Report on Corporate Activities

(i) Legal Proceedings

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

The Initial Proceedings were dismissed in November 2012 and the Company was awarded costs on an indemnity basis. LPD and Mayson appealed the indemnity costs order in the Queensland Court of Appeal and on 11 October 2013 the appeal was dismissed with costs of the appeal being awarded to the Company. LPD, a shareholder of the Company, and Mayson are entities associated with Mr Edward Kwok, a Director of First Strategic Development Corporation Ltd (in liquidation).

LPD brought New Proceedings against the Company and some of its directors in November 2012 substantially on the same grounds, following dismissal of the Initial Proceedings. On 26 November 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.

To date, the Company has recovered costs of $476,020 from LPD and Mayson. The New Proceedings are stayed, pending payment of costs of the directors and officers of the Initial Proceedings, which are awaiting payment.

Like the dismissed Initial Proceedings, the Company considers the New Proceedings are without merit and will continue to vigorously defend those proceedings.

First Strategic Development Corporation Ltd (in liquidation) ("FSDC") v. Sing Chuck Charles Chan, Wai Lap Victor Chan & Wai Tak (Edward) Kwok ("FSDC Directors")

Judgement and costs, on an indemnity basis, were awarded against the FSDC Directors for insolvent trading in favour of the Liquidator of FSDC in April 2014. Judgement was awarded in the amount of $1,454,696 (including statutory interest). The FSDC Directors appealed to the Queensland Court of Appeal, where upon the appeal was dismissed and the judgement was upheld. Costs were awarded to the Liquidator of FSDC on an indemnity basis for the trial and on a standard basis for the appeal in the amount of $821,419. The Liquidator of FSDC has been awarded a total of $2,276,115 for damages, interest and costs, which has been recovered in full from the FSDC Directors.

The Company, as funding creditor, has been reimbursed a total of $1,922,259 for costs, pursuant to the Court approved funding agreements with the Liquidator of FSDC.

On 26 April 2016, the Liquidator of FSDC paid a dividend of $98,321 to Macarthur, as an unsecured creditor of FSDC. In total, the Company has recovered $2,020,580 relating to the FSDC matter.

Chan, Chan and Kwok v. Macarthur Minerals Limited and Ors.

On 20 January, 2016 the Company was served with another Claim in the Supreme Court of Queensland commenced by Mr Charles Chan, Mr Victor Chan (who are associated with a shareholder of the Company) and Mr Edward Kwok ("FSDC Directors' Claim"), the FSDC Directors.

The FSDC Directors are seeking damages against the Company and two of its officers relating to the debts the Supreme Court of Queensland found the FSDC Directors had incurred while trading insolvent, which became the basis of the award for damages and indemnity costs against them. In addition they claim their own legal costs of unsuccessfully defending those proceedings and their unsuccessful appeal. The FSDC Directors base the FSDC Directors' Claim on alleged misleading statements made by Company representatives.

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.

Report on Corporate Activities (cont'd)

The Company and two of its officers have applied to the Supreme Court of Queensland to strike out the FSDC Directors' Claim, which was been listed for hearing on 31 August, 2016. In addition, the FSDC Directors have had to pay into the Supreme Court of Queensland $75,000 as security for costs for the strike out application.

(ii) Board Changes

On 28 April 2015, the Company announced that Non-Executive Directors, Messrs. Toigo, Starink, Patricio and Wall resigned from the Board, and two new non-executive directors, Mr Earl Evans and Mr Cameron McCall were appointed. Further, that Mr Joe Phillips the COO at the time, had taken over the role of CEO from Mr Alan Phillips. On the same date, Mr Joe Phillips and Mr David Taplin, the CFO, General Counsel & Company Secretary at the time, were appointed as Executive Directors. The former CEO, Mr Alan Phillips, remained as Executive Director. On 14 May 2015, Mr Earl Evans replaced Mr Alan Phillips as Chairman.

On 3 December 2015, Mr Joe Phillips, CEO and Executive Director, and Mr Earl Evans, Non-Executive Chairman, resigned as directors of the Company and David Taplin was appointed President and CEO.

On 31 March 2016, Mr David Taplin resigned as Company Secretary and Ms Nicola Ingram was appointed as Company Secretary.

On 11 July, 2016 Mr David Lenigas was appointed as an independent director to the Board.

The Board is comprised of Mr Cameron McCall as Non-Executive Chairman, Mr David Lenigas as Independent Director, Mr David Taplin as President, CEO and Director ,and Mr Alan Phillips as Executive Director.

(iii) Stock Options and Investor Relations

On 31 August 2015 the Company received shareholder and final TSX-V approval of the Company's Employee Share Compensation Plan and Consultant Share Compensation Plan (collectively the "Plans"), which have an aggregate limit of 10% of shares then issued and outstanding.

On 14 May 2015, pursuant to the Plans, an aggregate of 560,000 stock options ("Options") were granted to Non-Executive Directors of the Company. The Options are exercisable for a 3 year period at CAD$0.046 per share and have no vesting conditions. During the year ended 31 March 2016, 280,000 of these Options lapsed.

On 3 September 2015, pursuant to the Plans, an aggregate of 6,940,000 Options were granted of which 4,440,000 were granted to officers and directors of the Company, and the remaining Options granted to employees and consultants. The Options have an exercise price of CAD$0.05, vest immediately, and expire three years from the date of grant. During the year ended 31 March 2016, 1,720,000 of these Options lapsed.

On 25 September 2015, pursuant to the Plans, 450,000 Options were granted to a strategic consultant of the Company as part of his consulting fees with an exercise price of CAD$0.05 per Option which expired on 25 December 2015. Exercise of these Options was subject to achievement of certain criteria. On 25 December 2015 450,000 Options were granted to the same strategic consultant of the Company as part of his consulting fees with an exercise price of CAD$0.05 per share for a period of 3 months, and lapsed on 24 March 2016. Exercise of these Options was subject to achievement of certain criteria.

On 6 November 2015 the Company advised that it has appointed the Buick Group Corp ("Buick Group") as an investor relations consultant. The Buick Group was appointed until 31 December, 2015. For provision of its services, the Buick Group was paid a monthly fee of CAD$5,000 and was granted of 500,000 Options exercisable at CAD$0.05 per Option for a period, the earlier of termination of the agreement or 12 months from the date of grant, subject to the terms and conditions of the Plans. These Options were issued to the Buick Group following cancellation of 500,000 Options issued to an Executive Director on 3 September 2015. During the year ended 31 March 2016, these Options lapsed.

Report on Corporate Activities (Cont'd)

On 14 April 2016, pursuant to the Plans, an aggregate of 2,660,000 Options were granted, of which 1,590,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.05, vest immediately, and expire three years from the date of grant.

On 11 July 2016, pursuant to the Plans, an aggregate of 3,540,000 Options were granted, of which 2,610,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.0525, are subject to a four month hold, and expire three years from the date of grant.

Since the year end and up to the date of this report 300,000 Options have been exercised and 1,000,000 Options have expired.

(iv) TSX Listing Review and TSX-V Listing

On 3 February 2015 the Company received notice from the TSX that it was reviewing the common shares of the Company with respect to meeting the continued listing requirements of TSX. The review process was conducted as a result of the decline in the market value of the Company's common shares pursuant to Part VII of the TSX Company Manual.

As Macarthur was unable to demonstrate that it met the requirements of Part VII of the TSX Company Manual on 3 June 2015 the TSX determined that the Company's securities will be delisted from TSX on 24 June 2015.

The Company listed its common shares on the TSX-V to ensure continued and seamless trading liquidity for shareholders on 25 June 2015.

(v) Non-brokered Private Placement 2015

On 13 July 2015 and further on 15 July 2015 the Company announced a non-brokered private placement (the "2015 Offering") of up to 25,000,000 units (each, a "Unit") at a price of CAD$0.02 per Unit for aggregate gross proceeds of up to CAD$500,000. Each Unit comprised of one common share in the capital of the Company (each, a "Common Share") and one whole warrant to acquire a Common Share (each, a "Warrant") at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance.

The Company closed the first tranche on 28 July 2015 for a total of 12,017,998 Units for aggregate gross proceeds of CAD$240,360. The Company closed the second tranche on 14 August 2015 for a total of 13,585,171 Units for aggregate gross proceeds of CAD$271,703. The 2015 Offering was oversubscribed with both tranches subscriptions totaling 25,603,169 Units for gross proceeds of CAD$512,063. Finder's fees of CAD$5,910 were paid in cash for the second tranche.

The Company obtained approval from the TSX-V to waive the CAD$0.05 minimum pricing requirement in accordance with TSX-V bulletin dated 7 April, 2014 "Discretionary Waivers of $0.05 Minimum Pricing Requirement". TSX-V approval was also obtained for the oversubscribed portion of the 2015 Offering.

(vi) Non-brokered Private Placement 2016

On 4 February 2016 and 7 March 2016, the Company announced a non-brokered private placement (the "2016 Offering") of up to 15,000,000 Units at a price of CAD$0.02 per Unit for aggregate gross proceeds of up to CAD$300,000 to Rare Earth Minerals Plc (AIM: REM, OTC: REMMY) ("Rare Earth Minerals"). Each Unit comprised of one Common Share and one Warrant at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance.

The Company closed the 2016 Offering on 12 April 2016

Report on Corporate Activities (Cont'd)

The Company obtained approval from the TSX-V to waive the CAD$0.05 minimum pricing requirement in accordance with TSX-V bulletin dated 7 April 2014 "Discretionary Waivers of $0.05 Minimum Pricing Requirement".

On 9 May, 2016, when Rare Earth Minerals was issued the shares, Rare Earth Minerals owned approximately 15.26% of the Company's then issued and outstanding shares on an undiluted basis.

(vii) Appointment of EAS Advisors LLC

On 13 June, 2016 the Company announced that it has appointed EAS Advisors LLC ("EAS") as its North American corporate advisor.

Located in New York, EAS is a boutique global advisory firm that was founded by Edward Sugar in 2008. The foundation of EAS' business is built on an outstanding reputation of picking early stage mining and industrial groups, providing introductions to US based financial markets and access to institutional capital. Having participated in over US$3.5 billion of transactions to date, EAS has an excellent track record in assisting public and private companies and providing financial support to these companies at key stages.

Likely future developments and expected results

Other than matters mentioned in current and future focus section above, likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group. Business risk associated with future plans relate to the ability to successfully identify a resource and develop the Company's projects.

Environmental Regulations

The Group currently conducts exploration and evaluation activities in Australia. The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and the State of Western Australia. During the year the Group met all reporting requirements under the relevant legislation. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standard enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The Company is currently engaged in exploration and evaluation with minimal environmental impact. The Company aims to ensure a high standard of environmental care is achieved, and as a minimum, to comply with relevant environmental regulations. There have been no known material breaches of any of the environmental conditions.

Shares under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date Option Granted	Expiry Date	Issue Price of Shares (CAD$)	Number under option
14 May 2015	13 May 2018	0.046	280,000
2 Sept 2015	1 Sept 2018	0.05	3,920,000
14 Apr 2016	13 Apr 2019	0.05	2,660,000
11 Jul 2016	10 Jul 2019	0.0525	3,540,000
			10,400,000

No option holder has any right under the Plans to participate in any other share issue of the Company or of any entity of the Group, or any other entity.

Shares issued on the exercise of options

No ordinary shares of the Company were issued on the exercise of Options granted under the Plans during the year ended 31 March 2016.

Since year end and up to the date of this report 300,000 ordinary shares of the Company were issued on the exercise of Options granted under the Plans.

Shares under Warrant

Unissued ordinary shares of the Company under warrant at the date of this report are as follows:

	Date Warrant Granted	Expiry Date	Issue Price of Shares (CAD$)	Number under warrant
(i)	18 Aug 2015	17 Aug 2016	0.05	7,761,578
(ii)	9 May 2016	8 May 2017	0.05	15,000,000
				22,761,578

(i) 12,335,171 warrants were issued on 18 August 2015 in connection with Tranche 2 of the 2015 Offering, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$0.05 for a period of 12 months.
(ii) 15,000,000 warrants were issued on 9 May 2016 in connection with the 2016 Offering, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$0.05 for a period of 12 months.

12,017,998 warrants were issued on 29 July 2015 in connection with Tranche 1 of the 2015 Offering, which entitled the holder to acquire one ordinary share for each warrant at a price of CAD$0.05, all of which were exercised prior to expiry on 28 July 2016.

1,250,000 warrants were issued on 20 August 2015 in connection with Tranche 2 of the 2015 Offering, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$0.05, all of which were exercised.

Shares issued on the exercise of warrants

No ordinary shares of the Company were issued on the exercise of warrants during the year ended 31 March, 2016.

Since year end and up to the date of this report 17,341,591 ordinary shares of the Company were issued on the exercise of warrants.

Information on Directors

Particulars of directors' interests in shares, options and warrants of the Company, as at the date of this report:

Director	Ordinary Shares	Options	Warrants
C McCall (appointed 28 Apr 2015)	2,000,000	2,000,000	-
A S Phillips	-	1,000,000	-
D Taplin (appointed 28 Apr 2015)	5,962,474	3,000,000	-
D Lenigas (appointed 11 Jul 2016)	-	1,200,000	-
Jacqueline Phillips, A J Phillips, D Taplin [1]	1,978,250	-	-

[1] Refer to Note 23(a) of the Financial Statements

Meeting of Directors

The number of meetings of the Company's board of directors held during the year ended 31 March, 2016, and the number of meetings attended by each director were:

	Number of Board Meetings Attended	Number Eligible
C McCall (appointed 28 Apr 2015)	5	5
A S Phillips	5	5
D Taplin (appointed 28 Apr 2015)	5	5
A J Phillips (appointed 28 Apr 2015, resigned 3 Dec 2015)	5	5
E Evans(appointed 28 Apr 2015, resigned 3 Dec 2015)	5	5
J Toigo (resigned 28 Apr 2015)	0	0
J Starink (resigned 28 Apr 2015)	0	0
J Wall, CBE (resigned 28 Apr 2015)	0	0
R Patricio (resigned 28 April 2015)	0	0

The number of meetings of the Company's Audit Committee held during the year ended 31 March, 2016, and the number of meetings attended by each member were:

	Number of Audit Committee Meetings Attended	Number Eligible
C McCall, Chairman of Audit Committee (appointed 28 Apr 2015)	3	3
A S Phillips (appointed to Audit Committee 28 Apr 2015)	3	3
D Taplin (appointed 28 Apr 2015)	3	3
J Toigo, former Chairman of Audit Committee (resigned 28 Apr 2015)	0	0
J Wall (resigned 28 Apr 2015)	0	0
R Patricio (resigned 28 Apr 2015)	0	0

Insurance and Indemnification of Officers

Insurance Premiums

During the financial year, the Company paid premiums of $102,514 to insure the directors, officers and employees ("D&O Insurance") of the Company and its Australian based controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against persons in their capacity as directors, officers and employees of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnification

The Company has provided an indemnity for each director to the maximum extent permitted by law, against any liability for legal costs incurred in respect of a liability incurred by them, by virtue of their holding office as and acting in the capacity of, an officer of the Company, except where the liability arises out of conduct involving lack of good faith.

Pursuant to an indemnity within the constitution and Deeds of Indemnity entered into with the directors and officers of the Company, the Company is indemnifying the respondent directors and officers for the reasonable legal costs of defending an action against them (subject to certain restrictions, including restrictions contained in the *Corporations Act 2001* (Cth)). The respondent directors have made claims against the Company's D&O Insurance policy and have instructed independent lawyers to act for them. The insurer has confirmed coverage of defence costs under the policy.

To date the Company has paid $72,029 to cover indemnity costs not covered under the Company's D&O Insurance policy.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001(Cth)* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001(Cth)*.

Non-audit Services

Details of non-audit services are found in Note 24 of the Financial Statements.

A copy of the Nexia Brisbane's independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 20.

Auditor

Nexia Brisbane were appointed auditors in 2015 in accordance with section 327B of the *Corporations Act 2001 (Cth).*

Signed in accordance with a resolution of directors.

Cameron McCall
Non-Executive Chairman

Brisbane
29 July, 2016

australia

the next solution

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Macarthur Minerals Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2016 there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford
Director

Date: 29 July 2016

Nexia Brisbane Audit Pty Ltd
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Financial Report - 31 March, 2016

Contents

Financial report	Page
Statement of profit or loss and other comprehensive income	22
Statement of financial position	23
Statement of changes in equity	24
Statement of cash flows	25
Notes to the financial statements	26
Directors' declaration	65
Independent auditor's report to the members	66

This financial report covers the consolidated financial statements for the consolidated entity consisting of Macarthur Minerals Limited (the "Company") and its subsidiaries (referred to hereafter as the Group or consolidated entity). The financial report is presented in the Australian currency unless stated otherwise.

The financial report was authorised for issue by the directors on 29 July, 2016. The directors have the power to amend and reissue the financial report.

Macarthur Minerals Limited

Consolidated Statement of Profit or Loss and Comprehensive Income
For the year ended 31 March, 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
EXPENSES			
Depreciation	6(a)	**(103,384)**	(217,311)
Impairment expense	6(b)	**(56,075,582)**	-
Investor relations		**(49,826)**	(39,100)
Office and general expense	6(g)	**(334,587)**	(363,552)
Personnel costs	6(c)	**(1,141,456)**	(1,494,254)
Professional fees	6(d)	**(931,576)**	(733,212)
Rent		**(107,669)**	(133,097)
Share based compensation	6(c)	**(66,957)**	(15,840)
Share Registry, filing and listing fees		**(180,657)**	(115,197)
Travel and accommodation		**(86,258)**	(87,159)
Total administrative expenses		**(59,077,952)**	(3,198,722)
OTHER REVENUE (EXPENSES)			
Interest Income	6(e)	**19,944**	100,299
Other income (Cost Recoveries)	6(f)	**518,393**	1,879,886
Net other income	6(h)	**142,648**	-
Change in fair value of warrant liability	6(i)	**(211,103)**	-
Net loss before income tax		**(58,608,070)**	(1,218,537)
Income tax expense	7	**-**	-
Net loss for the year		**(58,608,070)**	(1,218,537)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year from continuing operations		**(58,608,070)**	(1,218,537)
Basic loss per ordinary share	8	**(0.81)**	(0.02)
Diluted loss per ordinary share	8	**(0.81)**	(0.02)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 March, 2016

	Notes	Consolidated 2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**267,841**	2,807,129
Other receivables	10	**34,701**	39,647
Other assets	11	**105,534**	156,969
Total Current Assets		**408,076**	3,003,745
Non-current Assets			
Property, plant and equipment	12	**108,682**	468,517
Exploration and evaluation assets	13	**6,000,000**	60,800,223
Total Non-current Assets		**6,108,682**	61,268,740
TOTAL ASSETS		**6,516,758**	64,272,485
LIABILITIES			
Current liabilities			
Trade and other payables	14	**342,876**	396,795
Provisions	15	**37,747**	80,608
Borrowings	16	**-**	11,801
Warrants liability	18	**211,103**	-
Total Current Liabilities		**591,726**	**489,204**
Non-current Liabilities			
Trade and other payables	14	**160,746**	-
Employee benefits	15	**9,289**	939
Total Non-current Liabilities		**170,035**	939
TOTAL LIABILITIES		**761,761**	490,143
NET ASSETS		**5,754,997**	63,782,342
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	17(a)	**90,353,947**	89,840,179
Accumulated losses		**(94,879,634)**	(36,271,564)
Reserves	17(b)	**10,280,684**	10,213,727
TOTAL EQUITY		**5,754,997**	63,782,342

The accompanying notes form part of these financial statements.

Macarthur Minerals Limited

Consolidated Statement of Changes in Equity
For the year ended 31 March, 2016

	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance 1 April, 2014	87,483,365	10,341,744	(35,053,027)	62,772,082
Profit (Loss) for the year	-	-	(1,218,537)	(1,218,537)
Total other comprehensive income for the year	-	-	-	-
Transactions with owners in their capacity as owners:				
Share- based compensation[1]	-	15,840	-	15,840
Re-allocation of share reserves[1]	143,857	(143,857)	-	-
Private Placement[1]	2,240,000	-	-	2,240,000
Share issue costs[1]	(27,043)	-	-	(27,043)
	2,356,814	(128,017)	(1,218,537)	1,010,260
Balance at 31 March, 2015	**89,840,179**	**10,213,727**	**(36,271,564)**	**63,782,342**

	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance 1 April, 2015	89,840,179	10,213,727	(36,271,564)	63,782,342
Profit (Loss) for the year	-	-	(58,608,070)	(58,608,070)
Total other comprehensive income for the year	-	-	-	-
Transactions with owners in their capacity as owners:				
Share- based compensation[1]	-	66,957	-	66,957
Re-allocation of share reserves[1]	-	-	-	-
Private Placement[1]	537,510	-	-	537,510
Share issue costs[1]	(23,742)	-	-	(23,742)
	513,768	66,957	(58,608,070)	(58,027,345)
Balance at 31 March, 2016	**90,353,947**	**10,280,684**	**(94,879,634)**	**5,754,997**

[1] Refer to Note 17.

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 March, 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Payments to suppliers and employees		**(2,711,646)**	(2,885,093)
Interest received		**19,883**	100,299
Other revenue		**518,393**	1,879,886
Interest paid		**(9,125)**	(9,851)
Transfer from/(to) security deposits		**17,500**	228,014
Net cash flows used in operating activities	9	**(2,164,995)**	(686,745)
Cash flows from investing activities			
Plant and equipment purchases		**-**	(2,417)
Plant and equipment proceeds		**175,454**	273
Government recoveries		**117,008**	194,207
Exploration and evaluation additions		**(1,168,722)**	(2,536,369)
Net cash flows used in investing activities		**(876,260)**	(2,344,306)
Cash flows from financing activities			
Proceeds from share issues		**537,510**	2,240,000
Share issue and placement costs		**(23,742)**	(27,043)
Receipt/(Repayment) of borrowings		**(11,801)**	(3,635)
Net cash flows from financing activities		**501,967**	2,209,322
Net decrease/increase in cash and cash equivalents		**(2,539,288)**	(821,729)
Cash and cash equivalents at beginning of period		**2,807,129**	3,628,858
Cash and cash equivalents at end of period	9	**267,841**	2,807,129

The accompanying notes form part of these financial statements.

Note 1: Nature and Continuance of Operations

Macarthur is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS) currently focused on identifying and developing high grade lithium projects and counter cyclical investments that compliment Macarthur's capabilities. The Company also retains its Western Australian Iron Ore Projects. The Company was previously listed on the Toronto Stock Exchange ("TSX") until 24 June 2015 and the OTC Market Place, OTCQX International ("OTCQX") (symbol: MMSDF) until 31 December 2015.

The Company has the following subsidiaries:

- 100% of Macarthur Lithium Pty Ltd (formerly Macarthur Operations Pty Ltd) which was formed on 24 November 2015, which holds the Macarthur lithium exploration licence applications;
- 100% of Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO") and MIO's subsidiary Macarthur Midway Pty Ltd (a dormant subsidiary), which owns the Iron Ore Projects;
- 100% of Macarthur Minerals NT Pty Ltd ("MMNT") which was formed on 11 September, 2015 and MMNT's 100% subsidiary, Macarthur Tulshyan Pty Ltd which was formed on 12 October 2015; and
- 100% of Batchelor Project Pty Ltd which was formed on 16 October, 2015.

The Company maintains its corporate head office and principal place of business at Level 20, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

The financial statements were authorised for issue on 29 July, 2016 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 controlled entities. Refer to Note 22 for details of controlled entities.

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 separate financial statements of the parent entity have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001 (Cth)*.

Expect for cash flow information, the financial report has been prepared on an accruals 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.

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

b) *Going concern*

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.

During the year the consolidated entity incurred a net loss of $58,608,070 and had a net decrease in cash and cash equivalents of $2,539,288. The Company's cash and cash equivalents balance at the reporting date is $267,841 and $92,106 as security deposits for corporate credit cards and office leases.

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

b) Going concern (cont'd)

The Company's continuing operations are dependent upon its 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 of the exploration asset, 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 consolidated entity's affairs to meet its commitments until this takes place. These conditions may cast significant doubt about the Company's ability to continue as a going concern.

During the year ended 31 March, 2016, the Company raised new share capital of $537,510.

Since the year ended 31 March 2016, the Company completed a private placement of 15,000,000 units at a price of CAD$0.02 per unit for gross proceeds of CAD$300,000. Furthermore, since the year end 31 March 2016 17,841,591 warrants have been exercised. In addition the Company has restructured $160,746 of Executive Directors' salary as not repayable before 1 April 2017 (refer to Note 27(a)), unless otherwise agreed.

Management has prepared a budget approved by the Board of Directors, to manage expenditures over the coming twelve months, in order to ensure that the Company has sufficient funds to meet its obligations as they become due, until further funds are raised. As a result, the Company believes these funds and the reduction of expenditures, until further funds are raised, will enable the Company to meet its obligations and commitments for the foreseeable future.

This financial report does not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital, financing or generate cash from operations in the future.

c) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporates the assets, liabilities and results of the Company and all subsidiaries controlled by the Company as at 31 March, 2016. Refer to Note 22 for details on subsidiaries.

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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Macarthur Minerals Limited
Notes to Financial Statements – 31 March, 2016

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

d) Mineral exploration and evaluation assets

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

(i) Exploration and evaluation properties

Exploration and evaluation expenditure is accumulated separately for each area of interest and capitalised to exploration and evaluation assets. Such expenditure comprises 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.

Exploration and evaluation expenditure previously capitalised but which no longer satisfies the above policy is impaired and expensed to the Statement of Profit or Loss and Comprehensive Income.

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). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

e) Property, plant and equipment

Property, 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated as follows:

Plant & Equipment	5% to 33.33% Prime Cost Method 22.5% Diminishing Value Method
Office Equipment	10% to 33.33% Prime Cost Method 37.5% Diminishing Value Method
Motor Vehicles	20% to 25% Prime Cost Method

The asset's residual values and useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

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

e) Property, plant and equipment (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 2(g)(v) for details of impairment).

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 the statement of profit or loss and other comprehensive income. When revalued assets are sold, it is the Company's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

f) Impairment of 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. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other 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.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

g) Financial Instruments

(i) Recognition

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

Financial instruments 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 the statement of profit or loss and other comprehensive income immediately.

(ii) Subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

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

g) Financial Instruments (cont'd)

(ii) Subsequent measurement (cont'd)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of profit or loss and other comprehensive income.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Australian Accounting Standards specifically applicable to financial instruments.

(iii) Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturity greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

The Group's receivables primarily consist of interest revenue and goods and services tax receivable from the Government.

(iv) Financial liabilities

Financial liabilities are initially recognised at fair value. Financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities when it is due to be settled within twelve months after reporting date and the Group does not have an unconditional right to defer settlement of the liability for at least 12 months.

(v) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(vi) De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

h) Cash and cash equivalents

Cash and cash equivalents includes 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 changes in value.

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

i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group'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 functional and presentation currency.

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 statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow or net investment hedge.

j) Segment Reporting

The chief operating decision-maker has been identified as the President and CEO of the Company. The Group has identified one reportable segment (the exploration of mineral resources). All such concessions and substantially all the capital assets of the Group are situated in the Western Australia as at the reporting date. At balance date the Group is transitioning its focus from iron ore exploration and evaluation to lithium exploration and evaluation.

k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The balance is recognised as a current liability, amounts are unsecured and are usually paid within 30 days of recognition of the liability.

l) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised 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.

Capitalised 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 Group will obtain ownership by the end of the lease term.

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are recognised as an operating expense in the statement of profit or loss and other comprehensive income over the lease term.

m) Provisions

Provisions are recognised when the Group 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 balance sheet date.

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

n) Employee benefits

(i) Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

(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 compensation benefits are provided to employees, directors, officers and consultants via the Company's Employee Share Compensation Plan and Consultant Share Compensation Plan ("Plans"). The Company is authorised to grant options, award equity restricted share units or bonus shares or issue common shares pursuant to the Plans, refer to Note 19.

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. 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 the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options 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.

o) Provision for closure and restoration

An obligation to incur closure and restoration costs arises with the retirement of tangible long-lived assets that the Company is required to settle. Such costs arising from the decommissioning of plant, mines 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 mine operates.

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

o) Provision for closure and restoration (cont'd)

The provision is recognised when the Group 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. Future restoration and closure costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The provision is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

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

p) 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.

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.

q) 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. 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 assets have not been recognised as it has not yet become probable that they will be recovered and utilised.

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

q) Income tax (cont'd)

(ii) Tax consolidation legislation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Macarthur Minerals Limited.

r) Contributed equity

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

Proceeds from 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.

s) 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.

(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.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, rebates and taxes. All revenue is stated net of GST.

The Group recognises revenue when the amount of revenue can be readily measured, it is probable that future economic benefit will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Interest income is recognised on a time proportion basis using the effective interest method.

u) 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.

The estimates and judgements that affect the application of the Group'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

In the current year the Group has impaired its exploration and evaluation assets as set out in Note 13.

(ii) Deferred tax assets

The Group considers whether the realisation of deferred tax assets is probable in determining whether or not to recognise these deferred tax assets, as set out in Note 7.

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

u) Critical accounting estimates and judgements (cont'd)

(iii) *Going concern basis*

As set out in Note 2(b), the Financial Report has been prepared on a going concern basis.

(iv) Share-based payment transactions

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 Black-Scholes options-pricing 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 options, and the estimated forfeiture rate for market based vesting conditions. During the reporting period the amount of $66,957 has been shown as share-based compensation expenditure in the statement of loss and comprehensive loss.

v) Fair Value Measurement

There are no assets or liabilities measured at fair value on a recurring basis after initial recognition, other than the warrant liability (Note 18). For financial assets and liabilities their fair values approximate carrying values due to their short term nature. In the current year the Group's exploration and evaluation assets, and plant and equipment have been measured at recoverable value (fair value). See Notes 12 and 13.

w) Adoption of New and Revised Accounting Standards

During the current year there were no new and revised Australian Accounting Standards and Interpretations applicable to the Group.

x) Early Adoption of Accounting Standards

The Group has not elected to early adopt any new or revised Australian Accounting Standards and Interpretations during the year ended 31 March, 2016.

y) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB relevant and material to the Group but are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements, are discussed below:

– *AASB 9: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  It is not expected to have a significant impact on the Group's financial statements.

Note 3: Parent Information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	2016 $	2015 $
ASSETS		
Current Assets	387,700	2,840,018
Non-Current Assets	5,993,882	56,435,717
Total Assets	6,381,582	59,275,735
LIABILITIES		
Current Liabilities	456,550	278,237
Non-Current Liabilities	170,035	939
Total Liabilities	626,585	279,176
EQUITY		
Issued Capital	90,353,947	89,840,179
Retained Earnings	(87,564,746)	(33,742,458)
Reserves		
Foreign Exchange Translation Reserve	258,972	258,972
Option reserve	2,706,824	2,639,866
TOTAL EQUITY	5,754,997	58,996,559
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(loss) for the year	(53,822,288)	(1,025,148)
Total comprehensive income	(53,822,288)	(1,025,148)

Contingent liabilities of the parent entity

Contingent liabilities exist in relation to proceedings involving LPD Holdings (Aust) Pty Ltd ("LPD") and Chan, Chan and Kwok v. Macarthur Minerals Limited and Ors. ("FSDC Directors' Claim") the details of which are contained in Note 26.

Contractual commitments for the acquisition of property, plant and equipment by the parent entity

At 31 March, 2016, Macarthur Minerals Limited has not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: Nil).

Note 4: Financial risk management

Financial risk factors

The Group's principal financial instruments are cash, the main purpose of which is to fund the Group's operations. The Group has various other financial assets and liabilities such as security deposits, other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are 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.

	Note	Consolidated Carrying Amount 2016 $	Consolidated Carrying Amount 2015 $
Financial assets			
Cash and cash equivalents	9	**267,841**	2,807,129
Loans and receivables			
Other receivables	10	**34,701**	39,647
Security Deposits	11	**92,106**	109,606
		126,807	149,253
Total financial assets		**394,648**	2,956,382
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	14	**503,622**	396,795
Borrowings	16	**-**	11,801
Total financial liabilities		**503,622**	408,596

a) Credit risk

The Group's primary exposure to credit risk is on its cash and cash equivalents and taxes receivable. The Group limits its exposure to credit risk by maintaining its financial liquid assets with high-credit quality financial institutions. Receivables are primarily interest receivable and goods and services tax due from the Australian Taxation Office.

The Group 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 Group's exposure to bad debts is not significant.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. This amount is as follows:

	Consolidated Carrying Amount 2016 $	Consolidated Carrying Amount 2015 $
CONSOLIDATED		
Financial assets		
Cash and cash equivalents	**267,841**	2,807,129
Other receivables	**34,701**	39,647
Security Deposits	**92,106**	109,606
	394,648	2,956,382

All financial assets are Australian based, except for a Canadian denominated cash balance. Refer to Note 4(d).

Macarthur Minerals Limited

Notes to Financial Statements – 31 March, 2016

Note 4: Financial risk management

b) Liquidity risk

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

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

The Group has limited financial resources and there is no assurance that additional funding will be available to allow the Group to acquire, explore and develop mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration or evaluation. The Group may, in the future, be unable to meet its obligations under agreements to which it is a party and the Group may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Group may be unable to finance the cost required to complete recommended programs.

The Group 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 any future development of mineral properties, further acquisitions, undertake exploration and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Group will be successful in raising its required financing.

Apart from the initiatives discussed above, the Group is not aware of any trends, commitments or events that may affect its liquidity in the foreseeable future as it plans to progress to the development stage. The Group has not made any commitments for capital expenditures. Material increases or decreases in the Group's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned future expenditure.

The Company believes that it has sufficient funds to meet its obligations for the foreseeable future (see also Note 2(b)).

Note 4: Financial risk management (cont'd)

b) Liquidity risk (cont'd)

Exposure to liquidity risk

The below table analyses the Group'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.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial liabilities due for payment								
Trade and other payables	**295,026**	298,274	-	-	-	-	**295,026**	298,274
Amounts payable to related parties	**47,850**	98,521	160,746	-	-	-	**208,596**	98,521
Finance lease liabilities	**-**	11,801	-	-	-	-	**-**	11,801
Total expected outflows	**342,876**	408,596	160,746	-	-	-	**503,622**	408,596
Financial assets - cash flows realisable								
Cash and cash equivalents	**267,841**	2,807,129	-	-	-	-	**267,841**	2,807,129
Other Receivables	**34,701**	39,647	-	-	-	-	**34,701**	39,647
Security Deposits	**92,106**	109,606	-	-	-	-	**92,106**	109,606
Total anticipated inflows	**394,648**	2,956,382	-	-	-	-	**394,648**	2,956,382
Net (outflow)/inflow on financial instruments	**51,772**	2,547,786	(160,746)	-	-	-	**(108,974)**	2,547,786

Note 4: Financial risk management (cont'd)

c) Interest rate risk

The Group's cash equivalents are highly liquid and earn interest at market rates in short term fixed term deposits and variable chequing accounts. 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 Group's interest-bearing financial instruments was:

	Consolidated Carrying Amount 2016 $	Consolidated Carrying Amount 2015 $
Financial Assets		
Interest-bearing financial instruments		
Variable rate instruments	**357,250**	2,834,359
Financial Liabilities		
Interest-bearing financial instruments		
Fixed rate instruments	**-**	11,801

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 2015.

	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
31 March, 2016				
Interest-bearing financial instruments	**3,573**	**(3,573)**	**3,573**	**(3,573)**
31 March, 2015				
Interest-bearing financial instruments	28,344	(28,344)	28,344	(28,344)

Note 4: Financial risk management (cont'd)

d) Foreign currency risk

The Group's financial statements can be affected by movements in the CAD$/AUD$ exchange rate, due to some administrative expenses and liabilities being incurred in Canadian dollars.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

	AUD $	CAD $	AUD $	CAD $
	2016		2015	
Cash and cash equivalents	**266,477**	**1,364**	2,725,066	82,063
Receivables	**34,701**	**-**	39,647	-
Security Deposits	**92,106**	**-**	109,606	-
	393,284	**1,364**	2,874,319	82,063
Trade and other payables	**455,602**	**48,020**	347,501	49,294
Employee Benefits	**47,037**	**-**	81,547	-
Lease liability	**-**	**-**	11,801	-
Warrant liability	**-**	**211,103**	-	-
	502,639	**259,123**	440,849	49,294
Net exposure in AUD	**(109,355)**	**(257,759)**	2,433,470	32,769

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2016 $	2015 $	2016 $	2015 $
Canadian dollar (CAD$)	**0.9642**	0.9928	**0.9957**	0.9669

Sensitivity analysis

A 10% strengthening of the Australian dollar against the Canadian dollar at 31 March, 2016 on the above net exposure to Canadian cash and trade payables would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	Consolidated	
	Equity $	Profit or loss $
31 March, 2016		
CAD$	**(25,665)**	**25,665**
31 March, 2015		
CAD$	(3,168)	3,168

A 10% weakening of the Australian dollar against the Canadian dollar at 31 March, 2016 would have had the equal but opposite effect on the Canadian dollars above to the amounts shown above, on the basis that all other variables remain constant.

Note 4: Financial risk management (cont'd)

e) Commodity price risk

The Group'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 Group'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 Group's operations cannot accurately be predicted.

As the Group 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 previously published economic studies on its Iron Ore Projects and for impairment testing.

Note 5: Capital Management

The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group, in order to support the acquisition, exploration, evaluation 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 management to sustain future development of the business. The Group's capital includes equity, financial assets and financial liabilities.

The properties in which the Group currently has an interest are in the exploration and evaluation stage; as such the Group is dependent on external financing to fund activities. In order to carry out planned exploration, conduct studies and pay for administrative costs, the Group 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 Group will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

There were no changes in the Group's approach to capital management during the year ended 31 March, 2016. The Group is not subject to externally imposed capital requirements.

Note 6: Revenue and expenses

Result for the year includes the following items:

		Consolidated 2016 $	Consolidated 2015 $
a)	***Depreciation and amortisation***		
	Depreciation and amortisation	**103,384**	217,311
b)	***Impairment expense***		
	Impairment of Exploration and Evaluation assets (Note 13)	**55,851,937**	-
	Impairment of Property, Plant and Equipment (Note 12)	**223,645**	-
c)	***Employee benefits expense***		
	Personnel costs	**1,141,456**	1,494,254
	Share based compensation	**66,957**	15,840
d)	***Professional fees include legal costs for the following matters:***		
	- LPD Holdings (Aust) Pty Ltd ("LPD")	**4,681**	133,477
	- First Strategic Development Corporation Limited (in liquidation) ("FSDC")	**74,070**	265,086
e)	***Finance Revenue***		
	Bank interest income	**19,944**	100,299
f)	***Cost Recoveries from the following legal matters:***		
	- LPD	**24,505**	451,515
	- FSDC	**493,888**	1,428,371
g)	***Exploration expenditure***		
	Expenditure on new lithium tenure	**83,766**	-
h)	***Other:***		
	- Gain on sale of asset (Motor Vehicles)	**142,648**	-
	- Net foreign exchange gain	**7,015**	3,289
	- Finance costs	**9,125**	9,851
i)	***Change in fair value of warrant liability:***		
	- Change in fair value of warrant liability (Note 18)	**211,103**	-

For details on the legal matters refer to Note 26.

As referred to in the Directors' Report the Company has recovered a total of $1,922,259 for costs pursuant to the Court approved funding agreements with the Liquidator of FSDC.

On 26 April 2016, the Liquidator of FSDC paid a dividend of $98,321 to Macarthur, as an unsecured creditor of FSDC. In total, the Company has now recovered $2,020,580 relating to the FSDC matter.

Note 7: Income tax

		Consolidated 2016 $	Consolidated 2015 $
a)	***Income tax equivalent expense***		
	Current tax expense	-	-
	Deferred tax expense	-	-
	Income tax expense (credit) attributable to profit (loss) from continuing operations	-	-
b)	***Reconciliation of income tax equivalent expense (credit) to prima facie tax equivalent payable***		
	Profit (loss) from continuing operations before income tax expense	**(58,608,070)**	(1,218,537)
	Tax at Australian tax rate of 30%	**(17,582,421)**	(365,561)
	Adjustment for the tax effect of:		
	Impairment expense	**16,822,675**	-
	Change in fair value of warrant liability	**63,331**	-
	Share based payments	**20,087**	4,752
	Other	**(2,090)**	1,547
	Exploration expenditure capitalised	**(315,514)**	(692,491)
	Income not assessable in current year	-	-
		(993,932)	(1,051,753)
	Income tax losses and temporary differences not carried forward as deferred tax assets	**993,932**	1,051,753
	Income tax expense (credit) attributable to profit (loss) from continuing operations	-	-

c) *Tax consolidation*

Macarthur Minerals Limited and its wholly-owned subsidiaries have formed a tax consolidated group. The companies in the group have not entered into a tax funding arrangement.

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 $
2016			
Tax losses	**69,875,584**	**5,095,438**	**74,971,022**
Potential benefit	**20,962,676**	**1,528,631**	**22,491,307**
2015			
Tax losses	66,926,428	5,085,279	72,011,707
Potential benefit	20,077,928	1,525,584	21,603,512

Note 8: Earnings per share

Basic earnings per share is calculated by dividing net (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 dilutive potential options and warrants. Refer to the accounting policy in Note 2(s)(ii).

Note 8: Earnings per share (cont'd)

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

	Consolidated 2016 $	Consolidated 2015 $
Net (loss) for the year	**(58,608,070)**	(1,218,537)
	Number	
Weighted average number of ordinary shares for basic earnings per share	**72,480,128**	52,491,863
Weighted average number of ordinary shares for diluted earnings per share	**72,480,128**	52,491,863

The Company's outstanding options and warrants that did not have a dilutive effect at 31 March, 2016 were 5,500,000 options and 25,603,169 warrants (refer to Note 20). There were no options or warrants that had a dilutive effect, as the Group is in a loss position.

Note 9: Cash and cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	**267,841**	1,223,042
Short term deposits earn interest at negotiated fixed rates	**-**	1,584,087
	267,841	2,807,129

		Consolidated 2016 $	Consolidated 2015 $
a)	***Reconciliation of cash***		
	For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 March:		
	Cash at bank and in hand	**267,841**	2,807,129
b)	***Reconciliation of net loss after income tax to the net cash flows from operations***		
	Net (Loss)	**(58,608,070)**	(1,218,537)
	Adjustments for:		
	Impairment Expense	**56,075,582**	-
	Gain on Sale of Motor Vehicles	**(142,648)**	-
	Depreciation and amortisation	**103,384**	217,311
	Share based payments	**66,957**	15,840
	Change in fair value of warrant liability	**211,103**	-
	Changes in Assets and Liabilities		
	(Increase)/Decrease in receivables	**4,946**	32,013
	(Increase)/Decrease in other operating assets	**51,435**	254,754
	Increase/(Decrease) in payables	**72,316**	11,874
	Net cash from operating activities	**(2,164,995)**	(686,745)

Macarthur Minerals Limited
Notes to Financial Statements – 31 March, 2016

Note 10: Other Receivables

	Consolidated 2016 $	Consolidated 2015 $
Other receivables	**34,701**	39,647
	34,701	39,647

Note 11: Other Assets

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	**13,428**	47,363
Security deposits(i)	**92,106**	109,606
	105,534	156,969

(i) Security deposits of $92,106 (2015: $109,606) are comprised of office leasing security deposit of $88,606 (2015: $109,606) and $3,500 used as security for corporate credit cards (2015: $21,000).

Note 12: Property, plant and equipment

	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended 31 March, 2015				
Opening net book value	425,949	147,818	109,917	**683,684**
Additions	635	-	2,190	**2,825**
Disposals	-	-	(681)	**(681)**
Depreciation charge	(61,027)	(88,334)	(67,950)	**(217,311)**
Transfer	-	-	-	**-**
Closing net book amount	365,557	59,484	43,476	**468,517**
At 31 March, 2015				
Cost	654,217	408,351	392,745	**1,455,313**
Accumulated depreciation	(288,660)	(348,867)	(349,269)	**(986,796)**
Net book amount	365,557	59,484	43,476	**468,517**
Year ended 31 March, 2016				
Opening net book value	365,557	59,484	43,476	**468,517**
Additions	-	-	-	**-**
Disposals	-	(30,895)	(1,912)	**(32,807)**
Depreciation charge	(55,406)	(28,589)	(19,388)	**(103,383)**
Transfer	-	-	-	**-**
Impairment	(223,645)	-	-	**(223,645)**
Closing net book amount	86,506	-	22,176	**108,682**
At 31 March, 2016				
Cost	654,217	408,351	391,836	**1,454,404**
Impairment	(223,645)	-	-	**(223,645)**
Accumulated depreciation	(344,066)	(408,351)	(369,660)	**(1,122,077)**
Net book amount	86,506	-	22,176	**108,682**

During the year ended 31 March 2016, the Company assessed the carrying value of its Property, Plant and Equipment, which resulted in an impairment of $223,645. This amount is based on best estimates of recoverable value of items which primarily comprised equipment used in the Iron Ore Projects (see Note 13).

Note 13: Exploration and evaluation assets

	Consolidated 2016 $	2015 $
Cost		
Balance at beginning of year	**60,800,223**	58,491,921
Acquisition of exploration and evaluation assets	**-**	10,165
Exploration and evaluation expenditure capitalised	**1,051,714**	2,298,137
Impairment of exploration and evaluation assets	**(55,851,937)**	-
Balance at end of year	**6,000,000**	60,800,223

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.

The Company holds 100% of the outstanding and issued share capital of MIO. MIO's assets include a 100% interest in the Iron Ore Projects located in Western Australia (full details of which are set out in the Directors' Report).

During the year, the Company re-assessed its plans for the Iron Ore Projects given the continuing uncertainties in the global economic environment for iron ore. As outlined in announcements by the Company, it entered into a Share Sale Agreement to sell all of the outstanding and issued share capital of MIO. The transaction was on an arms-length basis with a former major shareholder for $6 million consideration. The value of the transaction also underwent an independent valuation and fairness opinion, which concluded that the value was fair. The purchaser was unable to complete the purchase of MIO by financial close as the transaction was part of a larger consolidation of the area.

On the basis of these changing circumstances for the Iron Ore Projects, the carrying value of the exploration and evaluation assets were assessed for impairment.

Recoverable value of the Iron Ore Projects is difficult to determine given current global conditions, in particular the fluctuating outlook in demand and price for iron ore. For the purpose of determining recoverable value of the Iron Ore Projects, the Company has used the Share Sale Agreement and the fairness opinion as reliable guidance.

The recoverable amount (fair value) measurement is a level 2 fair value hierarchy measurement determined as fair value less costs to sell, based on observable market data.

The recoverable amount, which is the higher of value in use or fair value less costs of disposal, was determined to be the $6,000,000 selling price. The difference between the carrying value and recoverable amount resulted in an impairment expense of $55,851,937 charged to the statement of loss and comprehensive loss for the year ended March 31, 2016.

Note 14: Trade and other payables

	Consolidated 2016 $	2015 $
Current		
Trade creditors	**229,687**	252,996
Other creditors and accruals	**113,189**	143,799
	342,876	396,795
Non–Current		
Other creditors and accruals (Refer to Note 27 (a))	**160,746**	**-**

Note 15: Provisions

The liabilities recognised for employee benefits consist of the following amounts:	Consolidated	
	2016 **$**	**2015** **$**
Current		
- Short term employee obligations	**37,747**	80,608
Non-current:		
- Long service leave entitlements	**9,289**	939
	47,036	81,547

	Employee Benefits	Other	Total
Opening balance at 1 April 2015	81,547	-	81,547
Additional provisions	76,403	-	76,403
Amounts used	(110,914)	-	(110,914)
Balance at 31 March 2016	**47,036**	**-**	**47,036**

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled before 31 March, 2016. These obligations arise from accrued annual leave and superannuation entitlements at the reporting date.

Note 16: Borrowings

	Consolidated	
	2016 **$**	**2015** **$**
Financial lease on vehicles (secured)		
Current liability net amount owing	**-**	11,801
Non-current liability net amount owing	**-**	-
Present value of minimum lease payments	**-**	11,801

Financed vehicle was disposed during the year.

Note 17: Contributed equity and reserves

a) Ordinary Shares

	Consolidated 2016 $	Consolidated 2015 $
Ordinary shares		
Issued and fully paid	**90,353,947**	89,840,179
	Number	**Number**
Number of shares on issue	**81,623,799**	56,020,630

	2016	2015
At the beginning of the reporting period	**56,020,630**	44,820,630
Shares issued during the year:		
24 July 2014 (A$0.20 per share)	**-**	11,200,000
29 July 2015 (CAD$0.02 per share)	**12,017,998**	-
18 August 2015(CAD$0.02 per share)	**12,335,171**	-
20 August 2015 (CAD$0.02 per share)	**1,250,000**	-
At the end of the reporting period	**81,623,799**	56,020,630

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

There were no shares issued during the year for share options or warrants being exercised.

A further issue of 15 million shares took place subsequent to balance date, see Note 27.

b) Reserves

Consolidated	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Dilution Gain Reserve $	Total $
As at 1 April, 2014	258,972	2,767,883	7,314,889	10,341,744
Transfer of fair value of options exercised (prior years)	-	(143,857)	-	(143,857)
Cost of share based payments	-	15,840	-	15,840
As at 31 March, 2015	**258,972**	**2,639,866**	**7,314,889**	**10,213,727**
As at 1 April, 2015				
Transfer of fair value of options exercised (prior years)	-	-	-	-
Cost of share based payments	-	66,957	-	66,957
As at 31 March, 2016	**258,972**	**2,706,823**	**7,314,889**	**10,280,684**

Note 17: Contributed equity and reserves (cont'd)

c) Nature and purpose of reserves

Foreign Currency Translation Reserve

Until the year ended 31 March, 2006 the assets and liabilities of the Group were translated from what was the functional currency (Canadian dollars) to the presentation currency (Australian dollars) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation were taken directly to this reserve.

The functional currency for subsequent years is Australian dollars.

Share-based payment reserve

The Company has issued stock options and warrants on specified terms. The cost of these items are 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 the Black-Scholes method.

Dilution Gain Reserve

The Company incurred a dilution gain of $7,314,889 arising from the issue of shares in MIO during the financial year ended 31 March, 2009.

Note 18: Warrant liability

During the year ended 31 March, 2016, equity offerings were completed whereby 25,603,169 warrants were issued with exercise prices denominated in Canadian dollars (31 March, 2015 – none). Where the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (Australian dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in the Consolidated Statement of Profit or Loss and Comprehensive Income. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of 31 March, 2016, the Company had 25,603,169 (2015 – none) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised an expense of $211,103 from changes in the fair value of the warrant liability. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants.

	Year ended 31 March, 2016
	Weighted average
Share price	**CAD $0.023**
Exercise price	**CAD $0.05**
Risk-free interest rate	**0.50%**
Expected life of warrants	**1 year**
Annualized volatility	**183.01%**
Dividend rate	**0%**

Note 19: Share Compensation Plans

The Company, in accordance with the Plans and the policies of the TSX-V, is authorized to grant incentive stock options ("Options"), award equity restricted share units ("Equity RSUs"), 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 10% of issued and outstanding ordinary shares.

On 25 June 2015, the Company was relisted on the TSX-V, and as such, required to comply with the TSX-V Corporate Manual ("Manual"). The Company amended and restated the Plans to comply with the Manual, to the extent they differ from the TSX Company Manual, which the Company was formerly subject to. Both of the Plans have been approved until 31 August 2016 by the shareholders and took effect from 31 August 2015, replacing the Company's previous Share Compensation Plans.

Note 19: Share Compensation Plans (cont'd)

The exercise price of the Options is fixed by the Board at no lesser than the discounted market price (as defined under the 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 17). For further detail on the accounting treatment of share options refer to Note 2 accounting policies.

Upon exercise of Options, the consideration paid by the option holder, together with the amounts previously recognised in reserves, is recorded as an increase to contributed equity.

Note 20: Options and Warrants

a) Options

During the year ended 31 March, 2016

(i) On 14 May, 2015 pursuant to the Plans, an aggregate of 560,000 Options were granted to Non-Executive Directors of the Company. The options are exercisable for a 3 year period at CAD$0.046 per share and have no vesting conditions.

(ii) On 3 September 2015 pursuant to the Plans, an aggregate of 6,940,000 Options were granted to officers, directors, employees and consultants. The Options have an exercise price of CAD$0.05, which is the minimum Discounted Market Price pursuant to TSX-V Policy. The Options vest immediately, and expire three years from the date of grant.

(iii) On 25 September 2015, pursuant to the Plans, 450,000 Options were granted to a strategic consultant of the Company as part of his consulting fees with an exercise price of CAD$0.05 per Option for a period of 3 months. Exercise of these Options are subject to achievement of certain criteria.

(iv) On 6 November 2015, pursuant to the Plans, 500,000 Options were granted to a consultant, exercisable at CAD$0.05 per Option for a period, the earlier of termination of the agreement or 12 months from the date of grant, subject to the terms and conditions of the Plans. These Options were issued to the consultant following cancellation of 500,000 Options issued to an Executive Director on 2 September, 2015.

(v) On 25 December 2015, pursuant to the Plans, 450,000 Options were granted to a strategic consultant of the Company as part of his consulting fees with an exercise price of CAD$0.05 per Option for a period of 3 months. Exercise of these Options are subject to achievement of certain criteria.

(vi) Of the Options on issue at the start of the year or issued during the year, 1,700,000 Options were voluntarily forfeited and 3,875,000 expired.

Since balance date, on 14 April 2016, pursuant to the Plans, an aggregate of 2,660,000 Options were granted, of which 1,590,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.05. The Options vest immediately, and expire three years from the date of grant. Refer to Note 27.

On 11 July 2016, pursuant to the Plans, an aggregate of 3,540,000 Options were granted, of which 2,610,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.0525, are subject to a 4 month hold, and expire three years from the date of grant. Refer to Note 27.

The Company did not award Equity RSUs or issue bonus shares or allow purchase under a share purchase scheme for common shares under the Plans during the period.

Note 20: Options and Warrants (cont'd)

During the year ended 31 March, 2015

(i) On 10 June 2014 pursuant to the Plans, 75,000 Options were granted to an employee of the Company. The Options are exercisable for a 3 year period at CAD$0.30 per share and have no vesting conditions.

(ii) On 2 December, 2014 pursuant to the Plans, an aggregate of 1,325,000 Options were granted to directors, employees and consultants of the Company. 700,000 of those 1,325,000 incentive stock options were granted to key management personnel (refer to Note 23). The Options were exercisable for a 3 year period at CAD$0.25 per share and have no vesting conditions.

(iii) On 11 March, 2015 Directors of the Company voluntarily forfeited 400,000 Options.

(iv) On 31 March, 2015 Officers of the Company voluntarily forfeited 3,000,000 Options.

The Company did not award Equity RSUs or issue bonus shares or allow purchase under a share purchase scheme for common shares under the Plans during the period.

Share Compensation Plans

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

	2016		2015	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**2,175,000**	**$0.28 (CAD$0.27)**	4,175,000	$0.26 (CAD$0.27)
Granted	**8,900,000**	**$0.05 (CAD$0.05)**	1,400,000	$0.26 (CAD$0.25)
Exercised	**-**	**-**	-	-
Forfeited	**(1,700,000)**	**$0.20 (CAD$0.20)**	(3,400,000)	$0.26 (CAD$0.25)
Expired	**(3,875,000)**	**$0.11 (CAD$0.11)**	-	-
Outstanding, end of period	**5,500,000**	**$0.05 (CAD$0.05)**	2,175,000	$0.28 (CAD$0.27)
Options exercisable, end of period	**5,500,000**	**$0.05 (CAD$0.05)**	2,175,000	$0.28 (CAD$0.27)

Share options under the Company's Plans outstanding at 31 March, 2016 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
280,000	C$0.046	13 May 2018
5,220,000	C$0.05	1 Sept 2018

The weighted average remaining contractual life for the share options as at 31 March, 2016 is 2.41 years.

Refer to Note 27 *Subsequent Events* on Options issued, exercised and expired since balance date.

Note 20: Options and Warrants (cont'd)

b) Warrants

During the year ended 31 March, 2016

(i) 12,017,998 warrants were issued on 29 July 2015 in connection with Tranche 1 of the 2015 Offering, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$0.05 for a period of 12 months.

(ii) 12,335,171 warrants were issued on 18 August 2015 in connection with Tranche 2 of the 2015 Offering, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$0.05 for a period of 12 months.

(iii) 1,250,000 warrants were issued on 20 August 2015 in connection with Tranche 2 of the 2015 Offering, which entitles the holder to acquire one ordinary share for each warrant at a price of CAD$0.05 for a period of 12 months.

Refer to Note 27 *Subsequent Events* on Warrants issued, exercised and expired since balance date.

During the year ended 31 March, 2015

No warrants were issued during the year ended 31 March, 2015.

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

	2016		2015	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**-**	**-**	-	-
Granted	**25,603,169**	**$0.05 (CAD$0.05)**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding, end of period	**25,603,169**	**$0.05 (CAD$0.05)**	-	-

Warrants outstanding at 31 March, 2016 have the following exercise prices and expiry dates:

Number of warrants	Exercise Price	Expiry Date
12,017,998	C$0.05	28 Jul 2016
12,335,171	C$0.05	17 Aug 2016
1,250,000	C$0.05	19 Aug 2016

The weighted average remaining contractual life for the warrants as at 31 March, 2016 is 0.36 years.

Macarthur Minerals Limited
Notes to Financial Statements – 31 March, 2016

Note 21: Share Based Compensation

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

The fair value calculated for options issued is expensed over their vesting period as share based compensation in the statement of profit or loss and other comprehensive income and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. The weighted average fair value of options granted during the period was $0.008 (March 2015 - $0.01). Refer to Note 20 for details of options granted during the period.

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

	2016	2015
	Weighted average	*Weighted average*
Share price	CAD $0.026	CAD $0.075
Exercise price	CAD $0.05	CAD $0.25
Risk-free interest rate	0.46%	1.00%
Expected life of options	2.7 years	3 years
Annualized volatility	77.36%	108.30%
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.

Note 22: Related Party Disclosure

The Group's main related parties are as follows:

(i) *Entities exercising control of the Group:*

The ultimate parent entity that exercises control over the Group is Macarthur Minerals Limited, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 23.

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 2016**	**2015**
Macarthur Midway Pty Ltd	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Lithium Pty Ltd	Australia	100	-
Macarthur Minerals NT Pty Ltd	Australia	100	-
Macarthur Tulshyan Pty Ltd	Australia	100	-
Batchelor Project Pty Ltd	Australia	100	-

Note 22: Related Party Disclosure (cont'd)

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

Subsidiaries incorporated in the year were for nominal value.

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.

		Sales to Related Parties $	Purchases from Related Parties $	Amounts Owed by Related Parties $	Amounts Owed to Related Parties $
Parent Entity					
Subsidiaries:					
Macarthur Midway Pty Ltd	**2016**	**-**	**-**	**1,774**	**-**
	2015	-	-	1,774	-
Macarthur Iron Ore Pty Ltd	**2016**	**-**	**-**	**50,869,506**	**-**
	2015	-	-	50,049,046	-
Macarthur Lithium Pty Ltd	**2016**	**-**	**-**	**83,837**	**-**
	2015	-	-	-	-
Macarthur Minerals NT Pty Ltd	**2016**	**-**	**-**	**-**	**-**
	2015	-	-	-	-
Macarthur Tulshyan Pty Ltd	**2016**	**-**	**-**	**-**	**-**
	2015	-	-	-	-
Batchelor Project Pty Ltd	**2016**	**-**	**-**	**-**	**-**
	2015	-	-	-	-

The terms and conditions of those transactions were no more favourable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

Note 23: Key Management Personnel

The following persons were key management personnel of the Company during the financial year:

Non-Executive Directors
Cameron McCall, Non-Executive Chairman (appointed Non-Executive Chairman 3 December, 2015 and appointed Director 28 April 2015)
Earl Evans (resigned 3 December 2015, appointed Director 28 April 2015 and appointed Chairman 14 May 2015)
John Toigo (resigned 28 April 2015)
Jon Starink (resigned 28 April 2015)
Jeffrey Wall (resigned 28 April 2015)
Richard Patricio (resigned 28 April 2015)

Executive Directors
David Taplin, President, CEO and Director (appointed President and CEO 3 December 2015, and appointed Executive Director 28 April 2015)
Alan Phillips, Executive Director (resigned as Chairman 14 May 2015 and resigned as CEO 28 April 2015)
Joe Phillips, CEO and Executive Director (resigned as CEO and Executive Director on 3 December, 2015 and appointed Executive Director, 28 April 2015)

Since balance date Mr David Lenigas was appointed as an independent director.

Note 23: 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.

2016	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	
Executive Directors:	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
A S Phillips	183,834	105,746	-	-	-	-	6,108	295,688
D Taplin	200,000	55,000	-	-	-	-	6,108	261,108
A J Phillips[1]	183,333	-	-	-	-	-	6,108	189,441
Non-Executive Directors:								
C McCall	60,000	-	-	-	-	-	16,474	76,474
E Evans[1]	40,000	-	-	-	-	-	16,474	56,474
J Starink[2]	2,167	-	-	-	-	-	-	2,167
Total	**669,334**	**160,746**	**-**	**-**	**-**	**-**	**51,272**	**881,352**

[1] Resigned 3 December 2015.
[2] Resigned 28 April 2015.

Remuneration accrued and payable to key management personnel as at 31 March, 2016 was $204,913.

Total remuneration of each key management personnel of the Company for the year ended 31 March, 2015 is set out below.

2015	Short Term Employee Benefits			Post-Employment Benefits		Share Based Payments	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Superan-nuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	316,663	-	-	-	-	1,943	318,606
J Starink [1]	81,435	-	-	-	-	486	81,921
J Toigo	57,500	-	-	-	-	-	57,500
J Wall	57,500	-	-	-	-	-	57,500
R Patricio	57,500	-	-	-	-	486	57,986
Other Company Executives:							
A J Phillips	267,504	-	-	-	-	1,943	269,447
D Taplin	255,000	-	-	-	-	1,943	256,943
Total	**1,093,102**	**-**	**-**	**-**	**-**	**6,801**	**1,099,903**

[1] J Starink was paid $23,935 for consulting services to the Company in September to December 2014.

Remuneration accrued and payable to key management personnel as at 31 March, 2015 was $92,292.

Principles used to determine the nature and amount of remuneration

Fees and payments to directors and officers reflect the demands which are made on, and the responsibilities of directors and officers. Remuneration of non-executive directors is determined by the independent directors and approved by the board within the maximum aggregate amount approved by shareholders from time to time. The remuneration of key executives is determined by the independent directors and approved by the board.

Note 23: Key Management Personnel (cont'd)

To determine remuneration payable, the independent directors review compensation paid for directors, CEOs, CFOs and other officers of companies of similar size and stage of development in the mineral exploration/mining industry. Appropriate compensation is determined by reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. This includes approaching consultants with recruitment companies and independent remuneration advisors to determine current market conditions and rates. In setting the compensation the Board reviews the performances of the CEO, CFO and officers in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives.

An independent remuneration report was previously used in determining the appropriate level of compensation and conditions of the executives' consulting contracts. On 1 December, 2011 the Remuneration and Nomination Committee at the time, reviewed the consulting contracts and Cash RSU plan and recommended them to the Board for approval. Mr Alan S Phillips and Mr Jon Starink were not members of the Remuneration and Nomination Committee at the time and did not vote on the resolution to approve their respective consulting contracts.

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 AASB 124. Where transactions are entered into the terms and conditions are no more favourable than those that it is reasonable to expect that the entity would have adopted if dealing on an arm's length basis.

There were no other transactions with key management personnel during the year.

There were no amounts payable to or receivable from related parties of key management personnel at balance date relating to the above types of transactions.

Equity instrument disclosures relating to key management personnel

a) Ordinary Shares

The number of shares in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Name	Number at 1/4/15	Number Acquired	Number Disposed	Number at 31/3/16[3]
A S Phillips	-	-	-	-
D Taplin	298,224	2,528,750	-	2,826,974
C McCall	-	2,374,750	2,374,750	-
E Evans	-	-	-	-
A J Phillips	146,309	2,374,750	-	2,521,059
J Toigo	-	-	-	-
J Starink	-	-	-	-
J Wall	-	-	-	-
R Patricio [2]	79,900	-	-	79,900
J Phillips, A J Phillips, D Taplin (First Apollo Capital Pty Ltd) [1]	2,119,000	890,000	-	3,009,000
	2,643,433	8,168,250	2,374,750	8,436,933

[1] 3,009,000 shares are held by First Apollo Capital Pty Ltd ("First Apollo"). A S Phillips was a former director of First Apollo (resigned 16 July, 2010), his wife J Phillips (since 1 June, 2005) and his son Joe Phillips (since 16 July, 2010) are directors of First Apollo and D Taplin, President, CEO and Director, was a director and secretary of First Apollo (since 17 July, 2008 until 18 May 2016). Accordingly, A S Phillips and D Taplin has previously held while a director, and J Phillips and Joe Phillips, currently hold as directors, positions in First Apollo, that result in them having (or having previously had in the case of A S Phillips and D Taplin), significant influence over First Apollo for the purposes of relevant Australian Accounting Standards.

[2] 75,000 shares are held indirectly by Totus Inc.

[3] or on date of resignation, for those that resigned during the year.

Note 23: Key Management Personnel (cont'd)

b) Options

The number of options in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Name	Number at 1/4/15	Number Acquired	Number Forfeited	Number at 31/3/16
A S Phillips	-	-	-	-
D Taplin	-	1,000,000	-	1,000,000
C McCall	-	1,000,000	-	1,000,000
E Evans	-	1,000,000	1,000,000	-
A J Phillips	-	1,000,000	1,000,000	-
J Toigo	-	-	-	-
J Starink	-	-	-	-
J Wall	-	-	-	-
R Patricio	-	-	-	-
J Phillips, A J Phillips, D Taplin (First Apollo Capital Pty Ltd) [1]	-	1,000,000	-	1,000,000
	-	5,000,000	2,000,000	3,000,000

[1] see above under a) Ordinary Shares for note on First Apollo.

c) Warrants

The number of warrants in the Company held during the financial year by each key management personnel or close members of their family, or an entity over which any of these persons control, jointly control or have significant influence over, for the purposes of relevant Australian Accounting Standards, are set out below.

Name	Number at 1/4/15	Number Acquired	Number Forfeited	Number at 31/3/16
A S Phillips	-	-	-	-
D Taplin	-	2,374,750	-	2,374,750
C McCall	-	2,374,750	-	2,374,750
E Evans	-	-	-	-
A J Phillips	-	2,374,750	-	2,374,750
J Toigo	-	-	-	-
J Starink	-	-	-	-
J Wall	-	-	-	-
R Patricio	-	-	-	-
J Phillips, A J Phillips, D Taplin (First Apollo Capital Pty Ltd) [1]	-	-	-	-
	-	7,124,250	-	7,124,250

[1] see above under a) Ordinary Shares for note on First Apollo.

d) Retirement Benefits of Key Management Personnel

No amounts have been paid in connection with the retirement of directors and executives.

Note 24: Remuneration of Auditors

	Consolidated 2016 $	2015 $
During the year the following fees were paid or payable for services provided by the auditors.		
Pilot Partners:		
Audit and review of financial reports	**-**	-
Additional audit fees	**-**	13,636[1]
Other services	**-**	3,139
Nexia Brisbane/Hayes Knight:		
Audit and review of financial reports	**35,000**	35,000
Other services	**-**	-
Davidson & Company LLP:		
Audit and review of financial reports in Canada	**35,000**	53,167
Other services	**11,801**	-
Total remuneration for audit and other services	**81,801**	104,942

[1] Pilot Partners were the Company's auditors until their resignation on 28 August 2014.

Non-audit Services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditors Nexia Brisbane and Davidson & Company LLP for audit and non-audit services provided during the year are set out above.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001(Cth)*. The directors are satisfied that the provision of non-audit services by the auditors, as set out above, did not compromise the auditors' independence requirements of the *Corporations Act 2001(Cth)* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors' own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the Nexia Brisbane independence declaration is required under section 307C of the *Corporations Act 2001(Cth)* and is set out on page 20.

Note 25: Commitments

	Consolidated 2016 $	2015 $
a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	-	139,670
Later than one year but not later than five years	-	-
Non-cancellable operating lease	-	139,670

Brisbane Office lease is on a month-to-month contract effective 1 April 2016.

	Note	Consolidated 2016 $	2015 $
b) Finance Lease commitments			
Commitments in relation to leases contracted for at the reported date and recognised as liabilities are:			
Not later than one year		-	12,719
Later than one year but not later than five years		-	-
Later than five years		-	-
Minimum Lease payments		-	12,719
Less future finance payments		-	(918)
Present value of minimum lease payments	16	-	11,801

The Group disposed of its finance lease vehicle during the year.

c) Exploration and evaluation expenditure

In order to maintain its current rights of tenure for exploration and/or mining activities, the Company is required to perform minimum annual expenditure requirements specified by the Western Australian Government and pay local shire rents and rates. The expenditure obligations are subject to renegotiation when an application for a mining lease and/or renewal of exploration permits are made or at other times and are subject to whether the Company decides to continue a tenement's rights until its expiry. Due to the nature of the Company's activities, it is difficult to accurately forecast the amount of future expenditure that will be necessary to incur in order to maintain present interests.

These obligations are not provided for in the financial statements and are payable at future dates as follows:

	Consolidated 2016 $	2015 $
Not later than one year	**1,431,443**	2,231,873
Later than one year but not later than five years	**6,316,062**	9,369,688
	7,747,505	11,601,561

For the financial year ending March 31, 2016, 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. The Company will also be seeking to reduce expenditure, rates and rents requirements by selective relinquishment of some exploration tenements that are not considered essential. In addition, the Company is applying and has been granted future exemptions on a number of mining tenements which will allow the Company exemption on future expenditure up to two years in advance.

Note 25: Commitments (cont'd)

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:

	Consolidated	
	2016 $	2015 $
Not later than one year	**323,206**	522,715
Later than one year but not later than five years	**6,316,062**	9,369,688
	6,639,268	9,892,403

d) Option Agreement E30/317

The Company's option over E30/317, under an Option Agreement entered into 16 June, 2011 (and extended until 16 June, 2014), was extended for a further 18 months until 16 December, 2015. The Option Agreement expired and therefore this tenement is no longer in the control of the Company.

Note 26: Contingent Liabilities

a) Security Bonds

The Company has a contingent liability bank guarantee issued of $92,106 for office leasing arrangements in Brisbane and corporate credit cards.

b) Supreme Court Proceedings

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

The Initial Proceedings were dismissed in November 2012 and the Company was awarded costs on an indemnity basis. LPD and Mayson appealed the indemnity costs order in the Queensland Court of Appeal and on 11 October 2013 the appeal was dismissed with costs of the appeal being awarded to the Company. LPD, a shareholder of the Company, and Mayson are entities associated with Mr Edward Kwok, a Director of First Strategic Development Corporation Limited (in liquidation) ("FSDC").

LPD brought New Proceedings against the Company and some of its directors in November 2012 substantially on the same grounds, following dismissal of the Initial Proceedings. On 26 November 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.

To date, the Company has recovered costs of $476,020 from LPD and Mayson. The New Proceedings are stayed, pending payment of costs of the directors and officers of the Initial Proceedings, which are awaiting payment.

Like the dismissed Initial Proceedings, the Company considers the New Proceedings are without merit and will continue to vigorously defend those proceedings.

Note 26: Contingent Liabilities

b) Supreme Court Proceedings (cont'd)

Chan, Chan and Kwok v. Macarthur Minerals Limited and Ors.

On 20 January, 2016 the Company was served with another Claim in the Supreme Court of Queensland commenced by Mr Charles Chan, Mr Victor Chan (who are associated with a shareholder of the Company) and Mr Edward Kwok ("FSDC Directors' Claim"), the FSDC Directors.

The FSDC Directors are seeking damages against the Company and two of its officers relating to the debts the Supreme Court of Queensland found the FSDC Directors had incurred while trading insolvent, which became the basis of the award for damages and indemnity costs against them. In addition they claim their own legal costs of unsuccessfully defending those proceedings and their unsuccessful appeal. The FSDC Directors base the FSDC Directors' Claim on alleged misleading statements made by Company representatives.

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.

The Company and two of its officers have applied to the Supreme Court of Queensland to strike out the FSDC Directors' Claim, which was been listed for hearing on 31 August, 2016. In addition, the FSDC Directors have had to pay into the Supreme Court of Queensland $75,000 as security for costs for the strike out application.

Note 27: Subsequent Events

a) Deferred Payment of Executive Director's Fees

On 1 April, 2016 the Company executed a Bond with Executive Directors whereby accrued salaries referred to in Note 23, totalling $160,746 are not repayable before 1 April, 2017, subject to other terms and conditions, unless agreed otherwise. Interest is payable on a monthly basis.

b) Options

On 14 April 2016, pursuant to the Plans, 2,660,000 Options were granted, of which 1,590,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.05, vest immediately, and expire three years from the date of grant.

On 11 July 2016, pursuant to the Plans, an aggregate of 3,540,000 Options were granted, of which 2,610,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD$0.0525, are subject to a 4 month hold, and expire three years from the date of grant.

Since the year end and up to the date of this report 300,000 Options have been exercised and 1,000,000 Options have expired.

Note 27: Subsequent Events (Cont'd)

c) Warrants

Since the year end and up to the date of this report 17,841,591 warrants have been exercised raising $917,515.

d) FSDC (in Liquidation) Dividend

On 26 April 2016, the Liquidator of FSDC paid a dividend of $98,321 to Macarthur, as an unsecured creditor of FSDC.

e) Non-brokered Private Placement 2016

On 4 February 2016 and 7 March 2016, the Company announced a non-brokered private placement (the "2016 Offering") of up to 15,000,000 units (each, a "Unit") at a price of CAD$0.02 per Unit ("Unit Price") for aggregate gross proceeds of up to CAD$300,000 to Rare Earth Minerals Plc (AIM: REM, OTC: REMMY) ("Rare Earth Minerals"). Each Unit comprised of one common share in the capital of the Company (each, a "Common Share") and one whole warrant to acquire a Common Share (each, a "Warrant") at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance.

The Company closed the 2016 Offering on 12 April 2016 and raised $314,103.

f) Sulphur Springs Joint Venture

On 27 May 2016, MLi and Venturex Resources Limited ("VXR") (through its 100% owned subsidiary Venturex Sulphur Springs Pty Ltd) entered into a Memorandum of Understanding ("MOU") that serves as a framework for entering into a Farm-in and Joint Venture Agreement ("FJVA") for rights to lithium on VXR's Sulphur Springs Project ("Sulphur Springs") and Whim Creek Project ("Whim Creek"), in the Pilbara region of Western Australia, which is contiguous with some of the Company's Exploration Licence Applications.

The key terms of the MOU are:

- the Company and VXR will negotiate and enter into a FJVA for lithium rights on the Sulphur Springs and Whim Creek acreage within 3 months.
- entry into the FJVA is conditional upon the Company conducting due diligence within two months to confirm that Sulphur Springs and Whim Creek is prospective for lithium.
- the Company will earn into 51% of the rights for lithium on Sulphur Springs and Whim Creek by paying expenditure over a period of time, thereafter the FJVA will be a contributing joint venture 51% Macarthur and 49% VXR.
- the amount of the Company's expenditure to earn 51% is to be negotiated following completion of due diligence by the Company.
- the Company will manage the FJVA and will be paid a project management fee upon the forming of a contributing joint venture.

The FJVA is subject to regulatory and TSX-V approval, if required.

Note 27: Subsequent Events (Cont'd)

g) Ravensthorpe Farm-in

On 12 July, 2016 MLi entered into a MOU with Zadar Ventures Ltd ("ZAD") for entering into a Farm-in Agreement for lithium exploration on the Company's Ravensthorpe acreage for minimum expenditure of A$2 million. ZAD will earn a 51% interest in the Ravensthorpe acreage on expending A$2 million and on completion of a positive NI43-101 Preliminary Economic Assessment, a total interest of 75%. The Company will be appointed project manager for the Ravensthorpe lithium exploration program and will be paid a project management fee of 15% of the total expenditure and also be reimbursed all its associated costs in full. The Company will always have a free carried interest.

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 21 to 64 are in accordance with the *Corporations Act 2001 (Cth)* and:

   (i) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes complicate with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the financial position as at 31 March, 2016 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
Non-Executive Chairman

Dated: 29 July, 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MACARTHUR MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Macarthur Minerals Limited, which comprises the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, would be in the same terms if it had been given to the directors as at the time of this auditor's report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MACARTHUR MINERALS LIMITED (CONTINUED)

Auditor's Opinion
In our opinion:

a) the financial report of Macarthur Minerals Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated group's financial position as at 31 March 2016 and of its performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis Of Matter – Going Concern
Without qualifying our opinion, we draw attention to Note 2(b) in the financial statements which indicates that the consolidated group incurred a net loss of $58,608,070 and had a net decrease in cash and cash equivalents of $2,539,288. The continuing operations are dependent upon its 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 of the exploration asset, none of which is assured.

Since balance date the company has raised new capital and has plans which, until further funds are raised, will enable it to meet its obligations and commitments for the foreseeable future.

The directors have prepared the financial report 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 financial report does not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the consolidated group be unable to secure additional equity capital, financing or generate cash from operations in the future.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford
Director

Level 28, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 29 July 2016