MACARTHUR
Minerals

Australian Annual Report

Year End 31 March 2017

Chairman’s 2017 Highlights

This year, Macarthur Minerals continued its focus on exploration for lithium and identifying options for development of our Western Australian iron ore projects. 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” and brine lithium acreage packages for any junior company. We have also expanded our lithium interests into Nevada, USA acquiring two brine projects.

Macarthur currently holds a very large lithium acreage portfolio in Australia, now covering a total area over 1,937 square kilometers in the Pilbara, Ravensthorpe and Edah regions of Western Australia.

Macarthur’s “hard rock” 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.

The brine lithium acreage is located in Nevada, strategically located closely to Tesla’s new Gigafactory, which has a planned production capacity of 35 gigawatt-hours per year by 2020.

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$70.20 per tonne. During the 2017 financial year, the iron ore spot price reached a high of US$94.90. Since the 2015 low, today’s price has risen by over 83% 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 an advanced stage.

Hard Rock Lithium Acerage

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.

Marble Bar Joint Venture

Macarthur and Southern Hemisphere Mining Ltd (ASX: SUH) through a 50:50 joint venture entered into a MOU with Great Sandy Pty Ltd to acquire the Marble Bar Lithium Project and Pippingarra Lithium Tantalite Project in the Pilbara region of Western Australia.

Great Sandy collected 79 rock chip samples from the outcropping pegmatites and adjacent granitic country rock returning peak values of 3.72% Li_2O and 3.32% Li_2O.

Stonewall Lithium Brine Project

Macarthur acquired the Stonewall Lithium Project which covers an area of approximately 49 square kilometers and most of the playa in Nevada's Lida Valley Basin. A shallow auger drilling program was conducted and found that all holes contained lithium with sediment assays ranging from 34.6 parts per million ("ppm") lithium ("Li") and up to 145.5 ppm Li.

Reynolds Springs Project

Macarthur recently staked 210 new unpatented placer mining claims at its new Reynolds Springs Lithium Brine Project in the Railroad Valley, Nevada. Analysis of geochemical soil sampling at Reynolds Springs found up to 405 ppm Li.

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.

Cadence Minerals Plc Strategic Investment

Cadence Minerals plc (previously Rare Earth Minerals plc) made a strategic investment in Macarthur. Cadence is a London listed company and now holds approximately 20% interest in Macarthur. Cadence is creating a diverse portfolio of interests in lithium projects globally. Cadence brings to Macarthur expertise is developing global lithium projects and strong support for our future activities.

Moving Forward

Macarthur will rapidly move forward to explore its lithium acreage and develop 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

ACN 103 011 436

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Stock Exchange Listing

Macarthur Minerals Limited (the "Company" or "Macarthur Minerals") is an Australian public company and is quoted on the Official List of the TSX Venture Exchange ("TSX-V") (symbol: MMS). The Company is incorporated in Australia and registered in Queensland.

Directors

Cameron McCall, Non-Executive Chairman
David Lenigas, Independent Director (appointed 11 July 2016)
David Taplin, President, CEO and Director
Alan Phillips, Non-Executive Director (resigned as Executive Director 1 January 2017)

Company Secretary

Nicola Ingram

Registered and Head Office

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Canadian Share Registry

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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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10 Eagle Street
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Fax: +61 7 3229 3277

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Fax: +1 604 687 6172

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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, 2017. 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 Cadence Minerals plc (AIM: KDNC) ("Cadence") (previously Rare Earth Minerals plc). Cadence 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 LGC Capital Ltd listed on the TSX-V (TSX-V: QBA). 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). He is also director of ASX listed companies, Southern Hemisphere Mining Limited (ASX:SUH) Auroch Minerals Limited (ASX:AUO) and Artemis Resources Limited (ASX:ARV).
Mr Alan Phillips Non-Executive Director	Mr 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 continued as Executive Director until his resignation as Executive Director on 1 January 2017. Mr Phillips continues as Non-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.

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	Southern Hemisphere Mining Limited (ASX:SUH)	24 Mar, 2017 – Current
	Artemis Resources Limited (ASX:ARV)	3 Nov, 2016 – Current
	LGC Capital Ltd. (TSX-V: QBA)	13 Jul, 2016 – Current
	Auroch Minerals (ASX:AUO)	7 Nov 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 – 13 Jul, 2016
	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	-	-

Company Secretary

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 7 years' experience working closely with the Board and Management of Macarthur Minerals 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 is an Australian public company listed in Canada on the TSX-V (symbol: MMS). Macarthur Minerals is an exploration company focused on exploring for lithium in Australia and Nevada, as well as identifying development options. Macarthur Minerals is the majority shareholder of Macarthur Australia Limited ("Macarthur Australia"), which owns significant iron ore and lithium projects in Western Australia.

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

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 2017 $	Year ended 31 March 2016 $
Operating Expenses (net)	**(3,680,500)**	(3,002,370)
Impairment Expense	**-**	(56,075,582)
Interest Income	**3,142**	19,944
Other Income	**98,321**	518,393
Net loss for the year	**(3,874,581)**	(58,608,070)

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

The Group's consolidated loss for the year ended 31 March, 2017 amounted to $3,874,581 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 loss was mainly attributable to office and general expenses of $1,490,222, which included $483,365 of Macarthur Australia's initial public offering ("IPO") costs associated with listing on the Australian Securities Exchange ("ASX") (refer to Report on Corporate Activities (xii)). Exploration costs expensed in the year totalled $1,111,114.

FINANCIAL POSITION

Australian $	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Cash and cash equivalents	807,229	267,841
Exploration and Evaluation assets	6,000,000	6,000,000
Property, Plant and Equipment	79,204	108,682
Total Assets	7,337,001	6,516,758
Accounts payable and accrued liabilities	616,200	342,876
Total Liabilities	1,168,652	761,761
Net Assets	6,168,349	5,754,997
Net Working Capital	608,465	27,453[1]

[1] Excludes warrant liability of $508,463.

At 31 March, 2017 the Group had net assets of $6,168,349 compared to $5,754,997 at 31 March, 2016. The increase is due to equity raised in the year, offset by operating loss.

The Group's cash and cash equivalents balance was $807,229 at 31 March, 2017 which was an increase of $539,388 from 31 March, 2016.

The Group's net working capital at 31 March, 2017 was $608,465 compared with net working capital of $27,453 at 31 March, 2016.

The Group'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 Group's ability to continue as a going concern.

During the year ended 31 March, 2017, the Group raised new equity of $4,110,497 including $1,468,040 from Macarthur Australia's seed capital raising (for issue of Macarthur Australia shares).

Furthermore, since the year end 31 March 2017, the Group issued new share capital of C$375,000 from exercise of 7,500,000 warrants, and entered into arrangements for further capital raising.

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 Group has sufficient funds to meet its obligations as they become due, until further funds are raised. As a result, the Group believes these funds and the reduction of expenditures, until further funds are raised, will enable the Group 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 Group be unable to secure additional equity capital, financing or generate cash from operations in the future.

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

MACARTHUR AUSTRALIA LIMITED'S WESTERN AUSTRALIAN HARD ROCK LITHIUM

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

MLi has 4 lithium projects covering a total area of 1,973 square kilometers ("km^2") in the Pilbara, Yalgoo, Edah and Ravensthorpe regions of Western Australia, consisting of:

1. Pilbara Lithium Projects
2. Yalgoo Lithium Project
3. Edah Lithium Project
4. Ravensthorpe Lithium Project

Pilbara Lithium Projects

MLi has 20 Exploration License applications in the Pilbara covering a total area of 1,514 km^2.

In May and June 2016, MLi completed two heliborne reconnaissance field trips across a portion of its tenements in the Pilbara region. Sampling across several pegmatites yielded encouraging results warranting further exploration. The best lithium results are from a swarm of pegmatites within Exploration Licence application 45/4702 exploited in the past for tin and tantalum. A sample of lithium muscovite from one old working returned 0.2% Li_2O and elevated tantalum and tin values confirming the rare element character of this pegmatite. A feldspar-quartz-muscovite pegmatite within Exploration Licence application 45/4711 also returned 111 parts per million ("ppm") lithium ("Li").

In addition to the reconnaissance sampling, historical results of the Geological Society of WA ("GSWA") include the Tambourah North lithium pegmatite located in Exploration Licence application 45/4848. A rock sample collected by Fortescue Metals Group Ltd in 2012 on the western edge of Exploration Licence application 45/4702 returned a result of 876 ppm Li (0.19% Li_2O).

Yalgoo Lithium Project

On 12 October 2016, MLi entered into a Mineral Rights Deed ("Rights Deed") with Yalgoo Exploration Pty Ltd ("Yalgoo"), a private gold company, to acquire exclusive rights for lithium and other rare earth minerals on two granted Exploration Licenses covering an area of 213 km^2 in the Yalgoo region of Western Australia ("Yalgoo Lithium Project").

In October 2016, MLi conducted a reconnaissance field trip with promising results. Lithium mineralisation was confirmed in at least two of the pegmatites, with their core quartz zones exposed by small scale mining. Grab rock samples returned up to 3.75% Li_2O associated with lepidolite in one of these pegmatites and lithium muscovite containing up to 2% Li_2O in another pegmatite. During this visit, several additional pegmatites, largely composed of blocky feldspar and quartz were noted within a corridor some 1.5 km wide and extending over some 5 km in a NNW-SSE direction, located within a broader corridor some 3 km wide and likely extending over 10 km.

The Rights Deed has the following key terms:

- MLi will pay Yalgoo:
  - $30,000 upon execution of the Rights Deed, which has been paid;
  - $50,000 upon the first anniversary of the commencement of the Rights Deed;
  - $250,000 upon defining a 5 million tonne JORC resource of >1.2% Li_2O; and
  - $500,000 upon defining a 15 million tonne JORC resource of >1.2% Li_2O.
- Net smelter royalty of:
  - 2.5% for lithium concentrate produced on the Yalgoo Lithium Project; and
  - 50% of Western Australian Department of Minerals and Petroleum royalty rate for other rare earth minerals, produced on the Yalgoo Lithium Project.
- The Company will contribute 50% to the minimum expenditure on tenements of the Yalgoo Lithium Project.

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

- The shareholders of Yalgoo entered into a share sale agreement with Mining and Metallurgy Process Solutions Pty Ltd ("MMPS") for MMPS to purchase all the shares in Yalgoo. MLi has the first right of refusal ("FROR") for purchase of the shares of Yalgoo should MMPS be unable to complete the purchase or should the Yalgoo shareholders thereafter wish to dispose of their shares in Yalgoo or the Yalgoo Lithium Project.

Edah Lithium Project

MLi holds a granted Exploration Licence in the Edah district in the greenstone terrane of the Murchison Province of Western Australia covering an area of 120 km^2.

Ravensthorpe Lithium Project

MLi holds two granted Exploration Licences in the Ravensthorpe region of Western Australia covering an area of 90 km^2. The tenements are located near the town of Ravensthorpe in the south coast of Western Australia which is located some 187 km by road West North West of the Port of Esperance. The tenements are situated within 3 km of the Ravensthorpe pegmatite field which contains several lithium-bearing pegmatites and one mining operation for lithium centred on the Mount Cattlin spodumene bearing pegmatites located 2 km North North West of the Ravensthorpe town site. Mount Cattlin has a current ore resource of some 16.4 million tonnes ("Mt") at 1.08% Li_2O and 157ppm Ta_2O5[1].

MLi has conducted a reconnaissance field trip across a portion of the Ravensthorpe tenure which located several West North West trending feldspar-quartz ± muscovite pegmatites hosted by South West Terrane greenstone rocks. The pegmatites require mapping and sampling to determine extent and potential for lithium mineralisation.

Macarthur Lithium Projects Next Steps

MLi is focussed on the acquisition and development of high quality lithium projects. MLi is currently evaluating its tenure and commencing discussions with various third parties concerning potential joint ventures to maximise the exploration effort throughout 2017.

The results of the four reconnaissance trips across the Pilbara, Yalgoo and Ravensthorpe tenure have identified several pegmatitic bodies, some containing lithium minerals that warrant further exploration efforts across each region. Based on these results, MLi is focussing on refining an exploration strategy that will involve broader scale mapping of pegmatite outcrops; further rock sampling to determine lithium mineralisation, fractionation state and fractionation trends; as well as localised intensive sampling of soil to detect geochemical haloes associated with a lithium-bearing pegmatite. The results of such activities will inform drill targets to explore the degree and extent of lithium mineralisation as well as obtaining material for process test-work.

MACARTHUR MARBLE BAR LITHIUM JOINT VENTURE

On 2 May 2017, Macarthur Minerals and Southern Hemisphere Mining Ltd (ASX: SUH) ("SUH"), through a 50:50 joint venture entered into a Memorandum of Understanding ("MOU") with Great Sandy Pty Ltd ("Great Sandy"), to acquire the Marble Bar Lithium Project and Pippingarra Lithium Tantalite Project in the Pilbara region of Western Australia.

The Marble Bar Lithium Project consists of four granted Exploration Licences covering 368 km^2 located between 10 and 50 km east of Marble Bar in the East Pilbara region of Western Australia. Marble Bar is located 200 km south east of Port Hedland and approximately 100 km east of the emerging world class Pilgangoora and Wodgina lithium province.

Great Sandy collected 79 rock chip samples from the outcropping pegmatites and adjacent granitic country rock returning peak values of 3.72% Li_2O and 3.32% Li_2O. Thirty of the collected samples returned assays better than 1% Li_2O. Several samples contained visibly abundant spodumene with the mineralogy confirmed by X-ray powder diffraction ("XRD") and petrographic analysis.

[1] Galaxy Resources, Investor presentation August 2016 http://www.galaxyresources.com.au/

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

In November 2016, Blaze International Limited (ASX: BLZ) conducted a limited reverse circulation ("RC") drilling program on E45/4669, consisting of 12 shallow holes, 702 m, targeting only three of the known mineralised pegmatites. Drilling returned significant lithium results within broad low-grade zones of mineralisation. Lithium was intercepted in most holes with seven holes containing narrow but higher grade zones. Hole MBRC006 returned one of the best intercepts of 14 m @ 0.58% Li_2O from 0 to 14 m including a higher-grade interval of 3 m @ 1.48% Li_2O from 8 m. The drilling confirmed the shallow 30 - 35 degree easterly dip to the pegmatites and indicated that the pegmatites are often associated with broad mineralized alteration haloes indicating a large and pervasive mineralizing event.

The Pippingarra Lithium and Tantalite Project consists of two Exploration Licence Applications covering 181 km^2 located 27 km south east of Port Hedland.

The key terms of the MOU are:

- $30,000 has been paid to Great Sandy equally by Macarthur Minerals, through its wholly owned subsidiary, Macarthur Marble Bar Lithium Pty Ltd ("MMBL") and SUH on signing the MOU, which is exclusive.
- MMBL and SUH will enter into a 50:50 contributing Joint Venture Agreement for purchase of 100% of the projects ("Joint Venture") within 90 days. The Joint Venture Agreement will be on standard industry terms and MMBL will be appointed project manager.
- The Joint Venture will enter into a purchase agreement for the projects within 60 days on completion of satisfactory due diligence and obtaining regulatory approvals.
- The purchase price for the projects by the Joint Venture is:
  - Within 60 days of entering into the Purchase Agreement, the joint venture parties will each issue A$125,000 of shares in each of their respective companies, Macarthur Minerals and SUH, to Great Sandy.
  - Within 6 months of entering into the Purchase Agreement, the joint venture parties will each issue A$250,000 of shares each in their respective companies, Macarthur Minerals and SUH, to Great Sandy. Following this final payment, the Joint Venture will receive 100% ownership of the projects.
  - Great Sandy will retain a 2% gross production royalty.
  - The number of shares to be issued for the purchase price is to be calculated using a 5-day Volume Weighted Average Price for each Macarthur Minerals and SUH prior to the issue of shares.

MACARTHUR MINERALS NEVADA BRINE LITHIUM PROJECTS

Stonewall Lithium Project

On 20 October 2016, Macarthur Minerals, through its wholly owned US subsidiary, Macarthur Lithium Nevada Limited, entered into an Assignment Agreement with Voltaic Minerals Corp. (TSX-V: VLT, FSE: 2P61) ("Voltaic") to acquire the Stonewall Lithium Project ("Stonewall Project") which covers an area of approximately 48.64 km^2 (12,019 acres) and most of the playa in Nevada's Lida Valley Basin.

The Lida Valley is located 53 km (32 miles) to the South East of the Clayton Valley Basin, which hosts the United States' only producing lithium mine. The Stonewall Project is strategically located in the Nevada lithium supply hub, 306 km (191 miles) southeast of Tesla's new Gigafactory, which has a planned production capacity of 35 gigawatt-hours per year by 2020[2].

The key terms of the Assignment Agreement were:

- 2 million ordinary shares of Macarthur Minerals to Voltaic at CAD$0.10 per share, which were issued on 20 October, 2017; and

- 1 million ordinary shares of Macarthur Minerals to Voltaic at CAD$0.07 per share, which were issued on 13 July, 2017.

[2] https://www.tesla.com/sites/default/files/blog_attachments/gigafactory.pdf

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

Lithium has been located at Stonewall Project from a shallow auger drilling program conducted as part of due diligence, for acquisition of the Stonewall Project. A total of nine auger holes were drilled to depths of between 1.07 – 2.13 meters (3.5 to 7 feet) at various locations across the Stonewall Project playa (dry lake bed). All holes contained lithium with sediment assays ranging from 34.6 ppm Li and up to 145.5 ppm Li.

Reynolds Springs Lithium Brine Project

On 15 June, 2017 the Company announced that it had staked 210 new unpatented placer mining claims at its new Reynolds Springs Lithium Brine Project ("Reynolds Springs Project") in the Railroad Valley, Nevada.

The new claims are located near the town of Currant, in Nye County, Nevada. The Reynolds Springs Project is located approximately 300 km (180 miles) North of Las Vegas, Nevada, and 531 km (330 miles) South East of Tesla's new Gigafactory.

A total of 206 soil samples were collected across the full extent of the Reynolds Springs Project. Lithium values in the soil samples ranged from a low of 39.3 ppm to a high of 405 ppm Li. Samples were consistently high averaging 168.3 ppm Li with 85% of samples recording over 100 ppm Li and 19% greater than 200 ppm Li. These results are considered high in comparison to the majority of non-lithium producing playas and amongst the highest we have seen outside of the Clayton Valley.

MACARTHUR AUSTRALIA LIMITED'S WESTERN AUSTRALIAN IRON ORE PROJECTS

The Iron Ore Projects are owned by Macarthur Australia's wholly-owned subsidiary Macarthur Iron Ore Pty Ltd ("MIO").

The Iron Ore Projects are located on mining tenements covering approximately 62 km^2 located 175 km northwest of Kalgoorlie in Western Australia. Within the tenements, at least 33 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

The Iron Ore Projects are approximately 107 km from the existing Eastern Goldfields Railway (located near the township of Menzies) that has a direct connection to the Port of Esperance in Western Australia, where it is intended that ore from the Projects will be shipped. Export is subject to capacity becoming available, which is not certain.

The Iron Ore Projects are situated in the Yilgarn Region of south-western, Western Australia. The Yilgarn Region is a host to many significant mineral deposits that have been or are being mined for iron ore. The tenements cover the Yeriligee greenstone belt which is some 80 km in length and lies within the Southern Cross Province of the Yilgarn.

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

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

Exploration for the Ularring Hematite and Moonshine Magnetite projects has been sufficient to allow the estimation of Mineral Resources for both projects.

The Ularring Hematite Project's Mineral Resources are reported in accordance with the JORC Code comprising of Indicated Mineral Resources of approximately 54.5 Mt @ 47.2% Fe and approximately 26 Mt @ 45.4% Fe Inferred resources.

The Mineral Resource estimates were prepared by CSA Global on behalf of Macarthur Minerals (N143-101 Technical Report, 2012[3]) and reported in accordance with the JORC Code.

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.

[3] 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."

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

The Inferred Mineral Resource estimate for the Moonshine Magnetite Project was initially prepared by CSA Global Pty Ltd (NI 43-101 Technical Report, 2009[4]) and was updated by Snowden Mining Industry Consultants in 2011 (NI 43-101 Technical Report, 2011[5]). The Moonshine Magnetite Project has an Inferred Mineral Resource consisting of approximately 1,316 Mt @ 30.1% Fe.

A Preliminary Assessment Report was prepared on the Moonshine Magnetite Project by Snowden Mining Industry Consultants in 2011.

MIO intends to progress the development of the Ularring Hematite Project.

Given considerable investment has been made to date in defining a resource and understanding the technical aspects of the Ularring Hematite Project, MIO's focus will be on obtaining a partner to fund the development as well as continuing negotiations with existing producers to gain access to rail and port infrastructure that will provide Macarthur Australia with an export avenue.

In addition, MIO will continue to explore options for simplified ore processing and options to blend higher grade material with existing producers in the region.

Forfeiture Applications

On 10 March 2017, MIO was served with applications for forfeiture by Black Range Mining Pty Ltd ("BRM") against each of 15 iron ore tenements ("Forfeiture Applications"). BRM claims that MIO has failed to comply with the expenditure conditions in relation to each of the 15 tenements that comprise the Iron Ore Projects.

On 18 May 2017, the Department of Mines and Petroleum granted certificates of exemption from expenditure commitments for the three tenements where the reporting period recently ended. Consequently, BRM has withdrawn its applications on these three tenements.

In addition, MIO has met expenditure commitments for the remaining 12 tenements and Form 5 reports were submitted.

The Company believes that those applications are opportunistic, have no merit, will vigorously be defended and dismissed in due course. The matter is listed for mention in the Western Australian Warden's Court on 28 July 2017.

Report on Corporate Activities

(i) Legal Proceedings

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

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 Minerals, as an unsecured creditor of FSDC. In total, the Company has recovered $2,020,580 relating to the FSDC matter.

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

On 20 January, 2016 the Company was served with a 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.

Report on Corporate Activities (cont'd)

The Company and two of its officers applied to the Supreme Court of Queensland to strike out the FSDC Directors' Claim, which was heard on 31 August, 2016. Bond J delivered judgment on 1 March 2017 and

[4] NI 43-101 Technical Report filed December 17, 2009, titled "NI 43-101 Technical Report on Lake Giles Iron Ore Project: Western Australia."
[5] NI 43-101 Technical Report filed March 25, 2011, titled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron Project, Western Australia, NI 43-101 Technical Report – Preliminary Assessment".

struck out various paragraphs of the statement of claim, and has given FSDC Directors leave to re-plead in respect of each of those paragraphs which have been struck out. The FSDC Directors are yet to file their amended pleadings. In addition, the FSDC Directors paid into the Supreme Court of Queensland $75,000 as security for costs for the strike out application.

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

MLi v. Mining and Metallurgy Process Solutions Pty Ltd ("MMPS")

MLi has commenced proceedings against MMPS regarding a first right of refusal granted to MLi in respect of the shares in Yalgoo Exploration Pty Ltd ("Yalgoo") under the Rights Deed. Yalgoo is the registered proprietor of Exploration Licences E59/2140 and E59/2077, that comprises the Yalgoo Lithium Project in Western Australia.

On 4 November 2016, MMPS issued what purported to be a disposal notice under the first right of refusal advising that it intended to sell 100% of the shares in Yalgoo to Jonstell Investments Pty Ltd (now Aurum Minerals Pty Ltd) ("Aurum"). MLi contended that the disposal notice was invalid for various reasons. MMPS accepted that the disposal notice was invalid and Aurum subsequently acquired a majority interest in MMPS.

Despite demand by MLi, MMPS has failed or refused to issue a further and valid disposal notice. In the proceedings, MLi seeks a declaration that MMPS is required to give a further and valid disposal notice under the first right of refusal, together with consequential orders.

The proceedings were commenced in the Supreme Court of Western Australia on 18 January 2017. The proceedings are listed on the Commercial and Managed Cases List before the Honourable Justice Le Miere. Directions have been made by the plaintiff to file its statement of claim and the defendant to file its defence.

A strategic conference was heard on 6 June 2017 before Le Miere J, whereby an order was made for the case be referred to mediation pursuant to the Supreme Court Act 1935 (WA). Mediation between MLi and MMPS occurred on 25 July 2017.

(ii) Board Changes

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

Commencing 1 January, 2017, Mr Alan Phillips resigned an as Executive of the Company and continues as Non-Executive Director.

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 Non-Executive Director.

(iii) Stock Options

On 14 April, 2016, pursuant to the Company's Share Compensation Plans ("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.

On 1 September, 2016, pursuant to the Plans, 500,000 Options were granted to a consultant with an exercise price of CAD$0.10 for a period of up to 90 days after the termination of the consultancy agreement.

Report on Corporate Activities (cont'd)

On 22 September, 2016, pursuant to the Plans, an aggregate of 13,509,664 Options were granted, of which 10,017,004 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$0.06 and expire three years from the date of grant.

Since the year end and up to the date of this report 500,000 Options have expired.

(iv) 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, now Cadence Minerals Plc ("Cadence 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.

(v) Annual General Meeting

The Company held its Annual General Meeting on 31 August, 2016 where all resolutions were passed, including the approval of the Company's Share Compensation Plans and approval for the future issue of shares on the exercise of 15 million warrants held by Cadence Minerals.

(vi) Warrants

On 9 May, 2016, Cadence Minerals was issued 15,000,000 warrants pursuant to the 2016 Offering at an exercise price of CAD$0.05 per Common Share for a period of twelve months from the date of issuance.

During the year ended 31 March 2017, 32,624,519 warrants were exercised.

Since the year ended 31 March 2017, 7,500,000 warrants were exercised raising CAD$375,000 and 34,907,782 warrants were issued.

(vii) Strategic Investment and Funding Mandate by Tulshyan

On 10 January, 2017 the Company announced a strategic investment by the Tulshyan Group for a private placement of 3,750,000 shares of the Company at a price of C$0.065 per share and received gross funds of C$243,750.

On 14 February, 2017 the Company entered into a non exclusive mandate with the Tulshyan Group to raise up to A$200 million to develop the Ularring Hematite Project via various tranches, with an initial tranche of A$50 million, for a 10% fee on monies raised, a specified amount of options in MAL and other conditions.

The Tulshyan Group, based in Singapore, is one of the largest recyclers of scrap steel in the world, has a significant shipping business with a fleet of over 30 ships and is expanding its commercial aircraft leasing business. The Tulshyan Group has significant experience in sales, marketing of steel and iron ore and access to capital for potential development of the Iron Ore Projects.

(viii) Convertible Note Deed

On 15 February, 2017, MLi entered into a Convertible Note Deed with Alemar Developments Pty Ltd ("Alemar") to issue a secured convertible redeemable note for $1,000,000 to purchase Yalgoo pursuant to MLi's FROR under the Rights Deed or for exploration purposes associated with MLi's lithium tenements. To date, no notes have been issued.

The key terms of the Convertible Note Deed are:

- Alemar can subscribe for 1,000,000 convertible notes at $1 ("Note") per note for a total of $1,000,000.

Report on Corporate Activities (cont'd)

- The funds may be used to complete the acquisition by MLi of all the issued capital of Yalgoo under the FROR or for exploration purposes associated with MLi's lithium tenements before 31 August 2017.
- Funds will be drawn down subject to satisfaction of conditions precedents including execution of security documentation.
- Upon maturity of the Notes (12 months):
  - MLi will repay the face value ($1 per note) and a coupon which consists of $0.10 interest and $0.50 profit share maturity payment per note; or
  - Upon election by Alemar, the notes be converted into shares of Macarthur Australia at $0.20 per share.
- The Notes can be repaid earlier (at the election of MLi), but not earlier than 6 months, where by upon early repayment of the notes:
  - MLi will repay the face value ($1 per note) and a coupon which consists of $0.05 interest and $0.45 profit share maturity payment per note; or
  - Upon election by Alemar be converted into Shares of Macarthur Australia at $0.20 per Share.

The funds are currently held in trust until such time as the conditions precedents are met and the Notes are issued.

(ix) Share Sale Agreement

On 23 February 2017, Macarthur Minerals entered into a Share Sale Agreement to sell all of its shares it held in MLi and MIO to Macarthur Australia for shares in Macarthur Australia. The transaction was completed on 23 February 2017. The key terms of the Share Sale Agreement were:

- Macarthur Minerals sold all of the shares it held in MLi and MIO to Macarthur Australia for 125,000,000 shares in Macarthur Australia. At $0.20 per Share, this equals a total consideration of $25 million.
- Typical warranties for a Share Sale Agreement.

The Directors agreed the price for the MLi and MIO shares based on the following:

- On 23 February 2017, the date the Share Sale Agreement was executed, the volume weighted market capitalisation of Macarthur Minerals on the TSX-V for the last 14 trading days was approximately C$17.56 million (A$17.74 million). Macarthur Minerals' predominant assets were MLi and MIO.
- Having reference to market capitalisations of other ASX listed exploration companies with hard rock lithium projects on 23 February 2017, including Lithium Australia Ltd (ASX:LIT) ($39.9 million), Metalicity Ltd (ASX:MCT) ($29.38 million), Kingston Resources Ltd (ASX:KSN) ($14 million), Tawana Resources NL (ASX:TAW) $56.2 million), Lithium Power International (ASX:LPI) ($48 million), Liontown Resources Ltd (ASX:LTR) ($26.7 million) and Venus Metals Corporation Ltd (ASX:VMC) ($11.5 million). The board determined the purchase price of $25M is current fair market value for MLi and MIO.
- Having reference to the seed capital shares (see below) which ranges between $0.10-$0.12 per share for a minority interest of 9% of Macarthur Australia.
- The 125 million shares issued to Macarthur Minerals at $0.20 per share equates to $25 million, reflects a difference to the historical book value of the exploration and evaluation assets of MLi and MIO ($6 million).
- The Iron Ore Projects of Macarthur Minerals were impaired in the quarter ended 30 September 2015 financial statements of Macarthur Minerals to $6 million as a result of Macarthur Minerals entering into a share sale agreement with a 3rd party on 3 October 2015 for sale of all the shares in MIO for $6 million.

Report on Corporate Activities (cont'd)

- The average price for iron ore for the month of October 2015 when the share sale agreement with the 3rd party was entered into was US$52.74 per tonne (CFR 62% Fe), whereas the price of iron ore on entering the Share Sale Agreement for MLi and MIO to Macarthur Australia was US$94.30 per tonne (CFR 62% Fe).
- Given the recovery of the iron ore price and recovery of the minerals sector, the Board believed that a $25 million sale price was current fair market value for MLi and MIO at the time of entering into the Share Sale Agreement.

(x) Deed of Loan

On 24 February, 2017 the Company entered into an unsecured deed of loan whereby Macarthur Australia loaned $400,000 to Macarthur Minerals ("Macarthur Minerals Loan"). The key terms of the Macarthur Minerals Loan are:

- Macarthur Australia loaned Macarthur Minerals $400,000 for staff secondment costs and for preparing the Prospectus for Macarthur Australia's ASX IPO;
- at a rate of the Bank Bill Swap Benchmark Rate (BBSW) plus 2%;
- interest payable monthly; and
- principle repayable in 12 months.

(xi) Seed Capital Raising for Macarthur Australia

On 27 February 2017, Macarthur Australia closed its seed capital raising for its intended IPO on the ASX. The seed capital raising was oversubscribed for $1.5 million.

Following the seed capital raising, Macarthur Australia had 138,366,997 shares on issue of which Macarthur Minerals held 125,000,001 shares representing 90.3%. The remaining 13,366,996 shares were held by seed shareholders which represented 9.7% of Macarthur Australia ("MAL Seed Investors"). Refer to Private Placement July 2017 and Reacquisition of Macarthur Australia below.

(xii) Australian Securities Exchange Initial Public Offering of Australian Lithium and Iron Ore Projects

On 3 March 2017, the prospectus was lodged with Australian Securities and Investment Commission ("ASIC") in relation to Macarthur Australia's ASX IPO. The IPO was for the issue of up to 50 million shares in Macarthur Australia at an issue price of $0.20 per share to raise up to $10 million. The minimum raise is for 25 million shares for $5 million. Lodgement of the prospectus with ASIC and ASX for listing Macarthur Australia on the ASX followed the successful oversubscribed seed capital raising for $1.5 million.

On 5 July 2017, Macarthur Australia withdrew its prospectus for ASX IPO due to market conditions.

(xiii) Non-brokered Private Placement to Alpha Giant

On 7 June, 2017, the Company announced a non-brokered private placement of up to 8,000,000 shares at a price of CAD$0.0675 per share for aggregate gross proceeds of up to CAD$540,000 to Alpha Giant Limited, a private Chinese investment company. Alpha Giant Limited did not complete the private placement and no shares were issued.

(xiv) Non-brokered Private Placement July 2017 and Reacquisition of Macarthur Australia

On 7 July, 2017 the Company announced a non-brokered private placement (the "Offering") of up to 50,000,000 units (each, a "Unit") at a price of CAD$0.05 per Unit for a total consideration of CAD$2.5 million. Each Unit shall be comprised of one common share in the capital of the Company and one whole warrant to acquire a common share at an exercise price of CAD$0.06 per Common Share exercisable until 16 February, 2018.

On 26 July 2017, the Company closed Tranche 1 of the Offering, having received subscriptions for 34,907,782 Units for total consideration of CAD$1,745,389 from MAL Seed Investors and some applicants for the withdrawn ASX IPO.

Report on Corporate Activities (cont'd)

The Company now holds 99.7% interest in Macarthur Australia. The Company intends to buy-back the remaining shares in Macarthur Australia representing 0.3% as part of Tranche 2 to return it to a wholly owned subsidiary of the Company.

The Company intends to close Tranche 2 of the Offering as soon as practicable.

In connection with the Offering, the Company may pay finder's fees up to 8% of the gross proceeds of the Offering.

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	1,620,000
14 Apr 2016	13 Apr 2019	0.05	1,330,000
11 Jul 2016	10 Jul 2019	0.0525	3,540,000
22 Sep 2016	21 Sep 2019	0.06	12,637,009
			19,407,009

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

4,802,655 ordinary shares of the Company were issued on the exercise of 4,802,655 Options granted under the Plans during the year ended 31 March 2017.

Since year end and up to the date of this report no ordinary shares of the Company were issued on the exercise of Options granted under the Plans.

Shares under Warrants

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

Date Granted	Expiry Date	Issue Price of Shares (CAD$)	Number held under warrants
26 July 2017	16 Feb 2018	0.06	34,907,782
			34,907,782

Shares issued on the exercise of warrants

32,624,519 ordinary shares of the Company were issued on the exercise of 32,624,519 warrants during the year ended 31 March, 2017.

Since year end and up to the date of this report 7,500,000 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	2,000,000	4,000,000	-
A S Phillips	-	1,131,083	-
D Taplin	8,468,638	4,481,746	-
D Lenigas (appointed 11 Jul 2016)	-	4,000,000	-

Meeting of Directors

The number of meetings of the Company's board of directors held during the year ended 31 March, 2017, and the number of meetings attended by each director were:

	Number of Board Meetings Attended	Number Eligible
C McCall	5	5
A S Phillips	5	5
D Taplin	5	5
D Lenigas (appointed 11 Jul 2016)	4	5

The number of meetings of the Company's Audit Committee held during the year ended 31 March, 2017, and the number of meetings attended by each member were:

	Number of Audit Committee Meetings Attended	Number Eligible
C McCall, Chairman of Audit Committee	2	2
D Taplin	2	2
D Lenigas (appointed to Audit Committee 11 Jul 2016)	2	2

Insurance and Indemnification of Officers

Insurance Premiums

During the financial year, the Company paid premiums of $163,901 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.

Insurance and Indemnification of Officers (cont'd)

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 $104,263 to cover indemnity costs not covered under the Company's D&O Insurance policy, and includes $25,000 excess fee.

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 23 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 17.

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 R. McColl

Cameron McCall
Non-Executive Chairman

Brisbane
28 July, 2017

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Macarthur Minerals Limited

As lead auditor for the audit of Macarthur Minerals Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2017 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.

This declaration is made in respect of Macarthur Minerals Limited and the entities it controlled during the year.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Nigel Bamford

N D Bamford
Director

Date: 28 July 2017

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Macarthur Minerals Limited

Financial Report - 31 March, 2017

Contents

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 28 July, 2017. The directors have the power to amend and reissue the financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March, 2017

	Notes	Consolidated 2017 $	2016 $
EXPENSES			
Depreciation	6(a)	**(35,982)**	(103,384)
Impairment expense	6(b)	**-**	(56,075,582)
Investor relations		**(21,182)**	(49,826)
Office and general expense	6(g)	**(1,490,222)**	(334,587)
Personnel costs	6(c)	**(1,052,277)**	(1,141,456)
Professional fees	6(d)	**(355,414)**	(931,576)
Rent		**(140,880)**	(107,669)
Share based compensation	6(c)	**(177,436)**	(66,957)
Share Registry, filing and listing fees		**(146,715)**	(180,657)
Travel and accommodation		**(260,392)**	(86,258)
Total administrative expenses		**(3,680,500)**	(59,077,952)
OTHER REVENUE (EXPENSES)			
Interest Income	6(e)	**3,142**	19,944
Other income (Cost Recoveries)	6(f)	**98,321**	518,393
Net other income/(expenses)	6(h)	**1,816**	142,648
Change in fair value of warrant liability	6(i)	**(297,360)**	(211,103)
Net loss before income tax		**(3,874,581)**	(58,608,070)
Income tax expense	7	**-**	-
Net loss for the year		**(3,874,581)**	(58,608,070)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year		**(3,874,581)**	(58,608,070)
Attributable to:			
Members of the parent entity		**(3,825,495)**	(58,608,070)
Non-controlling interest		**(49,086)**	-
		(3,874,581)	(58,608,070)
Basic loss per ordinary share	8	**(0.03)**	(0.81)
Diluted loss per ordinary share	8	**(0.03)**	(0.81)

The accompanying notes form part of these financial statements.

Macarthur Minerals Limited

Consolidated Statement of Financial Position
As at 31 March, 2017

	Notes	Consolidated 2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**807,229**	267,841
Other receivables	10	**153,434**	34,701
Other assets	11	**297,134**	105,534
Total Current Assets		**1,257,797**	408,076
Non-current Assets			
Property, plant and equipment	12	**79,204**	108,682
Exploration and evaluation assets	13	**6,000,000**	6,000,000
Total Non-current Assets		**6,079,204**	6,108,682
TOTAL ASSETS		**7,337,001**	6,516,758
LIABILITIES			
Current liabilities			
Trade and other payables	14	**616,200**	342,876
Provisions	15	**33,132**	37,747
Warrants liability	17	**508,463**	211,103
Total Current Liabilities		**1,157,795**	591,726
Non-current Liabilities			
Trade and other payables	14	**-**	160,746
Employee benefits	15	**10,857**	9,289
Total Non-current Liabilities		**10,857**	170,035
TOTAL LIABILITIES		**1,168,652**	761,761
NET ASSETS		**6,168,349**	5,754,997
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	16(a)	**92,996,404**	90,353,947
Accumulated losses		**(98,705,129)**	(94,879,634)
Reserves	16(b)	**10,458,120**	10,280,684
		4,749,395	5,754,997
Non-controlling interests Contributed Equity		**1,418,954**	-
TOTAL EQUITY		**6,168,349**	5,754,997

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 March, 2017

	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
Shares issued[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**

	Contributed Equity	Reserves	Accumulated Losses	Non Controlling Interests	Total Equity
	$	$	$	$	$
Balance 1 April, 2016	90,353,947	10,280,684	(94,879,634)	-	5,754,997
Profit (Loss) for the year	-	-	(3,825,495)	(49,086)	(3,874,581)
Total other comprehensive income for the year	-	-	-	-	-
Transactions with owners in their capacity as owners:					
Share- based compensation	-	177,436	-	-	177,436
Recognition of non-controlling interests[1]	-	-	-	1,528,040	1,528,040
Shares issued[1]	2,656,327	-	-	-	2,656,327
Share issue costs[1]	(13,870)	-	-	(60,000)	(73,870)
	2,642,457	177,436	(3,825,495)	1,468,040	413,352
Balance at 31 March, 2017	**92,996,404**	**10,458,120**	**(98,705,129)**	**1,418,954**	**6,168,349**

[1] Refer to Note 16.

The accompanying notes form part of these financial statements.

Macarthur Minerals Limited

Consolidated Statement of Cash Flows
For the year ended 31 March, 2017

	Notes	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers and employees		**(3,462,663)**	(2,711,646)
Interest received		**3,142**	19,883
Other revenue		**98,321**	518,393
Interest paid		**(9,181)**	(9,125)
Transfer from/(to) security deposits		**-**	17,500
Net cash flows used in operating activities	9	**(3,370,381)**	(2,164,995)
Cash flows from investing activities			
Plant and equipment purchases	12	**(6,504)**	-
Plant and equipment proceeds		**1,816**	175,454
Government recoveries		**-**	117,008
Exploration and evaluation expenditure	13	**-**	(1,168,722)
Net cash flows used in investing activities		**(4,688)**	(876,260)
Cash flows from financing activities			
Proceeds from share issues (parent company)		**2,460,287**	537,510
Proceeds from share issues (non controlling interests)		**1,468,040**	-
Share issue and placement costs		**(13,870)**	(23,742)
Receipt/(Repayment) of borrowings		**-**	(11,801)
Net cash flows from financing activities		**3,914,457**	501,967
Net decrease/increase in cash and cash equivalents		**539,388**	(2,539,288)
Cash and cash equivalents at beginning of period		**267,841**	2,807,129
Cash and cash equivalents at end of period	9	**807,229**	267,841

The accompanying notes form part of these financial statements.

Note 1: Company Information

Macarthur Minerals is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS). Macarthur Minerals is an exploration company focused on exploring for lithium in Australia and Nevada, as well as identifying development options. Macarthur Minerals is the majority shareholder of Macarthur Australia Limited ("Macarthur Australia"), which owns significant iron ore and lithium projects in Western Australia.

As at 31 March 2017, the Company has the following subsidiaries:

- 90.3% of Macarthur Australia Limited, which was formed on 21 November 2016 and holds the following 100% subsidiaries:
  - 100% of Macarthur Lithium Pty Ltd ("MLi") which holds the Macarthur Lithium Projects;
  - 100% of Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO") which owns the Iron Ore Projects
- 100% of Macarthur Lithium Nevada Limited, which was formed on 22 September 2016 (incorporated in Nevada)
- 100% of Macarthur Marble Bar Pty Ltd (previously Batchelor Project Pty Ltd)
- 100% of Macarthur Midway Pty Ltd (a dormant subsidiary); and
- 100% of Macarthur Minerals NT Pty Ltd ("MMNT") and MMNT's 100% subsidiary, Macarthur Tulshyan Pty Ltd.

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 28 July, 2017 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 21 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 been presented within this financial report as permitted by the *Corporations Act 2001 (Cth)*.

Except for cash flow information, the financial report has been prepared on an 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 Group 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 $3,874,581. The Company's cash and cash equivalents balance at the reporting date is $807,229.

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

b) Going concern (cont'd)

The Group'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 Group's ability to continue as a going concern.

During the year ended 31 March, 2017, the Group raised new equity of $4,110,497 including $1,468,040 from Macarthur Australia's seed capital raising (see Note 21).

Furthermore, since the year end 31 March 2017, the Company issued new share capital of C$375,000 from exercise of 7,500,000 warrants, and entered into arrangement for further capital raising (see Note 26).

The Group has prepared a business plan to manage operations and expenditures over the coming twelve months, in order to ensure that the Group has sufficient funds to meet its obligations as they become due, until further funds are raised. As a result, the Group believes these funds and the reduction of expenditures, until further funds are raised, will enable the Group 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 Group be unable to secure additional equity capital, financing or generate cash from operations in the future and be unable to continue as a going concern.

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. Refer to Note 21 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. 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.

Equity interest in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interest". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position.

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.

All other exploration and evaluation expenditure is expensed as incurred. 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 Other 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).

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.

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.

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

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

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.

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.

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

g) 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.

(ii) 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.

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

g) Financial Instruments (cont'd)

(iii) 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.

(iv) 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.

(v) 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.

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 operations and substantially all the capital assets of the Group are situated in 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.

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

k) Trade and other payables

Trade and other payables are carried at amortised cost. 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.

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.

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

n) Employee benefits (cont'd)

(iii) Share based compensation

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

o) Provision for closure and restoration

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

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, as well as unused tax losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Deferred income tax assets are 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 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.

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

q) Income tax (cont'd)

(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.

(ii) Tax consolidation legislation

Entities in the Group have formed, where eligible, tax consolidated groups. As a consequence, all members of the tax-consolidated group are taxed as a single entity. During the current year, changes in Group structure resulted in changes to tax consolidated groups.

r) Contributed equity

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

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

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. 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.

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

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

(i) Exploration and Evaluation Expenditure (Note 13)

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

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

(ii) Deferred tax assets

The 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.

(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 model as measured on the grant date. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the equity, and the estimated forfeiture rate for market based vesting conditions. During the reporting period the amount of $177,436 has been shown as share-based compensation.

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 17). 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) 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.

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

Macarthur Minerals Limited
Notes to Financial Statements – 31 March, 2017

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	2017 $	2016 $
ASSETS		
Current Assets	**392,881**	387,700
Non-Current Assets	**6,575,990**	5,993,882
Total Assets	**6,968,871**	6,381,582
LIABILITIES		
Current Liabilities	**789,665**	456,550
Non-Current Liabilities	**10,857**	170,035
Total Liabilities	**800,522**	626,585
EQUITY		
Issued Capital	**93,007,957**	90,353,947
Retained Earnings	**(89,982,839)**	(87,564,746)
Reserves		
Foreign Exchange Translation Reserve	**258,972**	258,972
Option reserve	**2,884,259**	2,706,824
TOTAL EQUITY	**6,168,349**	5,754,997
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(loss) for the year	**(2,418,093)**	(53,822,288)
Total comprehensive income	**(2,418,093)**	(53,822,288)

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 25.

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

At 31 March, 2017, Macarthur Minerals Limited has not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: 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 2017 $	2016 $
Financial assets			
Cash and cash equivalents	9	**807,229**	267,841
Loans and receivables			
Other receivables	10	**153,434**	34,701
Security Deposits	11	**92,106**	92,106
		245,540	126,807
Total financial assets		**1,052,769**	394,648
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	14	**616,200**	503,622
Total financial liabilities		**616,200**	503,622

Carrying amounts equal to fair value due to short term nature of these items,

a) Credit risk

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

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 2017 $	2016 $
CONSOLIDATED		
Financial assets		
Cash and cash equivalents	**807,229**	267,841
Other receivables	**153,434**	34,701
Security Deposits	**92,106**	92,106
	1,052,769	394,648

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

Note 4: Financial risk management (cont'd)

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.

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

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**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial liabilities due for payment								
Trade and other payables	**523,701**	295,026	**-**	-	-	-	**523,701**	295,026
Amounts payable to related parties	**92,499**	47,850	**-**	160,746	-	-	**92,499**	208,596
Total expected outflows	**616,200**	342,876	**-**	160,746	-	-	**616,200**	503,622
Financial assets - cash flows realisable								
Cash and cash equivalents	**807,229**	267,841	**-**	-	-	-	**807,229**	267,841
Other Receivables	**153,434**	34,701	**-**	-	-	-	**153,434**	34,701
Security Deposits	**92,106**	92,106	**-**	-	-	-	**92,106**	92,106
Total anticipated inflows	**1,052,769**	394,648	**-**	-	-	-	**1,052,769**	394,648
Net (outflow)/inflow on financial instruments	**436,569**	51,772	**-**	(160,746)	-	-	**436,569**	(108,974)

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 2017 $	Consolidated Carrying Amount 2016 $
Financial Assets		
Interest-bearing financial instruments		
Variable rate instruments	**890,152**	357,250

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 2016.

	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
31 March, 2017				
Interest-bearing financial instruments	**8,902**	**(8,902)**	**8,902**	**(8,902)**
31 March, 2016				
Interest-bearing financial instruments	3,573	(3,573)	3,573	(3,573)

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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 $ 2017	CAD $ 2017	AUD $ 2016	CAD $ 2016
Cash and cash equivalents	**798,349**	**8,880**	266,477	1,364
Receivables	**153,434**	**-**	34,701	-
Security Deposits	**92,106**	**-**	92,106	-
	1,043,889	**8,880**	393,284	1,364
Trade and other payables	**542,260**	**73,940**	455,602	48,020
Employee Benefits	**43,989**	**-**	47,037	-
Warrant liability	**-**	**508,463**	-	211,103
	586,249	**582,403**	502,639	259,123
Net exposure in AUD	**457,640**	**(573,523)**	(109,355)	(257,759)

The following significant exchange rates applied during the year:

	Average Rate 2017 $	Average Rate 2016 $	Reporting Date Spot Rate 2017 $	Reporting Date Spot Rate 2016 $
Canadian dollar (CAD$)	**1.0115**	0.9642	**1.0160**	0.9957

Sensitivity analysis

A 10% strengthening of the Australian dollar against the Canadian dollar at 31 March, 2017 on the above net exposure to Canadian assets and liabilities would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Consolidated Equity $	Consolidated Profit or loss $
31 March, 2017		
CAD$	**58,270**	**58,270**
31 March, 2016		
CAD$	25,665	25,665

A 10% weakening of the Australian dollar against the Canadian dollar at 31 March, 2017 would have had the equal but opposite effect on 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 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.

As set out in Note 16, further equity was issued in the year, and a group restructure was undertaken.

There were no other changes in the Group's approach to capital management during the year ended 31 March, 2017. The Group is not subject to externally imposed capital requirements.

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Note 6: Revenue and expenses

Result for the year includes the following items:

		Consolidated 2017 $	2016 $
a)	***Depreciation and amortisation***		
	Depreciation and amortisation	**35,982**	103,384
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	**1,052,277**	1,141,456
	Share based compensation	**177,436**	66,957
d)	***Professional fees include legal costs for the following matters:***		
	- LPD Holdings (Aust) Pty Ltd ("LPD")	**-**	4,681
	- First Strategic Development Corporation Limited (in liquidation) ("FSDC")	**33,627**	74,070
e)	***Finance Revenue***		
	Bank interest income	**3,142**	19,944
f)	***Cost Recoveries from the following legal matters:***		
	- LPD	**-**	24,505
	- FSDC	**98,321**	493,888
g)	***Includes exploration & evaluation expenditure & IPO costs***		
	Exploration expenditure in the year (Note 13)	**1,111,114**	83,766
	IPO Costs incurred (Note 21)	**483,365**	-
h)	***Other:***		
	- Gain on sale of asset	**1,816**	142,648
	- Net foreign exchange gain	**930**	7,015
	- Finance costs	**9,181**	9,125
i)	***Change in fair value of warrant liability:***		
	- Change in fair value of warrant liability (Note 17)	**297,360**	211,103

For details on the legal matters refer to Note 25.

Note 7: Income tax

		Consolidated 2017 $	Consolidated 2016 $
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	**(3,874,581)**	(58,608,070)
	Tax at Australian tax rate of 28.5%(2017); 30%(2016)	**(1,104,255)**	(17,582,421)
	Adjustment for the tax effect of:		
	Impairment expense	**-**	16,822,675
	Change in fair value of warrant liability	**84,748**	63,331
	Share based payments	**50,568**	20,087
	Other	**2,273**	(2,090)
	Exploration expenditure capitalised	**-**	(315,514)
	Change in Australian tax rate to 27.5%	**33,918**	-
		(932,748)	(993,932)
	Income tax losses and temporary differences not carried forward as deferred tax assets	**932,748**	993,932
	Income tax expense (credit) attributable to profit (loss) from continuing operations	**-**	-

c) *Change in tax rate*

Changes in tax laws and rates may affect any recorded deferred tax assets and liabilities and the Company's effective tax rate in the future. The applicable tax rate as at 31 March 2017 was 28.5% on the basis that Macarthur Minerals was a Small Business Entity for the purposes of the tax law.

The reduction of the Australian corporation tax rate for Small Business Entities from 28.5% to 27.5% was substantively enacted on 9 May 2017 and was effective for income years commencing from 1 July 2016. As a result, any relevant deferred tax balances have been remeasured.

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

d) *Tax consolidation*

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

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

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

As a result of a potential reacquisition of the interest held by the seed investors in Macarthur Australia by Macarthur Minerals, Macarthur Australia and its wholly owned subsidiaries may rejoin the Macarthur Minerals Australian income tax consolidated group subsequent to 31 March 2017.

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Note 7: Income tax (cont'd)

e) Tax losses

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

	Tax losses from operations	Tax losses on capital raising expenses	Total
	$	$	$
2017			
Tax losses	**72,816,394**	**5,108,369**	**77,924,763**
Potential benefit	**20,024,508**	**1,404,801**	**21,429,309**
2016			
Tax losses	69,875,584	5,095,438	74,971,022
Potential benefit	20,962,676	1,528,631	22,491,307

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

In this respect the ability to utilise tax losses in the future will be dependent on specific shareholding tracing and future events including the impact of Macarthur Australia, MIO and MLi rejoining the Macarthur Minerals tax consolidated group.

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 ordinary shares. Refer to the accounting policy in Note 2(s)(ii).

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

	Consolidated	
	2017	2016
	$	$
Net (loss) for the year (members of parent entity)	**(3,825,495)**	(58,608,070)
	Number	
Weighted average number of ordinary shares for basic earnings per share	**120,113,637**	72,480,128
Weighted average number of ordinary shares for diluted earnings per share	**120,113,637**	72,480,128

The Company's outstanding options and warrants that did not have a dilutive effect at 31 March, 2017 were 19,907,009 options and 7,500,000 warrants (refer to Note 19). 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 2017 $	Consolidated 2016 $
Cash at bank and in hand		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates	**807,229**	267,841
Short term deposits earn interest at negotiated fixed rates	**-**	-
	807,229	267,841

		Consolidated 2017 $	Consolidated 2016 $
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	**807,229**	267,841
b)	***Reconciliation of net loss after income tax to the net cash flows from operations***		
	Net (Loss)	**(3,874,581)**	(58,608,070)
	Adjustments for:		
	Impairment Expense	**-**	56,075,582
	Gain on Sale of Motor Vehicles/PPE	**(1,816)**	(142,648)
	Depreciation and amortisation	**35,982**	103,384
	Share based payments	**177,436**	66,957
	Change in fair value of warrant liability	**297,360**	211,103
	Changes in Assets and Liabilities		
	(Increase)/Decrease in receivables	**(118,733)**	4,946
	(Increase)/Decrease in other operating assets	**4,440**	51,435
	Increase/(Decrease) in payables	**109,531**	72,316
	Net cash from operating activities	**(3,370,381)**	(2,164,995)

c) ***Non-cash investing activities***

2,000,000 shares were issued as the deposit on the Stonewall Lithium project (Note 11).

Note 10: Other Receivables

	Consolidated 2017 $	Consolidated 2016 $
Other receivables	**153,434**	34,701
	153,434	34,701

Note 11: Other Assets

	Consolidated 2017 $	Consolidated 2016 $
Prepayments(i)	**205,028**	13,428
Security deposits	**92,106**	92,106
	297,134	105,534

(i) Prepayments include $196,040 deposit on Stonewall Lithium Project (refer to Note 26(d).

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Note 12: Property, plant and equipment

	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended 31 March, 2016				
Opening net book value	365,557	59,484	43,476	468,517
Disposals	-	(30,895)	(1,912)	(32,807)
Depreciation charge	(55,406)	(28,589)	(19,388)	(103,383)
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
Year ended 31 March, 2017				
Opening net book value	86,506	-	27,771	**114,277**
Additions	-	-	-	**-**
Disposals	-	-	909	**909**
Depreciation charge	(29,274)	-	(6,708)	**(35,982)**
Closing net book amount	57,232	-	21,972	**79,204**
At 31 March, 2017				
Cost	654,217	-	393,357	**1,047,574**
Impairment	(223,645)	-	-	**(223,645)**
Accumulated depreciation	(373,340)	-	(371,385)	**(744,725)**
Net book amount	57,232	-	21,972	**79,204**

Note 13: Exploration and evaluation assets

	Consolidated	
	2017 $	**2016 $**
Cost		
Balance at beginning of year	**6,000,000**	60,800,223
Acquisition of exploration and evaluation assets	**-**	-
Exploration and evaluation expenditure capitalised	**-**	1,051,714
Impairment of exploration and evaluation assets	**-**	(55,851,937)
Balance at end of year	**6,000,000**	6,000,000

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

At 31 March, 2017, the Company held 90.3% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiaries MIO and MLi hold assets which include the Iron Ore Projects and lithium exploration projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which is acquiring lithium exploration projects in Nevada (full details of which are set out in the Directors' Report).

Note 13: Exploration and evaluation assets (cont'd)

The carrying value of exploration and evaluation assets does not include expenditure on the lithium projects as these are currently in acquisition status (refer to Note 26(d).

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

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. The operational status of these projects was assessed in the prior year, along with the carrying value, resulting in an impairment change and write-down to estimated recoverable value of $6,000,000.

In the current year, global market conditions have improved however given ongoing uncertainty, carrying value has been maintained at $6,000,000.

Costs incurred on all projects in the current year totalling $1,111,114 have been expensed.

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.

Note 14: Trade and other payables

	Consolidated	
	2017 $	**2016 $**
Current		
Trade creditors	**356,243**	229,687
Other creditors and accruals	**259,957**	113,189
	616,200	342,876
Non–Current		
Remuneration accruals (Refer to Note 22)	**-**	160,746

Note 15: Provisions

The liabilities recognised for employee benefits consist of the following amounts:	Consolidated	
	2017 $	**2016 $**
Current		
- Short term employee obligations	**33,132**	37,747
Non-current:		
- Long service leave entitlements	**10,857**	9,289
	43,989	47,036

	Employee Benefits	Other	Total
Opening balance at 1 April 2016	47,036	-	47,036
Additional provisions	46,760	-	46,760
Amounts used	(49,807)	-	(49,807)
Balance at 31 March 2017	**43,989**	**-**	**43,989**

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

Note 16: Contributed equity and reserves

a) *Ordinary Shares*

	Consolidated	
	2017 $	2016 $
Ordinary shares Issued and fully paid	**92,996,404**	90,353,947
	Number	**Number**
Number of shares on issue	**139,800,973**	81,623,799

	2017	2016
At the beginning of the reporting period	**81,623,799**	56,020,630
Shares issued during the year:		
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
9 May 2016 (CAD$0.02 per share)	**15,000,000**	
25 October 2016(CAD$0.10 per share)	**2,000,000**	
11 January 2017 (CAD$0.07 per share)	**3,750,000**	
Exercise of options and warrants[2]	**37,427,174**	
At the end of the reporting period[1]	**139,800,973**	81,623,799

[1]Does not include shares from non-controlling interests (see Note 21) .
[2]Refer to Note 19.

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

Further issues of 8,500,000 million shares took place subsequent to balance date, see Note 26.

b) *Reserves*

Consolidated	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Dilution Gain Reserve $	Total $
As at 1 April, 2015	258,972	2,639,866	7,314,889	10,213,727
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
Cost of share based payments	**-**	**177,436**	**-**	**177,436**
As at 31 March, 2017	**258,972**	**2,884,259**	**7,314,889**	**10,458,120**

Note 16: 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 share options, rights 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 17: Warrant liability

During the year ended 31 March, 2017, equity offerings were completed whereby 15,000,000 warrants were issued with exercise prices denominated in Canadian dollars (31 March, 2016 – 25,603,169). 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, 2017, the Company had 7,500,000 (2016 – 25,603,169) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised an expense of $297,360 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, 2017	Year ended 31 March, 2016
	Weighted average	*Weighted average*
Share price	**CAD $0.15**	CAD $0.023
Exercise price	**CAD $0.05**	CAD $0.05
Risk-free interest rate	**0.52%**	0.50%
Expected life of warrants	**1 year**	1 year
Annualized volatility	**204.21%**	183.01%
Dividend rate	**0%**	0%

Note 18: Share Compensation Plans

The Company, in accordance with the Company's Employee and Consultant Share Compensation Plans ("Plans") and the policies of the TSX-V, is authorized to grant incentive stock options ("Options"), award equity restricted share units, or bonus shares or issue common shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 20% of issued and outstanding ordinary shares as at August 31, 2016, being 122,048,318 Common Shares. Both of the Plans were approved on August 31, 2016 by the shareholders and replaces the Company's previous Plans.

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

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Note 18: Share Compensation Plans (cont'd)

The Company's part owned subsidiary, Macarthur Australia Limited, also has share compensation plans in place (see Note 19(ii)).

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

Note 19 (i): Macarthur Minerals Limited - Options and Warrants

a) Options

During the year ended 31 March, 2017

(i) 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.

(ii) 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.

(iii) On September 1, 2016, pursuant to the Plans, 500,000 Options were granted to a consultant with an exercise price of CAD$0.10 for a period of up to 90 days after the termination of the consultancy agreement.

(iv) On September 22, 2016, pursuant to the Plans, an aggregate of 13,509,664 Options were granted, of which 10,017,004 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$0.06 and expire three years from the date of grant.

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.

Note 19 (i): Macarthur Minerals Limited - Options and Warrants (cont'd)

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

	2017		2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**5,500,000**	**$0.05 (CAD$0.05)**	2,175,000	$0.28 (CAD$0.27)
Granted	**20,209,664**	**$0.05 (CAD$0.06)**	8,900,000	$0.05 (CAD$0.05)
Exercised	**(4,802,655)**	**$0.05 (CAD$0.05)**	-	-
Forfeited	**-**	**-**	(1,700,000)	$0.20 (CAD$0.20)
Expired	**(1,000,000)**	**$0.05 (CAD$0.05)**	(3,875,000)	$0.11 (CAD$0.11)
Outstanding, end of period	**19,907,009**	**$0.06 (CAD$0.06)**	5,500,000	$0.05 (CAD$0.05)
Options exercisable, end of period	**19,907,009**	**$0.06 (CAD$0.06)**	5,500,000	$0.05 (CAD$0.05)

Share options under the Company's Plans outstanding at 31 March, 2017 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
500,000	CAD$ 0.10	29 Jun 2017
280,000	CAD$ 0.046	13 May 2018
1,620,000	CAD$ 0.05	1 Sept 2018
1,330,000	CAD$ 0.05	13 Apr 2019
3,540,000	CAD$ 0.0525	10 Jul 2019
12,637,009	CAD$ 0.06	21 Sep 2019

During the year the Company's share price has ranged from CAD$0.03 to CAD$0.18. The weighted average remaining contractual life for the share options as at 31 March, 2017 is 2.25 years.

Refer to Note 26 *Subsequent Events* on Options expired since balance date.

Note 19 (i): Macarthur Minerals Limited - Options and Warrants (cont'd)

b) Warrants

During the year ended 31 March, 2017

(i) 15,000,000 warrants were issued on 9 May 2016 in connection with the 2016 Offering at an exercise 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. The Warrants were subject to a 4 month hold and were exercised on 31 October 2016 and 9 May 2017.

Refer to Note 26 *Subsequent Events* on Warrants exercised and issued since balance date.

During the year ended 31 March, 2016

(ii) 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.

(iii) 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.

(iv) 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.

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

	2017		2016	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**25,603,169**	**$0.05 (CAD$0.05)**	-	-
Granted	**15,000,000**	**$0.05 (CAD$0.05)**	25,603,169	$0.05 (CAD$0.05)
Exercised	**(32,624,519)**	**$0.05 (CAD$0.05)**	-	-
Forfeited	**-**	**-**	-	-
Expired	**(478,650)**	**$0.05 (CAD$0.05)**	-	-
Outstanding, end of period	**7,500,000**	**$0.05 (CAD$0.05)**	25,603,169	$0.05 (CAD$0.05)

Warrants outstanding at 31 March, 2017 have the following exercise prices and expiry dates:

Number of warrants	Exercise Price	Expiry Date
7,500,000	CAD$0.05	9 May 2017

The weighted average remaining contractual life for the warrants as at 31 March, 2017 is 0.10 years.

Note 19 (ii): Macarthur Australia Limited - Options and Performance Rights

a) Options

On 3 March 2017, the Board of Macarthur Australia approved the Macarthur Australia Employee Share Option Plan (“ESOP”). Options issued under ESOP entitles the holder to one fully paid ordinary share in the capital of Macarthur Australia, subject to the options being validly exercised.

On 5 July 2017, Macarthur Australia withdrew its prospectus for ASX IPO and all Macarthur Australia Options issued under the ESOP have been relinquished.

During the year ended 31 March, 2017

On 3 March 2017, an aggregate of 30,315,395 options were granted pursuant to ESOP and have been issued in compliance with ASIC Class Order CO14/1001 and under Section 708, namely offers to senior managers and sophisticated investors. 15,764,005 of those options were granted to directors of Macarthur Australia, and the remaining options granted to employees. The options have an exercise price of $0.20. The Options vest after the holder remains with Macarthur Australia for a minimum of 2 years from the date Macarthur Australia becomes listed on the ASX, and expire five years from the date of grant.

Macarthur Australia’s option transactions issued under the ESOP and the number of options outstanding and their related weighted average exercise prices are summarised below:

Macarthur Australia	**2017**		2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**-**	**-**	-	-
			-	-
Granted	**30,315,395**	**$0.20 (CAD$0.20)**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding, end of period	**30,315,395**	**$0.20 (CAD$0.20)**	-	-
Options exercisable, end of period	**30,315,395**	**$0.20 (CAD$0.20)**	-	-

Options under Macarthur Australia’s ESOP outstanding at 31 March, 2017 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
30,315,395	$ 0.20	3 March 2022

Note 19 (ii): Macarthur Australia Limited - Options and Performance Rights (cont'd)

b) Performance Rights

On 3 March 2017, the Board of Macarthur Australia approved the Macarthur Australia Employee Performance Rights Plan ("EPRP"). Performance Rights issued under EPRP entitles the holder to one fully paid ordinary share in the capital of Macarthur Australia, subject to the options being validly exercised.

On 5 July 2017, Macarthur Australia withdrew its prospectus for ASX IPO and all Macarthur Australia Performance Rights issued under the EPRP have been relinquished.

During the year ended 31 March, 2017

On 3 March 2017, an aggregate of 30,315,395 Performance Rights were granted pursuant to EPRP and have been issued in compliance with ASIC Class Order CO14/1001 and under Section 708, namely offers to senior managers and sophisticated investors. 15,764,005 of those Performance Rights were granted to directors of Macarthur Australia, and the remaining options granted to employees. The Performance Rights have a nil exercise price and vest after the holder remains with Macarthur Australia for a minimum of 2 years from the date Macarthur Australia becomes listed on the ASX, and expire five years from the date of grant.

Macarthur Australia's Performance Rights transactions issued under the EPRP and the number of Performance Rights outstanding and their related weighted average exercise prices are summarised below:

Macarthur Australia	**2017**		2016	
	Number of Performance Rights	**Weighted Average Exercise Price**	Number of Performance Rights	Weighted Average Exercise Price
Outstanding, beginning of year	**-**	**-**	-	-
			-	-
Granted	**30,315,395**	**NIL**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding, end of period	**30,315,395**	**NIL**	-	-
Performances rights exercisable, end of period	**30,315,395**	**NIL**	-	-

Rights under Macarthur Australia's EPRP outstanding at 31 March, 2017 have the following exercise prices and expiry dates:

Number of Rights	Exercise Price	Expiry Date
30,315,395	NIL	3 March 2022

Note 20: Share Based Payments

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

The fair value calculated for options issued is expensed over their vesting period as share based compensation in the statement of profit or loss and other comprehensive income and a corresponding amount is recorded to reserves. The weighted average fair value of options granted during the period was $0.009 (March 2016 - $0.008). Refer to Note 19 for details of options granted during the period.

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

	2017	2016
	Weighted average	*Weighted average*
Share price	**CAD$0.058**	CAD $0.026
Exercise price	**CAD $0.06**	CAD $0.05
Risk-free interest rate	**0.55%**	0.46%
Expected life of options	**3.0 years**	2.7 years
Annualized volatility	**73.00%**	77.36%
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 21: 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 22.

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 2017**	**% Equity Interest 2016**
Macarthur Midway Pty Ltd	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	A	100
Macarthur Lithium Pty Ltd	Australia	A	100
Macarthur Minerals NT Pty Ltd	Australia	100	100
Macarthur Tulshyan Pty Ltd	Australia	100	100
Batchelor Project Pty Ltd	Australia	100	100
Macarthur Australia Limited	Australia	90.3	-
Macarthur Lithium Nevada Limited	U.S.A	100	-

A- 100% ownership transferred in the year to Macarthur Australia Limited.

Macarthur Minerals Limited
Notes to Financial Statements – 31 March, 2017

Note 21: 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.

During the year, the Company incorporated Macarthur Australia Limited and undertook a group restructure. Macarthur Australia also raised capital totalling $1,468,040, direct from investors, and undertook an IPO on the Australian Securities Exchange. Subsequent to balance date, the IPO was withdrawn and costs of $483,365 have been expensed.

Non-controlling interest in Macarthur Australia total 9.7%, and the Company is seeking to further restructure those interest (see Note 26(d)).

Note 22: 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

Alan Phillips, Non-Executive Director (resigned as Executive Director on 1 January, 2017)

David Lenigas, Non-Executive Director (appointed 11 July, 2016)

Executive Directors

David Taplin, President, CEO and Director

Details of Remuneration

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

2017	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Directors:	Cash Salary & Fees	Accrued Salaries[2]	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
A Phillips[1]	112,500	-	-	-	-	-	6,719	119,219
D Taplin	227,500	27,500	-	-	-	-	49,301	304,301
Non-Executive Directors:								
C McCall	75,000	-	-	-	-	-	26,012	101,012
D Lenigas	45,000	-	-	-	-	-	42,897	87,897
A Phillips[1]	20,000	-	-	-	-	-	-	20,000
Total	**480,000**	**27,500**	**-**	**-**	**-**	**-**	**124,929**	**632,429**

[1] As of 1 January, 2017, A S Phillips became a Non-Executive Director.
[2] Accrued Salaries includes amounts accrued but not paid to Executive Directors at 31 March 2016 that totalled $160,746 and further amounts accrued in the current year. On 1 April 2016, the Company entered into a Deed of Bond with the Executive Directors whereby accrued salaries was not repayable before 1 April, 2017, and interest accrued on the amounts. On 30 September, 2016 it was agreed that the Bonds be paid out, interest foregone and the funds used for the exercise of 3,604,175 options already on issue to the Executive Directors.

Note 22: Key Management Personnel (cont'd)

Remuneration accrued and payable to key management personnel as at 31 March, 2017 was $89,499.

Total remuneration of each key management personnel of the Company for the year ended 31 March, 2016 is set out below.

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 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.

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 1/4/16**	**Number Acquired**	**Number Disposed**	**Number at 31/3/17**
A Phillips	-	-	-	-
D Taplin	2,826,974	5,641,664	-	8,468,638
C McCall	-	2,000,000	-	2,000,000
D Lenigas	-	-	-	-
	2,826,974	7,641,664	-	10,468,638

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 1/4/16**	**Number Acquired**	**Number Exercised**	**Number at 31/3/17**
A Phillips	1,000,000	1,499,094	1,368,011	1,131,083
D Taplin	1,000,000	5,717,910	2,236,164	4,481,746
C McCall	1,000,000	3,000,000	-	4,000,000
D Lenigas	-	4,000,000	-	4,000,000
	3,000,000	14,217,004	3,604,175	13,612,829

Note 22: Key Management Personnel (cont'd)

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 1/4/16	Number Acquired	Number Exercised	Number at 31/3/17
A Phillips	-	-	-	-
D Taplin	2,374,750	-	2,374,750	-
C McCall	2,374,750	-	2,374,750	-
D Lenigas	-	-	-	-
	4,749,500	-	4,749,500	-

Note 23: Remuneration of Auditors

	Consolidated 2017 $	Consolidated 2016 $
During the year the following fees were paid or payable for services provided by the auditors.		
Nexia Brisbane/Hayes Knight:		
Audit and review of financial reports	**35,000**	35,000
Other services	**30,000**	-
Davidson & Company LLP:		
Audit and review of financial reports in Canada	**35,000**	35,000
Other services	**-**	11,801
Total remuneration for audit and other services	**100,000**	81,801

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 18.

Note 24: Commitments

	Consolidated	
	2017	**2016**
	$	**$**
a) Operating Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Within one year	**-**	-
Later than one year but not later than five years	**-**	-
Non-cancellable operating lease	**-**	-

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

b) 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 tenement agreements. 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	
	2017	**2016**
	$	**$**
Not later than one year	**803,973**	1,431,443
Later than one year but not later than five years	**3,791,606**	6,316,062
	4,595,579	7,747,505

For the financial year ending March 31, 2017, the Company may apply for exemptions against expenditure in relation to those tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption has and may be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted (which the Company believes is highly unlikely), the Company may have to impair/expense the value of the amount capitalised to exploration and evaluation assets for those tenements.

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

	Consolidated	
	2017	**2016**
	$	**$**
Not later than one year	**643,096**	323,206
Later than one year but not later than five years	**3,791,606**	6,316,062
	4,434,702	6,639,268

As at 31 March 2017, the Company also has a number of exploration tenement applications in process, and a contractual commitment on the Stonewall project (refer Note 26 (e)).

On 15 February, 2017, MLi entered into a Convertible Note Deed with Alemar Developments Pty Ltd ("Alemar") to issue a secured convertible redeemable note for $1,000,000 to purchase Yalgoo Exploration Pty Ltd pursuant to MLi's first right of refusal under the Minerals Rights Deed or for exploration purposes associated with MLi's lithium tenements. To date, no Notes have been issued. The funds are currently held in trust until such time as the conditions precedents are met and the Notes are issued.

Note 25: 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 Ltd (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 for the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson. LPD has paid $347,474 to the directors and officers of the Initial Proceedings for the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson.

No steps have been taken in the New Proceedings by the plaintiff since 22 January 2015.

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

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

On January 20, 2016 the Company was served with a 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 Company and two of its officers have applied to the Supreme Court of Queensland to strike out the FSDC Directors' Claim, which was heard on 31 August, 2016. Bond J delivered judgment on 1 March 2017 and struck out various paragraphs of the statement of claim, and has given FSDC Directors leave to re-plead in respect of each of those paragraphs which have been struck out. The FSDC Directors are yet to file their amended pleadings. In addition, the FSDC Directors paid into the Supreme Court of Queensland $75,000 as security for costs for the strike out application.

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

Pilbara Lithium Projects – s111 A Request

On 24 May 2017, MLi was informed by the Department of Mines and Petroleum that Mr Steven Parnell ("Parnell"), sole director and shareholder of Black Range Mining Pty Ltd ("BRM") has requested to the Minister of Mines and Petroleum to exercise his power under section 111A of the Mining Act 1978 (WA) and refuse MLi's applications for exploration licences in the public interest ("s111A Request"). MLi's applications relate to the Pilbara Lithium Projects.

MLi has made submission to the Minister of Mines and Petroleum that Parnell's s111A Request be immediately dismissed.

Note 26: Subsequent Events

a) Options

Since the year end and up to the date of this report 500,000 Options have expired.

b) Warrants

Since the year end and up to the date of this report 7,500,000 warrants have been exercised raising CAD$375,000 and 34,907,782 warrants were issued.

c) Non-brokered Private Placement to Alpha Giant

On June 7, 2017, the Company announced a non-brokered private placement of up to 8,000,000 shares at a price of CAD$0.0675 per Share for aggregate gross proceeds of up to CAD$540,000 to Alpha Giant Limited, a private Chinese investment company. Alpha Giant Limited did not complete the private placement and no shares were issued.

d) Non-brokered Private Placement July 2017 and Reacquisition of Macarthur Australia

On 7 July, 2017 the Company announced a non-brokered private placement (the "Offering") of up to 50,000,000 units (each, a "Unit") at a price of CAD$0.05 per Unit for a total consideration of $2.5 million. Each Unit shall be comprised of one common share in the capital of the Company (each, a "Common Share") and one whole warrant to acquire a Common Share at an exercise price of CAD$0.06 per Common Share exercisable until February 16, 2018.

On 26 July 2017, the Company closed Tranche 1 of the Offering, having received subscriptions for 34,907,782 Units for total consideration of CAD$1,745,389 from Macarthur Australia seed investors and some applicants for the withdrawn ASX IPO.

The Company now holds 99.7% interest in Macarthur Australia. The Company intends to buy-back the remaining shares in Macarthur Australia representing 0.3% as part of Tranche 2 to return it to a wholly owned subsidiary of the Company.

The Company intends to close Tranche 2 of the Offering as soon as practicable.

In connection with the Offering, the Company may pay finder's fees up to 8% of the gross proceeds of the Offering.

e) Stonewall Project Final Payment

During the year, the Company entered into an agreement to acquire the Stonewall Lithium project in Nevada. The amount initially paid under the agreement was $196,040 (see Note 11) with a balance due of US$50,000. On 13 July 2017, the Company issued 1 million ordinary shares to Voltaic Minerals Corp at CAD$0.07 per share, as final payment.

Macarthur Minerals Limited
Directors' declaration – 31 March, 2017

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 19 to 57 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, 2017 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: 28 July, 2017

Nexia Australia

Independent Auditor's Report to the Members of Macarthur Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Macarthur Minerals Limited (comprising the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2017 and of its performance for the year then ended; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)

Material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report, which indicates that the Group incurred a net loss of $3,874,581 during the year ended 31 March 2017 and, as of that date the Group's cash balances totalled $807,229. The note indicates that continuing operations are dependent upon the ability to raise either additional equity capital or other funding, and that since balance date the Group 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 group 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 group be unable to secure additional funding.

These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Carrying Value of Exploration and Evaluation Assets ***Refer to note 13 (Exploration and Evaluation Assets)*** As at 31 March 2017 the carrying value of exploration and evaluation assets is $6,000,000. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 2 (d). This is a key audit matter due to the fact that significant judgement is applied in determining whether the capitalized exploration and evaluation assets meet the recognition criteria set out in AASB6 Exploration for and Evaluation of Mineral Resources.	Our procedures focused on evaluating management's assessment of the capitalised exploration and evaluation assets' carrying value. These procedures included, amongst others: • We obtained evidence as to whether the rights to tenure of the areas of interest remained current at balance date and that rights to tenure are expected to be renewed for tenements that will expire in the near future; • We obtained evidence of the future intention for the areas of interest, expenditure and related work programmes; • We obtained an understanding of the status of ongoing exploration programmes, for the areas of interest; • We obtained evidence as to the assumptions made by management in the determination of the recoverable value of the asset.

Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)

Incorporation of Macarthur Australia Limited ***Refer to note 21*** During the year the company undertook a Group restructure: incorporating Macarthur Australia Limited (MAL), transferring ownership of other Group companies, raising share capital in MAL, and undertaking an IPO for MAL. Subsequent to balance date MAL has withdrawn the IPO. This is a key audit matter due to the significance of the transaction to the Group's business strategy, equity structure and liquidity.	Our procedures included, amongst others: • We obtained evidence of transactions undertaken in the Group restructure by reading contractual and related agreements; • We obtained an understanding of the impact on the Group financial report of the subsequent withdrawal of the IPO as it pertains to the requirements of AASB 110 – Events after the reporting period; • We obtained evidence of transactions undertaken subsequent to balance date by reading contractual and related documents.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 March 2017, but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)

Auditor's responsibility for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report to the Members of Macarthur Minerals Limited (continued)

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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: 28 July 2017