MACARTHUR Minerals

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

For the six months ended September 30, 2015

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Condensed Interim Consolidated Financial Statements – September 30, 2015

Contents

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

Its registered office and principal place of business are detailed on page 7.

The financial report was authorized for issue by the directors on November 26, 2015. The directors have the power to amend and reissue the financial report.

MACARTHUR MINERALS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Australian Dollars)
(Unaudited)
AS AT

	September 30, 2015	March 31, 2015
	$	**$**
ASSETS		
Current		
Cash and cash equivalents	**1,433,784**	2,807,129
Receivables	**35,890**	39,647
Security deposits and prepayments	**154,768**	156,969
Total current assets	**1,624,442**	3,003,745
Non-Current		
Plant and equipment (Note 4)	**386,862**	468,517
Exploration and evaluation assets (Note 5)	**6,000,000**	60,800,223
Total non-current assets	**6,386,862**	61,268,740
Total assets	**8,011,304**	64,272,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**402,653**	396,795
Employee benefits	**53,327**	80,608
Finance lease obligation (Note 6)	**9,982**	11,801
Total current liabilities	**465,962**	489,204
Non-Current		
Employee benefits	**1,425**	939
Total non-current liabilities	**1,425**	939
Total liabilities	**467,387**	490,143
Shareholders' equity		
Contributed equity (Note 7)	**89,556,838**	89,043,070
Reserves	**3,791,379**	3,768,970
Deficit	**(85,804,300)**	(29,029,698)
Total shareholders' equity	**7,543,917**	63,782,342
Total liabilities and shareholders' equity	**8,011,304**	64,272,485

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Contingent liabilities (Note 16)
Subsequent events (Note 17)

On behalf of the Board of Directors:

" Earl Evans" Director ***"Cameron McCall"*** Director

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

MACARTHUR MINERALS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Australian Dollars)
(Unaudited)

	Three months ended September 30, 2015 $	Three months ended September 30, 2014 $	Six months ended September 30, 2015 $	Six months ended September 30, 2014 $
EXPENSES				
Depreciation (Note 4)	(17,716)	(56,199)	(58,138)	(119,956)
Impairment expense (Note 5)	(55,507,884)	-	(55,507,884)	-
Investor relations	(21,471)	(11,089)	(33,105)	(19,339)
Office and general	(57,483)	(104,509)	(130,939)	(194,777)
Personnel fees	(308,316)	(363,013)	(599,616)	(760,701)
Professional fees	(316,414)	(216,613)	(347,127)	(467,315)
Rent	(26,418)	(33,270)	(56,835)	(66,540)
Share-based compensation (Note 8)	(14,363)	-	(22,409)	(2,969)
Share registry, filing and listing fees	(51,332)	(45,072)	(93,368)	(71,030)
Travel and accommodation	(27,791)	(26,767)	(57,848)	(58,255)
Total Administrative Expenses	**(56,349,188)**	**(856,532)**	**(56,907,269)**	**(1,760,882)**
REVENUE				
Interest income	7,065	32,729	21,504	64,343
Other Income (Cost Order)	-	-	29,680	-
Gain on sale of asset	22,705	-	81,483	-
Net loss and comprehensive loss for the period	**(56,319,418)**	**(823,803)**	**(56,774,602)**	**(1,696,539)**
Basic and diluted loss per ordinary share	$ (0.80)	$ (0.02)	$ (0.90)	$ (0.03)
Basic and diluted weighted average number of ordinary shares outstanding	70,572,763	52,733,673	63,336,456	48,798,772

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

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

	Number of Shares #	Contributed Equity $	Deficit $	Reserves $	Total Shareholders' Equity $
Balance at April 1, 2014	44,820,630	86,686,256	(27,811,161)	3,896,987	62,772,082
Net loss for the period	-	-	(1,696,539)	-	(1,696,539)
Share-based payment transactions	-	-	-	2,969	2,969
Private placement	11,200,000	2,240,000	-	-	2,240,000
Share issuance costs	-	(27,043)	-	-	(27,043)
Balance at September 30, 2014	56,020,630	88,899,213	(29,507,700)	3,899,956	63,291,469
Balance at April 1, 2014	44,820,630	86,686,256	(27,811,161)	3,896,987	62,772,082
Net loss for the year	-	-	(1,218,537)	-	(1,218,537)
Share-based payment transactions	-	-	-	15,840	15,840
Re-allocation of share reserves	-	143,857	-	(143,857)	-
Private placement	11,200,000	2,240,000	-	-	2,240,000
Share issuance costs	-	(27,043)	-	-	(27,043)
Balance at March 31, 2015	56,020,630	89,043,070	(29,029,698)	3,768,970	63,782,342
Balance at April 1, 2015	**56,020,630**	**89,043,070**	**(29,029,698)**	**3,768,970**	**63,782,342**
Net loss for the period	**-**	**-**	(56,774,602)	**-**	(56,774,602)
Share-based payment transactions				22,409	22,409
Private placement	25,603,169	537,510	-	-	537,510
Share issuance costs	-	(23,742)	-	-	(23,742)
Balance at September 30, 2015	**81,623,799**	**89,556,838**	**(85,804,300)**	**3,791,379**	**7,543,917**

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

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

	Six months ended September 30, 2015	Six months ended September 30, 2014
	$	**$**
OPERATING ACTIVITIES		
Net loss for the period	**(56,774,602)**	(1,696,539)
Items not involving cash:		
Depreciation	**58,138**	119,957
Impairment expense	**55,507,884**	-
Share-based compensation	**22,409**	2,969
Loss (Gain) on disposal of equipment	**(81,483)**	681
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**18,109**	40,395
Security deposits and prepayments	**2,201**	147,987
Receivables	**3,757**	5,637
Net Cash used in Operating Activities	**(1,243,587)**	(1,378,913)
INVESTING ACTIVITIES		
Disposals/(Purchases) of plant and equipment	**105,000**	(5,248)
Government recoveries	**4,691**	5,549
Deferred exploration expenditures	**(751,398)**	(1,323,773)
Net Cash used in Investing Activities	**(641,707)**	(1,323,472)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**537,510**	2,240,000
Share issue costs	**(23,742)**	(27,043)
Repayment of finance lease	**(1,819)**	(1,816)
Net Cash provided by Financing Activities	**511,949**	2,211,141
Change in cash and cash equivalents during period	**(1,373,345)**	(491,244)
Cash and cash equivalents, beginning of period	**2,807,129**	3,628,858
Cash and cash equivalents, end of period	**1,433,784**	3,137,614

Supplemental disclosures with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited ("the Company") is an Australian public company listed in Canada on the Toronto Stock Exchange Venture Exchange ("TSX-V") (symbol: MMS) and the OTC Market Place, OTCQX International ("OTCQX") (symbol: MMSDF) that is currently focused on the exploration and evaluation of iron ore projects in Western Australia. The Company was previously listed on the Toronto Stock Exchange ("TSX") until June 24, 2015.

The Company owns the following subsidiaries:

- 100% of Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO") and MIO's subsidiary Macarthur Midway Pty Ltd (a dormant subsidiary), which owns the Macarthur Iron Ore Projects;
- 100% of Macarthur Minerals NT Pty Ltd which was formed on September 11, 2015. See Note 17 for more information; and
- 49% of Macarthur Tulshyan Pty Ltd which was formed on October 12, 2015. See Note 17 for more information.

There was no change in the nature of the Company's principal activities during the period. However, see Note 17 for more information.

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

These condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board. These condensed interim financial statements follow the same accounting policies and methods of computation as the Company's audited consolidated financial statements for the year ended March 31, 2015.

The condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2015.

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on November 26, 2015.

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies, refer to Note 3.

In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and have not been audited. The preparation of interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

(Expressed in Australian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 2 to the audited financial statements for the year ended March 31, 2015, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

4. PLANT AND EQUIPMENT

	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended March 31, 2015				
Opening net book value	425,949	147,818	109,917	**683,684**
Additions	635	-	2,190	**2,825**
Disposals	-	-	(681)	**(681)**
Depreciation charge	(61,027)	(88,334)	(67,950)	**(217,311)**
Closing net book amount	365,557	59,484	43,476	**468,517**
At March 31, 2015				
Cost or fair value	654,217	408,351	392,745	**1,455,313**
Accumulated depreciation	(288,660)	(348,867)	(349,269)	**(986,796)**
Net book amount	365,557	59,484	43,476	**468,517**
Period ended September 30, 2015				
Opening net book value	365,557	59,484	43,476	**468,517**
Additions	-	-	-	**-**
Disposals	-	(23,517)	-	**(23,517)**
Depreciation charge	(23,579)	(20,864)	(13,695)	**(58,138)**
Closing net book amount	341,978	15,103	29,781	**386,862**
At September 30, 2015				
Cost or fair value	654,217	203,203	392,745	**1,250,165**
Accumulated depreciation	(312,239)	(188,100)	(362,964)	**(863,303)**
Net book amount	341,978	15,103	29,781	**386,862**

Included in plant and equipment is $44,104 of motor vehicles purchased through a finance lease.

5. EXPLORATION AND EVALUATION ASSETS

The Company holds 100% of the outstanding and issued share capital of MIO. MIO's assets include a 100% interest in the Macarthur Iron Ore Projects located in Western Australia.

Pursuant to IFRS 6, the Company assesses its exploration and evaluation assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company entered into a Share Sale Agreement (Note 17 – Subsequent Events) to sell all of the outstanding and issued share capital of MIO, which includes the Company's Macarthur Iron Ore Projects in Western Australia. The Share Sale Agreement indicates that the carrying value of the exploration and evaluation assets is in excess of the recoverable amount, since the Share Sale Agreement was between a willing buyer and a willing seller to corroborate a market transaction. The value of the transaction also underwent an independent valuation and fairness opinion, which concluded that the value was fair.

The recoverable amount, which is the higher of value in use or fair value less costs of disposal, was determined to be the $6,000,000 selling price. The difference between the carrying value and recoverable amount resulted in an impairment expense of $55,507,884 charged to the statement of loss and comprehensive loss for the period ended September 30, 2015.

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Exploration and evaluation expenditure
Interim Expenditure

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

	Acquisition Costs $	Deferred Exploration Costs $	Total $
Balance as at March 31, 2014	**3,823,886**	**54,668,035**	**58,491,921**
Accommodation and camp maintenance	-	96,936	96,936
Drilling	-	23,100	23,100
E30/317 acquisition cost	10,165	-	10,165
Environmental Surveys	-	701	701
Other	-	167,813	167,813
Personnel and Contractors	-	1,127,866	1,127,866
Rent and rates	-	693,122	693,122
Research and reports	-	190,405	190,405
Sampling and testing	-	330	330
Site preparation and earthwork	-	19,787	19,787
Tenement management and outlays	-	58,109	58,109
Travel	-	70,771	70,771
Vehicle hire	-	43,404	43,404
Government Recoveries	-	(194,207)	(194,207)
	10,165	**2,298,137**	**2,308,302**
Balance as at March 31, 2015	**3,834,051**	**56,966,172**	**60,800,223**

	Acquisition Costs $	Deferred Exploration Costs $	Total $
Incurred during the period			
Accommodation and camp maintenance	-	35,884	35,884
E30/317	-	12,000	12,000
Environmental Surveys	-	554	554
Other	-	43,362	43,362
Personnel and Contractors	-	321,930	321,930
Rent and rates	-	235,352	235,352
Research and reports	-	5,960	5,960
Tenement management and outlays	-	27,530	27,530
Travel	-	7,292	7,292
Vehicle hire	-	22,488	22,488
Government Recoveries	-	(4,691)	(4,691)
Impairment of E & E expenditure	-	(55,507,884)	(55,507,884)
	-	**(54,800,223)**	**(54,800,223)**
Balance as at September 30, 2015	**3,834,051**	**2,165,949**	**6,000,000**

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

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Commitments

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

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

	September 30, 2015	March 31, 2015
Not later than one year	$ 1,884,208	$ 2,231,873
Later than one year but not later than five years	$ 7,568,456	$ 9,369,688
	$ 9,452,664	$ 11,601,561

For the financial year ending March 31, 2016, the Company may and intends to 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 may and will 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, the Company may have to impair/expense the value of the amount capitalized to exploration and evaluation assets for those tenements. The Company will also be seeking to reduce expenditure, rates and rents requirements by selective relinquishment of some exploration tenements that are not considered essential. In addition, the Company is applying for future exemptions on a number of mining tenements which will allow the Company exemption on future expenditure up to 5 years in advance.

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:

	September 30, 2015	March 31, 2015
Not later than one year	$ 595,463	$ 522,715
Later than one year but not later than five years	$ 7,568,456	$ 9,369,688
	$ 8,163,919	$ 9,892,403

(Expressed in Australian Dollars)

6. FINANCE LEASE COMMITMENTS

The Company has a finance lease for one vehicle (in the name of Macarthur Iron Ore Pty Ltd) with a completion date of February 2016 (extended from February 2013). The vehicle is recorded at cost and classified as a depreciable asset. Title of the vehicle will transfer to the Company upon residual payment of $8,463, at the completion of the lease term.

Future payment obligations are as follows:

	September 30, 2015	March 31, 2015
Gross finance lease liabilities		
- minimum lease payments:		
No later than one year	**$ 10,399**	$ 12,719
	10,399	12,719
Less: interest	**(417)**	(918)
Present value of finance lease liabilities	**9,982**	11,801
Less: current portion	**(9,982)**	(11,801)
	$ -	$ -

7. CONTRIBUTED EQUITY

Ordinary Shares

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

	September 30, 2015	March 31, 2015
Issued and fully paid ordinary shares:	**$ 89,556,838**	$ 89,043,070
Number of shares on issue:	**81,623,799**	56,020,630

On July 28, 2015 and August 14, 2015, the Company issued an aggregate of 25,603,169 units at CAD$0.02 per unit pursuant to a private placement which was completed in two tranches, for gross proceeds of $537,510. The costs associated with this private placement totalled $23,742. Following closing of the placement, the Company has 81,623,799 shares on issue. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of CAD$0.05 per share for a period of 12 months from closing of the placement.

Share Compensation Plans

The Company, in accordance with its Share Compensation Plans and the policies of the TSX-V, is authorized to grant options, award equity restricted share units (“Equity RSUs”), or bonus shares or issue common shares from treasury pursuant to the Company’s share purchase scheme to directors, employees and consultants to acquire in aggregate up to 10% of issued and outstanding ordinary shares.

7. CONTRIBUTED EQUITY (cont'd)

Share Compensation Plans (cont'd)

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

To date, the Company has only issued options under the Share Compensation Plans. The exercise price of the options is fixed by the Board at no lesser than the discounted market price of the shares on the grant date, subject to all applicable regulatory requirements. Options under the Share Compensation Plans can be granted for a maximum term of 5 years and may be subject to vesting criteria as determined by the Board.

The fair value of all options issued is measured and expensed as share-based compensation at 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 8). For further detail on the accounting treatment of share options refer to Note 3 accounting policies.

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

Share Options

During the six month period ended September 30, 2015

On May 14, 2015, pursuant to the Company's Share Compensation Plan, an aggregate of 560,000 incentive stock options were granted to Non-Executive Directors of the Company with an exercise price of CAD$0.046 per share for a period of 3 years and have no vesting conditions.

On September 2, 2015, pursuant to the Company's Share Compensation Plans, 1,200,000 options were surrendered by various employees and a consultant, and an aggregate of 6,940,000 incentive stock options were granted to employees, Non-Executive Directors, Executive Directors and consultants of the Company with an exercise price of CAD$0.05 per share for a period of 3 years and have no vesting conditions.

On September 25, 2015, pursuant to the Company's Share Compensation Plan, an aggregate of 450,000 incentive stock 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 share for a period of 3 months. Exercise of these options are subject to achievement of certain criteria.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Share Options (cont'd)

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

	Six months ended September 30, 2015		Year ended March 31, 2015	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**2,175,000**	**$0.28 (CAD$0.27)**	4,175,000	$0.26 (CAD$0.27)
Granted	**7,950,000**	**$0.05 (CAD$0.05)**	1,400,000	$0.26 (CAD$0.25)
Forfeited	**(1,200,000)**	**$0.28 (CAD$0.27)**	(3,400,000)	$0.26 (CAD$0.25)
Expired	**(787,500)**	**$0.30 (CAD$0.28)**	-	-
Outstanding, end of period	**8,137,500**	**$0.06 (CAD$0.06)**	2,175,000	$0.28 (CAD$0.27)
Options exercisable, end of period	**8,137,500**	**$0.06 (CAD$0.06)**	2,175,000	$0.28 (CAD$0.27)

Share options outstanding at September 30, 2015 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
450,000	$0.05 (CAD$0.05)	December 24, 2015
150,000	$0.32 (CAD $0.30)	January 29, 2017
37,500[1]	$0.27 (CAD $0.25)	December 1, 2017
560,000	$0.05 (CAD$0.046)	May 13, 2018
6,940,000	$0.05 (CAD$0.05)	September 1, 2018

[1] 112,500 Share options lapsed in November 2015, pursuant to the Share Compensation Plans, due to a person who has vacated employment of the Company.

The range of exercise prices for options outstanding at September 30, 2015 is CAD$0.05 to CAD$0.30.

The weighted average remaining contractual life for the share options as at September 30, 2015 is 2.72 years.

Warrants

During the six month period ended September 30, 2015

On July 28, 2015 and August 14, 2015 the Company issued an aggregate of 25,603,169 units at CAD$0.02 per unit pursuant to a private placement which was completed in two tranches. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of CAD$0.05 per share for a period of 12 months from closing of the placement.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Warrants (cont'd)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Six months ended September 30, 2015		Year ended March 31, 2015	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**-**	**-**	-	-
Granted	**25,603,169**	**$0.05 (CAD $0.05)**	-	-
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding, end of period	**25,603,169**	**$0.05 (CAD$0.05)**	-	-

Warrants outstanding at September 30, 2015 have the following exercise prices and expiry dates:

Number of Warrants	Exercise Price	Expiry Date
12,017,998	$0.05 (CAD$0.05)	July 28, 2016
12,335,171	$0.05 (CAD $0.05)	August 17, 2016
1,250,000	$0.05 (CAD $0.05)	August 19, 2016

8. SHARE-BASED COMPENSATION

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

(Expressed in Australian Dollars)

8. SHARE-BASED COMPENSATION (cont'd)

The fair value calculated for options issued is expensed over their vesting period as share-based compensation in the statement of loss and comprehensive loss and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. The weighted average fair value of options granted during the period ended September 30, 2015 was $0.003 (September 30, 2014 - $0.04), resulting in a $22,409 share-based compensation charge to the statement of loss and comprehensive loss (September 30, 2014 - $2,969). Refer to Note 7 for details of options granted during the period.

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

	Six months ended September 30, 2015	Six months ended September 30, 2014
	Weighted average	*Weighted average*
Share price	**CAD $0.027**	CAD $0.16
Exercise price	**CAD $0.05**	CAD $0.30
Risk-free interest rate	**0.45%**	1.07%
Expected life of options	**2.84 years**	3 years
Annualized volatility	**74.51%**	154.21%
Dividend rate	**0%**	n/a

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.

9. RELATED PARTY TRANSACTIONS

Related party disclosure

The condensed interim consolidated financial statements include the financial statements of Macarthur Minerals Limited and the subsidiaries listed in the following table. Balances and transactions between the Company and its wholly-owned subsidiaries have been eliminated on consolidation. Macarthur Minerals Limited is the ultimate parent for all entities.

Name	**Country of Incorporation**	**% Equity Interest**	
		September 30, 2015	**September 30, 2014**
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Midway Pty Ltd	Australia	100	100
Macarthur Minerals NT Pty Ltd (formed September 11, 2015)	Australia	100	-

There were no transactions between the Company and related parties in the wholly-owned Group during the year other than intercompany loans and remuneration for key management personnel details of which are contained in this note.

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

On September 11, 2015, Macarthur Minerals NT Pty Ltd was incorporated for the purposes of entering into a joint venture agreement with the Tulshyan Group. Refer to Note 17 Subsequent Events.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Key Management Personnel

The following persons were key management personnel of the Company during the period ending September 30, 2015.

Executive Directors
A S Phillips (resigned as President and Chief Executive Officer ("CEO") and appointed as Executive Director April 28, 2015) (resigned as Chair May 14, 2015)
A J ("Joe") Phillips, CEO (appointed as CEO and Executive Director April 28, 2015, previously Chief Operating Officer)
D Taplin, CFO, General Counsel and Company Secretary (appointed Executive Director April 28, 2015)

Non-Executive Directors
E Evans (appointed April 28, 2015) (appointed as Chair May 14, 2015)
C McCall (appointed April 28, 2015)
J Toigo (resigned April 28, 2015)
J Starink (resigned April 28, 2015)
J Wall (resigned April 28, 2015)
R Patricio (resigned April 28, 2015)

Details of Remuneration

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

Period ending September 30, 2015	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Directors	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
A S Phillips	100,000	70,831	-	-	-	-	2,048	172,879
A J Phillips	100,000	33,752	-	-	-	-	2,048	135,800
D Taplin	100,000	27,500	-	-	-	-	2,048	129,548
Non-Executive Directors:								
J Starink[1]	2,167		-	-	-	-	-	2,167
E Evans	30,000		-	-	-	-	5,497	35,497
C McCall	30,000		-	-	-	-	5,497	35,497
Total	**362,167**	**132,083**	**-**	**-**	**-**	**-**	**17,138**	**511,388**

[1] Resigned April 28, 2015

On April 28, 2015, A S Phillips', A J Phillips' and D Taplin's consulting agreements with the Company were amended such that from April 1, 2015 to September 30, 2015, consulting fees were temporarily reduced by $10,416 per month for A S Phillips, $5,625 per month for A J Phillips and $4,583 per month for D Taplin. The difference has been accrued until September 30, 2015. As at September 30, 2015 the following consulting fee amounts have been accrued but not paid: A S Phillips $70,831, A J Phillips $33,752 and D Taplin $27,500. The amendments to the consulting agreements have been extended to December 31, 2015.

Remuneration accrued and payable to key management personnel as at September 30, 2015 was $212,083.

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

Remuneration of each key management personnel of the Company for the period ended September 30, 2014 was as follows.

Period ending September 30, 2014	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	162,498	-	-	-	-	-	162,498
J Starink	32,800	-	-	-	-	-	32,800
J Toigo	30,000	-	-	-	-	-	30,000
J Wall	30,000	-	-	-	-	-	30,000
R Patricio	30,000	-	-	-	-	-	30,000
Other Company Executives:							
A J Phillips	133,752	-	-	-	-	-	133,752
D Taplin	127,500		-	-	-	-	127,500
Total	**546,550**	-	-	-	-	-	**546,550**

Remuneration accrued and payable to key management personnel as at September 30, 2014 was $130,625.

Other transactions with key management personnel

A number of key management personnel, or close members of their family, hold positions in other entities that result in them having significant influence over those entities for the purposes of IAS 24. Where transactions are entered into with those entities the terms and conditions are no more favourable than those that it is reasonable to expect the entity would have adopted if dealing on an arm's length basis.

The Company did not enter into any transactions with entities over which key management personnel have significant influence during the period and the corresponding prior period.

10. TAX CONSOLIDATION

The Company and its subsidiaries have formed a tax consolidated group for Australian taxation purposes. All entities are therefore taxed as a single entity.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Six months ended September 30, 2015	Six months ended September 30, 2014
Cash paid during the period for interest	**$4,824**	$ 4,826

(Expressed in Australian Dollars)

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd)

During the period ended September 30, 2015, the Company entered into the following non-cash transactions:

a) Recorded $57,653 in deferred exploration expenditures through accounts payable.

During the period ended September 30, 2014, the Company entered into the following non-cash transactions:

a) Recorded $113,760 in deferred exploration expenditures through accounts payable.

12. SEGMENTED INFORMATION

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

13. FINANCIAL INSTRUMENTS

Credit Risk
Exposure to credit risk

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

		September 30, 2015		March 31, 2015
Financial assets				
Cash and cash equivalents	**$**	**1,433,784**	$	2,807,129
Security Deposits		**109,606**		109,606
Receivables		**35,890**		39,647
	$	**1,579,280**	$	2,956,382

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

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

		September 30, 2015		March 31, 2015
Australia	**$**	**35,890**	$	39,647
Canada		**-**		-
Total	**$**	**35,890**	$	39,647

The financial liabilities the Company has at the reporting date are accounts payable and accrued liabilities, and finance lease obligations. The Company has sufficient cash to cover these liabilities as they come due.

13. FINANCIAL INSTRUMENTS (cont'd)

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

As at September 30, 2015	**Less than 3 months $**	**Between 3 months and 1 year $**	**Between 1 year and 3 years $**
Trade Payables	**402,653**	**-**	**-**
Finance Lease Liabilities	**9,982**	**-**	**-**
As at September 30, 2014			
Trade Payables	416,595	-	-
Finance Lease Liabilities	910	2,728	9,982

Currency Risk
Exposure to currency risk

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

	AUD	CAD	AUD	CAD
	September 30, 2015		March 31, 2015	
Cash and cash equivalents	**1,134,586**	**299,198**	2,725,066	82,063
Receivables	**35,890**	**-**	39,647	-
Security deposits	**109,606**	**-**	109,606	-
	1,280,082	**299,198**	2,874,319	82,063
Accounts payable and accrued liabilities	**384,724**	**17,929**	347,501	49,294
Employee Benefits	**54,752**	**-**	81,547	-
Lease liability	**9,982**	**-**	11,801	-
	449,458	**17,929**	440,849	49,294
Net exposure	**830,624**	**281,269**	2,433,470	32,769

The following significant exchange rates applied during the period:

	Average rate		**Reporting date spot rate**	
AUD	**September 30, 2015**	March 31, 2015	**September 30, 2015**	March 31, 2015
Canadian dollar (CAD)	**0.9928**	0.9928	**0.9402**	0.9669

Sensitivity analysis
As at September 30, 2015, the Company's expenditures are in Australian dollars and Canadian dollars. As at September 30, 2015, the Company had cash of $299,198 (March 31, 2015 – $82,063) in a Canadian bank account and accounts payable and accrued liabilities of $17,929 (March 31, 2015 – $49,294) for Canadian suppliers. For each 10% change in the Australian dollar vs. Canadian dollar a $29,916 gain/loss would arise (March 31, 2015 - $3,168) on this balance of cash and accounts payable.

(Expressed in Australian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Profile

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

	September 30, 2015	March 31, 2015
Variable rate instruments		
Financial assets	**$ 1,243,059**	$ 2,834,359

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates 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 this period.

	Profit or loss		**Equity**	
	100bp increase	100bp decrease	100bp increase	100bp decrease
September 30, 2015				
Variable rate instruments	**$ 12,431**	**$ (12,431)**	**$ 12,431**	**$ (12,431)**
March 31, 2015				
Variable rate instruments	$ 28,344	$ (28,344)	$ 28,344	$ (28,344)

14. CAPITAL MANAGEMENT

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

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

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

See Note 17 Subsequent Events for details for sale of the Macarthur Iron Ore Projects.

(Expressed in Australian Dollars)

14. CAPITAL MANAGEMENT (cont'd)

There were no changes in the Company's approach to capital management during the period ended September 30, 2015. The Company is not subject to externally imposed capital requirements.

15. COMMITMENTS

Operating lease agreements
At September 30, 2015 the Company had the following commitments:

	Finance Vehicle leases $	Operating Building leases $	Total $
Within one year	9,982	77,530	87,512
Later than one year but no later than five years	-	-	-
Total minimum lease payments	**9,982**	**77,530**	**87,512**

The Company has a finance lease for one vehicle with a completion date of February 2016. The vehicle is recorded at cost and classified as a depreciable asset. Title of the vehicle will transfer to the Company upon residual payment of $8,463, at the completion of the lease term.

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 5 to the condensed interim consolidated financial statements for the period ended September 30, 2015.

Option Agreement E30/317

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317, with an area of 29 km^2 ("Option"). The Company has paid the initial acquisition cost of $100,000 and a further option fee of $200,000 on the first anniversary. The Company has fully met the $500,000 expenditure requirement and has $nil outstanding under the option agreement. The Company is required to keep the tenement in good standing and has recently submitted an application for a mining lease which is likely to take six months for the outcome of the application to be determined.

The Option has been extended until December 16, 2015 and the option fee remained the same at $10,000,000. The Company also paid $10,165 for stamp duty payable on the Option agreement entered into on June 16, 2011. The Option is held with MIO and will be sold as part of the sale of MIO to GIM. (Refer to Note 17 Subsequent Events).

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

16. CONTINGENT LIABILITIES

Supreme Court Proceedings

In July 2012, LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") brought proceedings against the Company and some of its directors and officers. These 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 October 11, 2013 the appeal was dismissed with costs of the appeal being awarded to the Company.

LPD brought new proceedings against the Company and some of its directors in November 2012.

16. CONTINGENT LIABILITIES (cont'd)

Supreme Court Proceedings (cont'd)

On November 26, 2013 those proceedings were stayed by consent pending payment of the indemnity costs of the dismissed proceedings and the appeal costs by LPD and Mayson.

The Company has recovered costs of $24,505 from LPD over the period from April 2015 to September 2015 and the matter is still stayed. The total recovered from these proceedings to date is $476,020.

The Company will continue to vigorously defend the Proceedings.

17. SUBSEQUENT EVENTS

Sale of Macarthur Iron Ore

As announced on October 13, 2015, the Company entered into a Share Sale Agreement ("Agreement") with GIM Australia Pty Ltd ("GIM"), a non arm's-length party, to dispose of all the shares of its wholly owned subsidiary, MIO for $6 million ("MIO Transaction"). The Macarthur Iron Ore Projects are owned by MIO.

Pursuant to and subject to the terms and conditions of the Agreement:

a) the Company has agreed to sell all of its shares (100 shares) in MIO (which includes its subsidiary Macarthur Midway Pty Ltd) to GIM, for $6,000,000;
b) the intercompany loans between Macarthur and MIO will be dealt with in a tax effective manner;
c) completion is set for December 11, 2015 (unless otherwise agreed);
d) if the conditions are not satisfied or waived, on or before December 31, 2015 (unless otherwise agreed), then the Agreement can be terminated by either party; and
e) the Company will procure its obligations as guarantor under the option agreement relating to Exploration License 30/317 will be assigned to GIM.

An Extraordinary General Meeting to approve the MIO Transaction was held November 26, 2015, where the resolution was passed by shareholders.

GIM was at the time of entering into the Agreement a related party of the Company for the purposes of TSX-V Policy 5.9 and Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and, therefore, the MIO Transaction is a related party transaction which is subject to TSX-V Policy 5.9 and MI 61-101. GIM ceased to be a related party on November 16, 2015.

According to MI 61-101, such a related party transaction requires a formal valuation, however the Company relied on an exemption under section 5.5 of MI 61-101 from the formal valuation requirement, as the Company is not listed on a Specified Market (as that term is used in MI 61-101).

The Company obtained an independent Fairness Opinion and Valuation Report which, based on the Macarthur Iron Ore Project's various technical reports and applying the recent price indicated by comparable transactions, the Macarthur Iron Ore Projects were valued at a fair price. In conclusion, the report indicated that the MIO Transaction is "Fair" from a financial point of view, to the disinterested shareholders of the Company.

Following the Fairness Opinion and Valuation Report and pursuant to IFRS 6, the Company has assessed its Exploration and Evaluation assets for impairment. Subsequently, an impairment of $55,507,884 was recognised in the accounts as at September 30, 2015 to reflect the consideration amount of the Agreement.

17. SUBSEQUENT EVENTS (cont'd)

Acquisition of Debt Facilities Secured Over Western Desert Resources Limited's Roper Bar Iron Ore Project

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

MMNT has been appointed as exclusive manager and operator of the JV. The Tulshyan Group has been appointed exclusive operator for shipping, sales and marketing under the JV.

On October 27, 2015 the JV entered into an Framework Agreement with Macquarie Bank Limited ("Bank"), the primary secured debt holder, to purchase the Syndicated Project Facility which is between WDR Iron Ore Pty Ltd (receivers and managers appointed) (in liquidation) ("WDRIO") as borrower and Western Desert Resources Limited's (receivers and managers appointed) (in liquidation) ("WDR") as guarantor and all related security and collateral agreements (the "Debt Facilities"), over the assets of the Roper Bar Iron Ore Project (the "Roper Bar Project") (the "WDR Transaction").

The purchase consideration for the WDR Transaction will be satisfied by the replacement of environmental bonds for the Roper Bar Project with the Northern Territory Minister for Mines and Energy for approximately $6.5 million. Financial close of the WDR Transaction is due on November 30, 2015. Until October 31, 2015, the JV has partially contributed towards the care and maintenance costs with respect to the Project, totaling $300,000. From November 1, 2015 until the date due for financial close, the JV will contribute $75,000 per week for care and maintenance costs with respect to the Project. Upon completion the rights and title to the Debt Facilities will be transferred to the JV and the balance of the debt outstanding (approximately $78 million) will be owing to the JV by WDR and WDRIO. As the primary secured debt holder, the JV will be entitled to appoint a receiver to enforce its rights under the Debt Facilities including recovery of the secured debt.

The intention of the JV is determine the best strategy to recover the secured debt of $78 million while the Roper Bar Project remains under care and maintenance. It is expected that this could include initially recommencing low cost, small scale project operations, with a longer term view to restructuring the Roper Bar Project and bringing it back into full operation.

The MIO Transaction allows the Company to acquire the Debt Facilities over a developed mining asset that was formerly producing and exporting iron ore and has long term potential.

Options to Investor Relations Consultant

On November 6, 2015 the Company advised that it has appointed the Buick Group Corp ("Buick Group") as an investor relations consultant.

The Buick Group has been appointed for an initial term until December 31 2015, which can be extended by the Company. For provision of its services, the Buick Group will be paid a monthly fee of $5,000 and granted of 500,000 incentive stock options exercisable at $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 Company's Consultant Share Compensation Plan. These options were issued to the Buick Group following cancellation of 500,000 options issued to an Executive Director on September 2, 2015.

17. SUBSEQUENT EVENTS (cont'd)

First Strategic Development Corporation Ltd (in liquidation) ("FSDC") v. Chan, Chan & Kwok ("FSDC Directors")

In April 2014 judgements and costs, on an indemnity basis, were awarded to the Liquidator of FSDC for the insolvent trading action against the FSDC Directors. Costs were also awarded to the Liquidator of FSDC on a standard basis following dismissal of the FSDC Directors' appeal in the Queensland Court of Appeal. Both the initial trial and appeal costs have been assessed on a final and provisional basis at a total of $737,834. The Company, as funding creditor, will be reimbursed $413,000 of the costs (which are held in the Liquidator's solicitor's trust account) before December 31, 2015, and the remaining amounts (less legal and liquidation costs) will be reimbursed to the Company following recoupment from the FSDC Directors by the Liquidator.