



MACARTHUR MINERALS LIMITED
Australian Company Number 103 011 436

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

All amounts are in Australian dollars unless otherwise stated



Consolidated Financial Statements – March 31, 2016

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

Its corporate office and principal place of business are detailed on page 8.

The financial statements were authorized for issue by the directors on July 29, 2016. The directors have the power to amend and reissue the financial statements.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Macarthur Minerals Limited

We have audited the accompanying consolidated financial statements of Macarthur Minerals Limited, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Macarthur Minerals Limited as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Macarthur Minerals Limited's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

July 29, 2016



MACARTHUR MINERALS LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31
(Expressed in Australian Dollars)

	Notes	2016 \$	2015 \$
EXPENSES			
Depreciation	5(a)	(103,384)	(217,311)
Impairment expense – Exploration and Evaluation	5(b)	(55,851,937)	-
Impairment expense - Plant and Equipment	5(b)	(223,645)	-
Investor relations		(49,826)	(39,100)
Office and general expenses	5(g)	(334,587)	(363,552)
Personnel costs	5(c)	(1,141,456)	(1,494,254)
Professional fees	5(d)	(931,576)	(733,212)
Rent		(107,669)	(133,097)
Share-based compensation	5(c)	(66,957)	(15,840)
Share Registry, filing and listing fees		(180,657)	(115,197)
Travel and accommodation		(86,258)	(87,159)
		(59,077,952)	(3,198,722)
OTHER REVENUE (EXPENSES)			
Interest income	5(e)	19,944	100,299
Other income - cost recoveries	5(f)	518,393	1,879,886
Net other income	5(h)	142,648	-
Change in fair value of warrant liability	5(i)	(211,103)	-
Net loss and comprehensive loss for the year		(58,608,070)	(1,218,537)
Basic loss per ordinary share	7	(0.81)	(0.02)
Diluted loss per ordinary share	7	(0.81)	(0.02)

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

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

ASSETS	Notes	2016 \$	2015 \$
Current			
Cash and cash equivalents	8	267,841	2,807,129
Other receivables	9	34,701	39,647
Security deposits and prepayments	10	105,534	156,969
Total current assets		408,076	3,003,745
Non-Current			
Plant and equipment	11	108,682	468,517
Exploration and evaluation assets	12	6,000,000	60,800,223
Total non-current assets		6,108,682	61,268,740
Total assets		6,516,758	64,272,485
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	13	342,876	396,795
Employee benefits	14	37,747	80,608
Finance lease obligation	15	-	11,801
Warrant liability	17	211,103	-
Total current liabilities		591,726	489,204
Non-Current			
Accounts payable and accrued liabilities	13	160,746	-
Employee benefits	14	9,289	939
Total non-current liabilities		170,035	939
		761,761	490,143
Shareholders' equity			
Contributed equity	16(a)	89,556,838	89,043,070
Reserves	16(b)	3,835,927	3,768,970
Deficit		(87,637,768)	(29,029,698)
Total shareholders' equity		5,754,997	63,782,342
Total liabilities and shareholders' equity		6,516,758	64,272,485

Nature and continuance of operations (Note 1)
Commitments (Note 23)

Subsequent events (Note 25)
Contingent liabilities (Note 24)

On behalf of the Board:

“Alan Phillips”

Director

“Cameron McCall”

Director

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

MACARTHUR MINERALS LIMITED**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Australian Dollars)

	Number of Shares	Contributed Equity	Deficit	Reserves	Total
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					
Net loss for the year	-	-	(58,608,070)	-	(58,608,070)
Share-based payment transactions	-	-	-	66,957	66,957
Private placement	25,603,169	537,510	-	-	537,510
Share issuance costs	-	(23,742)	-	-	(23,742)
Balance at March 31, 2016	81,623,799	\$ 89,556,838	\$ (87,637,768)	\$ 3,835,927	\$ 5,754,997

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

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

	Notes	2016 \$	2015 \$
OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,711,646)	(2,885,093)
Interest received		19,883	100,299
Other Revenue		518,393	1,879,886
Interest Paid		(9,125)	(9,851)
Transfer from security deposits		17,500	228,014
Net cash flows used in operating activities	8	(2,164,995)	(686,745)
INVESTING ACTIVITIES			
Net proceeds (purchases) of plant and equipment		175,454	(2,144)
Exploration and evaluation additions		(1,168,722)	(2,536,369)
Exploration and evaluation recoveries		117,008	194,207
Net cash flows used in investing activities		(876,260)	(2,344,306)
FINANCING ACTIVITIES			
Proceeds from share issues		537,510	2,240,000
Share issuance costs		(23,742)	(27,043)
Repayment of finance lease		(11,801)	(3,635)
Net cash flows provided by financing activities		501,967	2,209,322
Change in cash and cash equivalents during the year		(2,539,288)	(821,729)
Cash and cash equivalents, beginning of the year		2,807,129	3,628,858
Cash and cash equivalents, end of year	8	267,841	2,807,129

Supplemental disclosure with respect to cash flows (Note 8).

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 1: Nature and Continuance of Operations

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

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

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

Note 2: Summary of Significant Accounting Policies

Material financial accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Macarthur Minerals Limited and its subsidiaries. Refer to Note 21 for details of subsidiaries.

a) Basis of preparation

The consolidated financial statements are audited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”).

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

b) Going concern

This financial report has been prepared on a going concern basis which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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

The Company’s continuing operations are dependent upon its ability to raise either additional equity capital or other funding, project financing or generate cash flow from operations in the future, which could include the realisation through sale of part or all of the exploration asset, none of which is assured. This depends upon the realisation of economic, operating and trading assumptions about future events and actions, which may not necessarily occur, and the successful implementation of management plans to commercialise its mining projects through development or sale and to manage the consolidated entity’s affairs to meet its commitments until this takes place. These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

During the year ended March 31, 2016, the Company raised new share capital of \$537,510. In addition, during the financial year ended March 31, 2016, the Company recovered legal costs of \$518,393 relating to the LPD Holdings (Aust) Pty Ltd and First Strategic Development Corporation Limited (in liquidation) legal actions. Refer to Note 5 for further details.

The Company has also applied 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. The Company has also reduced expenditure, rates and rents requirements by selective relinquishment of some exploration tenements that are not considered essential. In addition, the Company is applying and has been granted future exemptions on a number of mining tenements which will allow the Company exemption on future expenditure up to two years in advance.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

b) Going concern (cont'd)

Subsequent to the year ended March 31, 2016, the Company completed a private placement of 15,000,000 units at a price of CAD\$0.02 per unit for gross proceeds of \$314,103 (CAD\$300,000). In addition the Company has restructured \$160,746 of Executive Directors' salary as not repayable before April 1, 2017, unless otherwise agreed (refer to Note 25(a)).

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

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

c) Principles of consolidation

(i) Subsidiaries

The financial report incorporates the assets, liabilities and results of all subsidiaries controlled by the Company as at March 31, 2016. 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 Company. They are de-consolidated from the date that control ceases.

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

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

(ii) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for as at the acquisition date, which is the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) are recognised.

All acquisition-related costs are expensed as incurred to the statement of loss and comprehensive loss.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase.

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

d) Mineral exploration and evaluation assets

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

(i) Exploration and evaluation properties

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

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

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

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(ii) Development properties

Where a decision is made to proceed with development of an area based on technical feasibility and commercial viability of extracting a mineral resource being demonstrable, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Expenditures related to construction are capitalized as mines under construction.

(iii) Mines properties, plant and equipment

When the Company transitions from the development stage to the production stage, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Upon completion of mine construction, the assets are transferred into properties, plant and equipment or mine properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

d) Mineral exploration and evaluation assets (cont'd)

(iii) Mines properties, plant and equipment (cont'd)

Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off firstly against any existing provision for that expenditure, with any remaining balance being charged to profit or loss.

e) Plant and equipment

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

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

f) Impairment of non-financial assets

Assets that have an indefinite useful life that are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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 Company 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 loss and comprehensive loss immediately.

The Company recognises its investments in the following categories: fair value through profit or loss and loans and receivables. The recognition depends on the purpose for which the investments were acquired. Management determines the recognition of its investments at initial recognition.

(ii) Subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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.

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

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

(iii) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of loss and comprehensive loss within other income or other expenses in the period in which they arrive.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

g) Financial Instruments (cont'd)

(iv) 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 statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

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

(v) Financial liabilities

Financial liabilities are initially recognised at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of loss and comprehensive loss over the period of the borrowings using the effective interest method.

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

(vi) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The normal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the current market interest rate that is available for similar financial instruments.

(vii) Impairment

The Company assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the statement of loss and comprehensive loss.

(viii) 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 loss and comprehensive loss.

h) Cash and cash equivalents

For cash flow statement presentation purposes, 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.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 2: Summary of Significant Accounting Policies (cont'd)**i) Foreign currency translation****(i) Functional and presentation currency**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. The functional currency of the Company's subsidiaries, Macarthur Midway Pty Ltd and Macarthur Iron Ore Pty Ltd, has been determined to be the Australian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

(ii) Transactions and balances

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

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of loss and comprehensive loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

j) Segment Reporting

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

k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company 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 Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are recognised as an operating expense in the statement of loss and comprehensive loss over the lease term. Operating lease incentives are recognised as a liability and depreciated on a straight line basis over the lease term.

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

m) Provisions

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

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

n) Employee benefits

(i) Wages and salaries, annual leave and superannuation

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

(ii) Other long term employee benefits

The liability for long service leave is recognised as Non-Current Employee Benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based compensation

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

The fair value of stock options and equity settled share units awarded under the Company's Plans are measured and expensed as share-based compensation expense at grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding amount is recorded to reserves.

The fair value of options and warrant liabilities at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the expected life of the option, the share price at grant date, expected price volatility of the underlying share, expected dividend yield and the risk free interest rate for the term of the option and estimated forfeitures.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The entity revises its estimate of the number of options that are expected to vest, at each reporting date. The share-based compensation expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of loss and comprehensive loss with a corresponding adjustment to reserves.

If share purchase options are exercised then the fair value of the options is re-classified from reserves to contributed equity.

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

o) Provision for closure and restoration

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

The provision is recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Future restoration and closure costs are reviewed at the end of each reporting period and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

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

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

p) Goods and services tax

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

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

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

q) Income tax

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

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

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

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

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

r) Contributed equity

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

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

s) Earnings per share*(i) Basic earnings per share*

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive if their exercise price exceeds the average market price of ordinary shares during the period. However where their conversion would decrease the loss per share from continuing operations, then this calculation is treated as anti-dilutive.

t) Revenue recognition

Revenue is recognised for the major business activities as Interest Income. 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 in conformity with IFRS requires that management make judgements, estimates and assumptions that affect the reported amounts in the financial report and disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and best available current information, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

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

(i) Exploration and Evaluation Expenditure

In the current year the Group has impaired its exploration and evaluation assets as set out in Note 12.

(ii) Share-based payment transactions

The Company measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument. The fair value of equity-settled transactions is determined using the Black-Scholes options-pricing model as measured on the grant date. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate for market based vesting conditions. During the reporting period the amount of \$38,145 has been shown as share-based compensation expenditure in the statement of loss and comprehensive loss.

(iii) Deferred tax assets

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

(iv) Going concern

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

v) Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised International Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards had no material impact on the recognition, measurement and disclosure of certain transactions.

IFRS 10, "Exception from Consolidation for "Investment Entities" in conjunction with IFRS 12 and IAS 27, was adopted by the Company on January 1, 2014. IFRS 10 amends the definition of "Investment Entity" and introduces an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures required by an investment entity.

w) Early Adoption of Accounting Standards

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

x) New Accounting Standards for Application in Future Periods

New standards and amendments that are considered to be relevant to the Company's operations and consolidated financial statements are summarised below and are not expected to have a significant impact on the financial statements of the Company.

IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 3: Financial risk management**Financial risk factors**

The Company's principal financial instruments are cash and cash equivalents, the main purpose of which is to fund the Company's operations. The Company has various other financial assets and liabilities such as security deposits, other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow credit risk, liquidity risk, interest rate risk, and foreign currency risk on capital raised in Canadian dollars. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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

a) Credit risk

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

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

Exposure to credit risk

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

	2016	2015
	\$	\$
<i>Financial assets</i>		
Cash and cash equivalents	267,841	2,807,129
Other receivables	34,701	39,647
Security Deposits	92,106	109,606
	<u>394,648</u>	<u>2,956,382</u>

The Company's receivables include interest receivable and current outstanding 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:

	2016	2015
	\$	\$
Australia	34,701	39,647
Canada	-	-
	<u>34,701</u>	<u>39,647</u>

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 3: Financial risk management (cont'd)**b) Liquidity risk**

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

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

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

The Company is dependent on raising funds through equity and/or debt, or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance development of its exploration and evaluation assets, further acquisitions, undertake exploration and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising the required financing.

Apart from the initiatives discussed above, the Company is not aware of any trends, commitments or events that may affect its liquidity in the foreseeable future as it progresses to the development stage. The Company has not made any commitments for capital expenditures. See Note 12 for commitments related to maintaining the exploration tenements. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned future expenditure.

The Company believes that it has sufficient funds to meet its obligations for the foreseeable future.

Exposure to 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.

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years
As at March 31, 2016	\$	\$	\$
Trade Payables	229,687	-	-
Finance Lease Liabilities	-	-	-
As at March 31, 2015			
Trade Payables	247,551	5,445	-
Finance Lease Liabilities	1,160	10,641	-

c) Interest rate risk

The Company'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 Company's interest-bearing financial instruments was:

	2016	2015
	\$	\$
Interest-bearing financial instruments		
Financial assets	<u>359,947</u>	<u>2,834,359</u>

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

Financial assets are comprised of:

	2016	2015
	\$	\$
Cash equivalents	267,841	2,724,753
Security deposits	92,106	109,606
	<u>359,947</u>	<u>2,834,359</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates on the above interest-bearing financial instruments at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
March 31, 2016				
Interest-bearing financial instruments	<u>3,599</u>	<u>(3,599)</u>	<u>3,599</u>	<u>(3,599)</u>
March 31, 2015				
Interest-bearing financial instruments	<u>28,344</u>	<u>(28,344)</u>	<u>28,344</u>	<u>(28,344)</u>

d) Foreign currency risk

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

	AUD	CAD	AUD	CAD
	\$	\$	\$	\$
	2016		2015	
Cash and cash equivalents	266,477	1,364	2,725,066	82,063
Receivables	34,701	-	39,647	-
Security Deposits	92,106	-	109,606	-
	<u>393,284</u>	<u>1,365</u>	<u>2,874,319</u>	<u>82,063</u>
Trade and other payables	448,773	54,849	347,501	49,294
Employee Benefits	47,037	-	81,547	-
Lease liability	-	-	11,801	-
Warrant liability	-	211,103	-	-
	<u>495,809</u>	<u>265,952</u>	<u>440,849</u>	<u>49,294</u>
Net exposure	<u>(102,525)</u>	<u>(264,588)</u>	2,433,470	32,769

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

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

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2016 \$	2015 \$	2016 \$	2015 \$
Canadian dollar (CAD\$)	<u>0.9642</u>	0.9928	<u>0.9957</u>	0.9669

Sensitivity analysis

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

	Equity \$	Profit or loss \$
March 31, 2016		
CAD\$	<u>(27,599)</u>	<u>27,599</u>
March 31, 2015		
CAD\$	<u>(3,168)</u>	<u>3,168</u>

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

e) Commodity price risk

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

As the Company has not yet reached the mining stage, its exposure to price risk has no impact on the financial statements.

Note 4: Capital Management

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

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 4: Capital Management (cont'd)

In addition to its lithium and iron ore exploration and evaluation activities, the Company will continue to assess new properties and seek to acquire an interest in additional properties if 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.

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

Note 5: Revenue and expenses

	2016	2015
	\$	\$
a) Depreciation included in income statement		
Depreciation	103,384	217,311
b) Impairment expense		
Impairment of Exploration and Evaluation assets (Note 12)	55,851,937	-
Impairment of Plant and Equipment (Note 11)	223,645	-
c) Employee benefits expense		
Personnel costs	1,141,456	1,494,254
Share-based compensation	66,957	15,840
d) Professional fees include legal costs for the following matters:		
- LPD Holdings (Aust) Pty Ltd ("LPD") (Note 24(b))	4,681	133,477
- First Strategic Development Corporation Limited ("FSDC") (Note 24(b))	74,070	265,086
e) Finance Revenue		
Bank interest income	19,944	100,299
f) Cost Recoveries from the following legal matters:		
- LPD (Note 24(b))	24,505	451,515
- FSDC (Note 24(b))	493,888	1,428,371
g) Exploration expenditure		
Expenditure on new lithium tenure	83,766	-
h) Other:		
- Gain on sale of asset (Motor Vehicles)	142,648	-
i) Change in fair value of warrant liability:		
- Change in fair value of warrant liability (Note 17)	211,103	-

For details on the legal matters refer to Note 24.

As at March 31, 2016 the Company has recovered a total of \$1,922,259 for costs pursuant to the Court approved funding agreements with the Liquidator of FSDC..

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 6: Income tax

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

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

d) *Tax losses*

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

	Tax losses from operations \$	Tax losses on capital raising expenses \$	Total \$
2016			
Tax losses	69,611,670	5,095,438	74,707,108
Potential benefit	20,883,501	1,528,631	22,412,132
2015			
Tax losses	66,926,428	5,085,279	72,011,707
Potential benefit	20,077,928	1,525,584	21,603,512

The Company's tax losses can be carried forward indefinitely to offset future income, subject to compliance with taxation laws and regulations.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 7: 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 potentially dilutive options and warrants. 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.

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

The Company's outstanding options and warrants that did not have a dilutive effect at March 31, 2016 were 5,500,000 options and 25,603,169 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 8: Cash and cash equivalents

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

The fair value of cash and cash equivalents is \$267,841 (2015: \$2,807,129).

	2016 \$	2015 \$
Reconciliation of net loss after income tax to the net cash flows from operations		
Net Loss	(58,608,070)	(1,218,537)
<i>Adjustments for:</i>		
Impairment expense – exploration and evaluation assets	55,851,937	-
Impairment expense – plant and equipment	223,645	-
Gain on disposal of equipment	(142,648)	-
Depreciation	103,384	217,311
Share-based payments	66,957	15,840
Change in fair value of warrant liability	211,103	-
<i>Changes in Assets and Liabilities</i>		
Receivables	4,946	32,013
Other operating assets	51,435	254,754
Accounts payable and accrued liabilities	72,316	11,874
Net cash used in operating activities	(2,164,995)	(686,745)

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016**

(Expressed in Australian Dollars)

Note 8: Cash and cash equivalents (cont'd)**Supplemental disclosure with respect to cash flows**

	2016 \$	2015 \$
Cash paid during the year for interest	9,125	9,851
Cash paid during the year for income taxes	-	-

During the year ended March 31, 2016, the Company entered into the following non-cash transactions:

- a) Recorded \$96,462 in exploration expenditures through accounts payable.
- b) Recorded \$7,765 in receivables as a recovery of exploration expenditures.

During the year ended March 31, 2015, the Company entered into the following non-cash transactions:

- c) Recorded \$96,699 in exploration expenditures through accounts payable.
- d) Recorded \$12,766 in receivables as a recovery of exploration expenditures.

Note 9: Other Receivables

	2016 \$	2015 \$
Other receivables	34,701	39,647
	<u>34,701</u>	<u>39,647</u>

Note 10: Security Deposits and Prepayments

	2016 \$	2015 \$
Prepayments	13,428	47,363
Security deposits (i)	92,106	109,606
	<u>105,534</u>	<u>156,969</u>

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 11: 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	<u>365,557</u>	<u>59,484</u>	<u>43,476</u>	<u>468,517</u>
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	<u>365,557</u>	<u>59,484</u>	<u>43,476</u>	<u>468,517</u>
Year ended March 31, 2016				
Opening net book value	365,557	59,484	43,476	468,517
Additions	-	-	-	-
Disposals	-	(30,894)	(1,912)	(32,806)
Depreciation charge	(55,406)	(28,590)	(19,388)	(103,384)
Impairment	(223,645)	-	-	(223,645)
Closing net book amount	<u>86,506</u>	<u>-</u>	<u>22,176</u>	<u>108,682</u>
At March 31, 2016				
Cost or fair value	654,217	408,351	392,745	1,455,313
Accumulated depreciation	(344,066)	(408,351)	(370,569)	(1,122,986)
Impairment	(223,645)	-	-	(223,645)
Net book amount	<u>86,506</u>	<u>-</u>	<u>22,176</u>	<u>108,682</u>

During the year ended March 31, 2016, the Company assessed the carrying value of its Plant and Equipment, which resulted in an impairment of \$223,645. This amount is based on best estimates of recoverable value of items which primarily comprised equipment used in the Iron Ore Projects (see Note 12).

Note 12: 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 Iron Ore Projects located in Western Australia.

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

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

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

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

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

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016**

(Expressed in Australian Dollars)

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

	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Balance as at April 1, 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 (refer to Note 23)	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
Incurred during the year			
Accommodation and camp maintenance	-	54,169	54,169
Drilling	-	-	-
E30/317 acquisition cost (refer to Note 23)	-	12,000	12,000
Environmental surveys	-	554	554
Other	-	60,887	60,887
Personnel and Contractors	-	495,321	495,321
Rent and rates	-	421,067	421,067
Research and reports	-	28,279	28,279
Sampling and testing	-	608	608
Site preparation and earthwork	-	-	-
Tenement management and outlays	-	45,331	45,331
Travel	-	11,724	11,724
Vehicle hire	-	38,782	38,782
Government Recoveries	-	(117,008)	(117,008)
E&E Impairment	-	(55,851,937)	(55,851,937)
	-	(54,800,223)	(54,800,223)
Balance as at March 31, 2016	3,834,051	2,165,949	6,000,000

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 12: 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:

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

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 (which the Company believes is highly unlikely), 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:

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

Note 13: Accounts payable and accrued liabilities

	2016 \$	2015 \$
Current		
Trade creditors	229,687	252,996
Other creditors and accruals	113,189	143,799
	<u>342,876</u>	396,795
Non-Current		
Other creditors and accruals (Refer to Note 25 (a))	160,746	-
	<u>160,746</u>	

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 14: Employee Benefits

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

	2016	2015
	\$	\$
Current		
- Short term employee obligations	37,747	80,608
Non-current:		
- Long service leave entitlements	9,289	939
	<u>47,036</u>	<u>81,547</u>

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled before March 31, 2017. These obligations arise from accrued annual leave and superannuation entitlements at the reporting date.

Note 15: Finance Lease Obligation

	Note	2016	2015
		\$	\$
Financial lease on vehicles			
Current liability net amount owing		-	11,801
Non-current liability net amount owing		-	-
Present value of minimum lease payments	23(b)	-	11,801

Financed vehicle was disposed during the year.

Note 16: Contributed equity and reserves**a) Ordinary Shares**

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

	2016	2015
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	<u>89,556,838</u>	<u>89,043,070</u>
	<u>Number</u>	<u>Number</u>
<i>Number of shares on issue</i>	<u>81,623,799</u>	<u>56,020,630</u>

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

The Company closed the first tranche on July 28, 2015 for a total of 12,017,998 Units for aggregate gross proceeds of \$253,037 (CAD\$240,360). The Company closed the second tranche on August 14, 2015 for a total of 13,585,171 Units for aggregate gross proceeds of \$284,473 (CAD\$271,703). The Company incurred share issuance costs of \$23,742 (CAD\$22,532) of which \$6,260 (CAD\$5,910) was paid as cash finder's fees.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 16: Contributed equity and reserves (cont'd)**a) Ordinary Shares (cont'd)**

On June 9, 2014, the Company announced that it entered into a share subscription agreement and received gross funds of \$2,240,000 for a private placement of 11,200,000 shares of the Company at a price of \$0.20 per share. The price per share is equal to approximately C\$0.204 per share, based on the Reserve Bank of Australia exchange rate on June 9, 2014, and represents an approximately 46% premium to the closing price of the Company's TSX-listed shares on June 6, 2014.

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

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

A further issue of 15 million shares were issued pursuant to a non-brokered private placement that closed subsequent to March 31, 2016, see Note 25.

b) Reserves

	2016	2015
Share Based Payments Reserve	\$	\$
As at April 1	3,768,970	3,896,987
Cost of share-based payment transactions	66,957	15,840
Re-allocation of share reserves	-	(143,857)
As at March 31	<u>3,835,927</u>	<u>3,768,970</u>

c) Nature and purpose of reserves*Share-based payment reserve*

The Company has issued stock options on specified terms, refer to Note 19. The cost of these stock options is measured by reference to their fair value at the date at which they are granted and expensed over the vesting period. The fair value is determined using the Black-Scholes method.

Note 17: Warrant liability

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

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 18: Share Compensation Plans

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

On 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 Plans to comply with the Manual, to the extent they differ from the TSX Company Manual, which the Company was formerly subject to. Both of the Plans have been approved until August 31, 2016 by the shareholders and took effect from August 31, 2015, replacing the Company’s previous Share Compensation Plans.

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

The fair value of all issued Options is measured and expensed as share-based compensation at the grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves. For further detail on the accounting treatment of share options refer to Note 2 accounting policies.

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

Note 19: Options and Warrants**a) Options****Share Compensation Plans**

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

	Year ended March 31, 2016		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	8,900,000	\$0.05 (CAD\$0.05)	1,400,000	\$0.26 (CAD \$0.25)
Forfeited	(1,700,000)	\$0.20 (CAD\$0.20)	(3,400,000)	\$0.26 (CAD \$0.25)
Expired	(3,875,000)	\$0.11 (CAD\$0.11)	-	-
Outstanding, end of year	5,500,000	\$0.05 (CAD\$0.05)	2,175,000	\$0.28 (CAD \$0.27)
Options exercisable, end of year	5,500,000	\$0.05 (CAD\$0.05)	2,175,000	\$0.28 (CAD \$0.27)

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

Number of Options	Exercise Price	Expiry Date
280,000	\$0.05 (CAD\$0.046)	May 13, 2018
5,220,000	\$0.05 (CAD\$0.05)	September 1, 2018

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 19: Options and Warrants (cont'd)**a) Options (cont'd)**

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

Refer to Note 25 *Subsequent Events* on Options granted, exercised and expired since the statement of financial position date.

b) Warrants

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

	Year ended March 31, 2016		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)	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding, end of year	25,603,169	\$0.05 (CAD \$0.05)	-	-

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

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

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

Refer to Note 25 *Subsequent Events* on Warrants granted and exercised since the statement of financial position date.

Note 20: Share Based Compensation

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

The fair value calculated for options issued is expensed over their vesting period as share based compensation in the statement of 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 was \$0.008 (March 2015 - \$0.01). Refer to Note 19 for details of options granted during the period.

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 20: Share Based Compensation (cont'd)

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

	Year ended March 31, 2016	Year ended March 31, 2015
	<i>Weighted average</i>	<i>Weighted average</i>
Share price	CAD \$0.026	CAD \$0.075
Exercise price	CAD \$0.05	CAD \$0.25
Risk-free interest rate	0.46%	1.00%
Expected life of options	2.7 years	3 years
Annualized volatility	77.36%	108.30%
Dividend rate	0%	0%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a commensurate period of time which approximates the expectations that would be reflected in a current market.

Note 21: Related Party Transactions**a) Related party disclosure**

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

Name	Country of Incorporation	% Equity Interest	
		2016	2015
Macarthur Midway Pty Ltd	Australia	100	100
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Lithium Pty Ltd	Australia	100	-
Macarthur Minerals NT Pty Ltd	Australia	100	-
Macarthur Tulshyan Pty Ltd	Australia	100	-
Batchelor Project Pty Ltd	Australia	100	-

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.

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 (appointed Non-Executive Chairman Dec 3, 2015 and appointed Director Apr 28, 2015)

Earl Evans (resigned Dec 3, 2015, appointed Director Apr 28, 2015 and appointed Chairman May 14, 2015)

John Toigo (resigned Apr 28, 2015)

Jon Starink (resigned Apr 28, 2015)

Jeffrey Wall (resigned Apr 28, 2015)

Richard Patricio (resigned Apr 28, 2015)

Executive Directors

David Taplin, President, CEO and Director (appointed President and CEO Dec 3, 2015 and appointed Executive Director Apr 28, 2015)

Alan Phillips, Executive Director (resigned as Chairman May 14, 2015 and resigned as CEO on Dec 3, 2015)

Joe Phillips, CEO and Executive Director (resigned as CEO and Executive Director on Dec 3, 2015 and appointed CEO and Executive Director, Apr 28, 2015)

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 22: Key Management Personnel (cont'd)
Details of Remuneration

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

2016	Short Term Employee Benefits				Post-Employment Benefits		Share Based Payments	Total
	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	
<i>Executive Directors:</i>	\$	\$	\$	\$	\$	\$	\$	\$
A S Phillips	183,834	105,746	-	-	-	-	6,108	295,688
D Taplin	200,000	55,000	-	-	-	-	6,108	261,108
A J Phillips ^[1]	183,333	-	-	-	-	-	6,108	189,441
<i>Non-Executive Directors:</i>								
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	881,357

^[1] Resigned December 3, 2015.

^[2] Resigned April 28, 2015.

Remuneration accrued and payable to key management personnel as at March 31, 2016 was \$208,597.

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

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

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

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

MACARTHUR MINERALS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016**

(Expressed in Australian Dollars)

Note 23: Commitments

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

Office space in Brisbane remains the only operating lease entered into by the Company.

	Note	2016 \$	2015 \$
<i>(b) Finance Lease commitments</i>			
Commitments in relation to leases contracted for at the reported date and recognised as liabilities are:			
Not later than one year		-	12,719
Later than one year but not later than five years		-	-
Later than five years		-	-
Minimum Lease payments		<u>-</u>	<u>12,719</u>
Less future finance payments		<u>-</u>	<u>(918)</u>
Present value of minimum lease payments	15	<u>-</u>	<u>11,801</u>

Exploration Expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 12.

Option Agreement E30/317

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

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

Note 24: 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 October 11, 2013 the appeal was dismissed with costs of the appeal being awarded to the Company. LPD, a shareholder of the Company, and Mayson are entities associated with Mr Edward Kwok, a Director of First Strategic Development Corporation Limited (in liquidation) ("FSDC").

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 24: Contingent Liabilities (cont'd)**b) Supreme Court Proceedings (cont'd)**

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 November 26, 2013 the New Proceedings were stayed by consent pending payment of the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson.

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

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

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

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

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

The Company considers the FSDC Directors' Claim is without merit and will vigorously defend the FSDC Directors' Claim. Legal advisors have been appointed by the Company in respect of the FSDC Directors' Claim.

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

Note 25: Subsequent Events**a) Deferred Payment of Executive Director's Fees**

On April 1, 2016 the Company executed a Bond with Executive Directors whereby accrued salaries referred to in Note 22, totaling \$160,746 are not repayable before April 1, 2017, subject to other terms and conditions, unless agreed to otherwise. Interest is payable on a monthly basis.

b) Options

On April 14, 2016, pursuant to the Plans, 2,660,000 Options were granted, of which 1,590,000 Options were granted to directors of the Company, and the remaining Options granted to employees and a consultant. The Options have an exercise price of CAD\$0.05, 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.

On July 11 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 which is the minimum Discounted Market Price pursuant to TSX-V Policy, subject to a 4 month hold, and expire three years from the date of grant.

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

MACARTHUR MINERALS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2016

(Expressed in Australian Dollars)

Note 25: Subsequent Events (cont'd)**c) Warrants**

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

d) FSDC (in Liquidation) Dividend

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

e) Non-brokered Private Placement 2016

On February 4, 2016 and March 7, 2016, the Company announced a non-brokered private placement (the "2016 Offering") of up to 15,000,000 units (each, a "Unit") at a price of CAD\$0.02 per Unit ("Unit Price") for aggregate gross proceeds of up to CAD\$300,000 to Rare Earth Minerals Plc (AIM: REM, OTC: REMMY) ("Rare Earth Minerals"). Each Unit comprised of one common share in the capital of the Company (each, a "Common Share") and one whole warrant to acquire a Common Share (each, a "Warrant") at an exercise price of CAD\$0.05 per Common Share for a period of twelve months from the date of issuance. The Company closed the 2016 Offering on April 12, 2016.

f) Sulphur Springs Joint Venture

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

The key terms of the MOU are:

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

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

f) Ravensthorpe Farm-in

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