MACARTHUR Minerals

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

For the nine months ended December 31, 2015

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Condensed Interim Consolidated Financial Statements – December 31, 2015

Contents

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

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

The financial report was authorized for issue by the directors on February 26, 2016. The directors have the power to amend and reissue the financial report.

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

	December 31, 2015	March 31, 2015
	$	**$**
ASSETS		
Current		
Cash and cash equivalents	**684,384**	2,807,129
Receivables	**94,144**	39,647
Security deposits and prepayments	**144,335**	156,969
Total current assets	**922,863**	3,003,745
Non-Current		
Plant and equipment (Note 4)	**352,744**	468,517
Exploration and evaluation assets (Note 5)	**6,173,521**	60,800,223
Total non-current assets	**6,526,265**	61,268,740
Total assets	**7,449,128**	64,272,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**403,586**	396,795
Employee benefits	**55,125**	80,608
Finance lease obligation (Note 6)	**9,072**	11,801
Total current liabilities	**467,783**	489,204
Non-Current		
Employee benefits	**1,181**	939
Total non-current liabilities	1,181	939
Total liabilities	**468,964**	490,143
Shareholders' equity		
Contributed equity (Note 7)	**89,556,838**	89,043,070
Reserves	**3,791,406**	3,768,970
Deficit	**(86,368,080)**	(29,029,698)
Total shareholders' equity	**6,980,164**	63,782,342
Total liabilities and shareholders' equity	**7,449,128**	64,272,485

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

On behalf of the Board of Directors:

"Cameron McCall" Director ***"Alan Phillips"*** Director

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

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

	Three months ended December 31, 2015 $	Three months ended December 31, 2014 $	Nine months ended December 31, 2015 $	nine months ended December 31, 2014 $
EXPENSES				
Depreciation (Note 4)	(28,587)	(50,750)	(86,725)	(170,707)
Impairment expense (Note 5)	-	-	(55,507,884)	-
Investor relations	(16,721)	(12,025)	(49,826)	(31,364)
Office and general	(66,122)	(88,131)	(197,061)	(282,906)
Personnel fees	(270,574)	(368,104)	(870,190)	(1,128,806)
Professional fees	(484,975)	(96,762)	(832,102)	(564,077)
Rent	(28,417)	(33,270)	(85,252)	(99,810)
Share-based compensation (Note 8)	(27)	(12,871)	(22,436)	(15,840)
Share registry, filing and listing fees	(65,977)	(15,562)	(159,345)	(86,592)
Travel and accommodation	(17,504)	(18,292)	(75,352)	(76,547)
Total Administrative Expenses	**(978,904)**	**(695,767)**	**(57,886,173)**	**(2,456,649)**
REVENUE				
Interest income	(1,881)	20,049	19,623	84,392
Other Income (Cost Order)	385,263	105,426	414,943	105,426
Gain on sale of asset	31,742	-	113,225	-
Net loss and comprehensive loss for the period	**(563,780)**	**(570,292)**	**(57,338,382)**	**(2,266,831)**
Basic and diluted loss per ordinary share	$ (0.01)	$ (0.01)	$ (0.83)	$ (0.04)
Basic and diluted weighted average number of ordinary shares outstanding	63,336,456	56,020,630	69,454,404	51,214,812

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

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

	Number of Shares #	Contributed Equity $	Deficit $	Reserves $	Total Shareholders' Equity $
Balance at April 1, 2014	44,820,630	86,686,256	(27,811,161)	3,896,987	62,772,082
Net loss for the period	-	-	(2,266,831)	-	(2,266,831)
Share-based payment transactions	-	-	-	15,840	15,840
Private placement	11,200,000	2,240,000	-	-	2,240,000
Share issuance costs	-	(27,043)	-	-	(27,043)
Re-allocation of share reserves	-	143,857	-	(143,857)	-
Balance at December 31, 2014	56,020,630	89,043,070	(30,077,992)	3,768,970	62,734,048
Balance at April 1, 2014	44,820,630	86,686,256	(27,811,161)	3,896,987	62,772,082
Net loss for the year	-	-	(1,218,537)	-	(1,218,537)
Share-based payment transactions	-	-	-	15,840	15,840
Re-allocation of share reserves	-	143,857	-	(143,857)	-
Private placement	11,200,000	2,240,000	-	-	2,240,000
Share issuance costs	-	(27,043)	-	-	(27,043)
Balance at March 31, 2015	56,020,630	89,043,070	(29,029,698)	3,768,970	63,782,342
Balance at April 1, 2015	**56,020,630**	**89,043,070**	**(29,029,698)**	**3,768,970**	**63,782,342**
Net loss for the period	**-**	**-**	(57,338,382)	**-**	(57,338,382)
Share-based payment transactions	-	-		22,436	22,436
Private placement	25,603,169	537,510	-	-	537,510
Share issuance costs	-	(23,742)	-	-	(23,742)
Balance at December 31, 2015	**81,623,799**	**89,556,838**	**(86,368,080)**	**3,791,406**	**6,980,164**

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

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

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(57,338,382)**	(2,266,831)
Items not involving cash:		
Depreciation	**86,725**	170,707
Impairment expense	**55,507,884**	-
Share-based compensation	**22,436**	15,840
Loss (Gain) on disposal of equipment	**(113,225)**	681
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**35,836**	(168,945)
Security deposits and prepayments	**12,634**	220,071
Receivables	**(54,497)**	12,774
Net Cash used in Operating Activities	**(1,840,589)**	(2,015,703)
INVESTING ACTIVITIES		
Disposals/(Purchases) of plant and equipment	**142,273**	(5,248)
Government recoveries	**115,974**	190,368
Deferred exploration expenditures	**(1,051,442)**	(1,959,449)
Net Cash used in Investing Activities	**(793,195)**	(1,774,329)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**537,510**	2,240,000
Share issue costs	**(23,742)**	(27,043)
Repayment of finance lease	**(2,729)**	(2,726)
Net Cash provided by Financing Activities	**511,039**	2,210,231
Change in cash and cash equivalents during period	**(2,122,745)**	(1,579,801)
Cash and cash equivalents, beginning of period	**2,807,129**	3,628,858
Cash and cash equivalents, end of period	**684,384**	2,049,057

Supplemental disclosures with respect to cash flows (Note 11).

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Macarthur Minerals Limited ("the Company") is an Australian public company listed in Canada on the Toronto Stock Exchange Venture Exchange ("TSX-V") (symbol: MMS) that is currently focused on the evaluation of minerals projects in Australia. 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.

The Company owns the following subsidiaries:

- 100% of Macarthur Iron Ore Pty Ltd ("Macarthur Iron Ore" or "MIO") and MIO's subsidiary Macarthur Midway Pty Ltd (a dormant subsidiary), which owns the Macarthur Iron Ore Projects;
- 100% of Macarthur Minerals NT Pty Ltd ("MMNT") which was formed on September 11, 2015 and MMNT's 100% subsidiary, Macarthur Tulshyan Pty Ltd which was formed on October 12, 2015. See Note 9 for more information;
- 100% of Batchelor Project Pty Ltd which was formed on October 16, 2015; and
- 100% of Macarthur Operations Pty Ltd which was formed on November 24, 2015. See Note 9 for more information.

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

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

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

2. BASIS OF PRESENTATION

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

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

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on February 26, 2016.

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

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

(Expressed in Australian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. PLANT AND EQUIPMENT

	Plant & Equipment $	Motor Vehicles $	Office Equipment $	Total $
Year ended March 31, 2015				
Opening net book value	425,949	147,818	109,917	**683,684**
Additions	635	-	2,190	**2,825**
Disposals	-	-	(681)	**(681)**
Depreciation charge	(61,027)	(88,334)	(67,950)	**(217,311)**
Closing net book amount	365,557	59,484	43,476	**468,517**
At March 31, 2015				
Cost or fair value	654,217	408,351	392,745	**1,455,313**
Accumulated depreciation	(288,660)	(348,867)	(349,269)	**(986,796)**
Net book amount	365,557	59,484	43,476	**468,517**
Period ended December 31, 2015				
Opening net book value	365,557	59,484	43,476	**468,517**
Additions	-	-	-	**-**
Disposals	(909)	(28,139)	-	**(29,048)**
Depreciation charge	(42,718)	(27,157)	(17,759)	**(87,634)**
Closing net book amount	322,839	4,188	25,717	**352,744**
At December 31, 2015				
Cost or fair value	653,308	113,856	386,945	**1,154,109**
Accumulated depreciation	(330,469)	(109,668)	(361,228)	**(801,365)**
Net book amount	322,839	4,188	25,717	**352,744**

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

5. EXPLORATION AND EVALUATION ASSETS

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

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

The recoverable amount, which is the higher of value in use or fair value less costs of disposal, was determined to be the $6,000,000 selling price. The difference between the carrying value and recoverable amount resulted in an impairment expense of $55,507,884 charged to the statement of loss and comprehensive loss for the period ended December 31, 2015.

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Exploration and evaluation expenditure
Interim Expenditure

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

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

	Acquisition Costs	Deferred Exploration Costs	Total
	$	$	$
Incurred during the period			
Accommodation and camp maintenance	-	52,072	52,072
E30/317	-	12,000	12,000
Environmental Surveys	-	554	554
Other	-	55,960	55,960
Personnel and Contractors	-	428,310	428,310
Rent and rates	-	339,263	339,263
Research and reports	-	26,343	26,343
Sampling and testing	-	608	608
Tenement management and outlays	-	37,259	37,259
Travel	-	11,655	11,655
Vehicle hire	-	33,132	33,132
Government Recoveries	-	(115,974)	(115,974)
Impairment of E & E expenditure	-	(55,507,884)	(55,507,884)
	-	**(54,626,702)**	**(54,626,702)**
Balance as at December 31, 2015	**3,834,051**	**2,339,470**	**6,173,521**

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

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Commitments

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

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

	December 31, 2015	March 31, 2015
Not later than one year	$ 1,473,638	$ 2,231,873
Later than one year but not later than five years	$ 6,557,253	$ 9,369,688
	$ 8,030,891	$ 11,601,561

For the financial year ending March 31, 2016, the Company may and intends to apply for exemptions against expenditure in relation to those tenements which did not have sufficient expenditure recorded against them in the prior 12 months of their term. Exemption may and will be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted, the Company may have to impair/expense the value of the amount capitalized to exploration and evaluation assets for those tenements. The Company will also be seeking to reduce expenditure, rates and rents requirements by selective relinquishment of some exploration tenements that are not considered essential. In addition, the Company is applying for future exemptions on a number of mining tenements which will allow the Company exemption on future expenditure up to 5 years in advance.

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

	December 31, 2015	March 31, 2015
Not later than one year	$ 227,689	$ 522,715
Later than one year but not later than five years	$ 6,557,253	$ 9,369,688
	$ 6,784,942	$ 9,892,403

(Expressed in Australian Dollars)

6. FINANCE LEASE COMMITMENTS

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

Future payment obligations are as follows:

	December 31, 2015	March 31, 2015
Gross finance lease liabilities		
- minimum lease payments:		
No later than one year	**$ 9,239**	$ 12,719
	9,239	12,719
Less: interest	**(167)**	(918)
Present value of finance lease liabilities	**9,072**	11,801
Less: current portion	**(9,072)**	(11,801)
	$ -	$ -

7. CONTRIBUTED EQUITY

Ordinary Shares

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

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

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

Share Compensation Plans

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

7. CONTRIBUTED EQUITY (cont'd)

Share Compensation Plans (cont'd)

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

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

The fair value of all options issued is measured and expensed as share-based compensation at grant date if they are fully vested upon granting otherwise the fair value is expensed over the vesting period. A corresponding increase is recorded to reserves, (see Note 8). For further detail on the accounting treatment of share options refer to Note 3 accounting policies.

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

Share Options

During the nine month period ended December 31, 2015

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

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

On September 25, 2015, pursuant to the Company's Share Compensation Plan, an aggregate of 450,000 incentive stock options were granted to a strategic consultant of the Company as part of his consulting fees with an exercise price of CAD$0.05 per share which expired on December 25, 2015..

On November 6, 2015, pursuant to the Company's Share Compensation Plan, an aggregate of 500,000 incentive stock options were granted to an investor relations consultant as part of his consulting fees with an exercise price of CAD$0.05 per share for a period, which expired on December 31, 2015.. These options were issued to the consultant following cancellation of 500,000 options issued to an Executive Director on September 2, 2015.

On December 25, 2015 an aggregate of 450,000 incentive stock options were granted to a strategic consultant of the Company as part of his consulting fees with an exercise price of CAD$0.05 per share for a period of 3 months. Exercise of these options are subject to achievement of certain criteria

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Share Options (cont'd)

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

	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**2,175,000**	**\$0.28 (CAD\$0.27)**	4,175,000	\$0.26 (CAD\$0.27)
Granted	**8,900,000**	**\$0.05 (CAD\$0.05)**	1,400,000	\$0.26 (CAD\$0.25)
Forfeited	**(1,700,000)**	**\$0.19 (CAD\$0.19)**	(3,400,000)	\$0.26 (CAD\$0.25)
Expired	**(3,425,000)**	**\$0.08 (CAD\$0.08)**	-	-
Outstanding, end of period	**5,950,000**	**\$0.05 (CAD\$0.05)**	2,175,000	\$0.28 (CAD\$0.27)
Options exercisable, end of period	**5,950,000**	**\$0.05 (CAD\$0.05)**	2,175,000	\$0.28 (CAD\$0.27)

Share options outstanding at December 31, 2015 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
450,000	\$0.05 (CAD\$0.05)	March 24, 2016
280,000	\$0.05 (CAD\$0.046)	May 13, 2018
5,220,000	\$0.05 (CAD\$0.05)	September 1, 2018

The range of exercise prices for options outstanding at December 31, 2015 is CAD\$0.046 to CAD\$0.05.

The weighted average remaining contractual life for the share options as at December 31, 2015 is 2.747 years.

Warrants

During the nine month period ended December 31, 2015
In July and August 2015, the Company issued an aggregate of 25,603,169 units at CAD\$0.02 per unit pursuant to a private placement which was completed in two tranches. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of CAD\$0.05 per share for a period of 12 months from closing of the placement.

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

Warrants (cont'd)

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

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

Warrants outstanding at December 31, 2015 have the following exercise prices and expiry dates:

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

8. SHARE-BASED COMPENSATION

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

The fair value calculated for options issued is expensed over their vesting period as share-based compensation in the statement of loss and comprehensive loss and a corresponding amount is recorded to reserves. Upon exercise the fair value of the options is re-classified from reserves to contributed equity. The weighted average fair value of options granted during the period ended December 31, 2015 was $0.003 (December 31, 2014 - $0.01), resulting in a $22,436 share-based compensation charge to the statement of loss and comprehensive loss (December 31, 2014 - $12,871). Refer to Note 7 for details of options granted during the period.

(Expressed in Australian Dollars)

8. SHARE-BASED COMPENSATION (cont'd)

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

	nine months ended December 31, 2015	nine months ended December 31, 2014
	Weighted average	*Weighted average*
Share price	**CAD $0.026**	CAD $0.075
Exercise price	**CAD $0.05**	CAD $0.25
Risk-free interest rate	**0.46%**	1.0%
Expected life of options	**2.70 years**	3 years
Annualized volatility	**77.36%**	108.30%
Dividend rate	**0%**	n/a

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

9. RELATED PARTY TRANSACTIONS

Related party disclosure

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

Name	**Country of Incorporation**	**% Equity Interest**	
		December 31, 2015	**December 31, 2014**
Macarthur Iron Ore Pty Ltd	Australia	100	100
Macarthur Midway Pty Ltd	Australia	100	100
Macarthur Minerals NT Pty Ltd (incorporated September 11, 2015)	Australia	100	-
Macarthur Tulshyan Pty Ltd (incorporated October 12, 2015)	Australia	49	-
Batchelor Project Pty Ltd (incorporated September 16, 2015)	Australia	100	-
Macarthur Operations Pty Ltd (incorporated November 24, 2015)	Australia	100	-

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

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

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party disclosure

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

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

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

On October 12, 2015 Macarthur Tulshyan Pty Ltd was incorporated as part of joint venture transaction mentioned above. Originally, MMNT held 49% of the Macarthur Tulshyan Pty Ltd shares and on February 8, 2016 MMNT acquired the remaining 51% of shares, making Macarthur Tulshyan Pty Ltd an 100% subsidiary of MMNT.

On October 16, 2015 Batchelor Project Pty Ltd and on November 25, 2015 Macarthur Operations Pty Ltd were incorporated as 100% subsidiaries as part of a bid for a project in the Northern Territory which did not progress.

On February 12, 2016 Macarthur Operations Pty Ltd was renamed to Macarthur Lithium Pty Ltd, this subsidiary has made applications for mineral tenement holdings prospective for lithium. See Note 17 – Subsequent Events for further details.

Key Management Personnel

The following persons were key management personnel of the Company during the period ending December 31, 2015.

Executive Directors
A S Phillips (resigned as President and Chief Executive Officer ("CEO") and appointed as Executive Director April 28, 2015) (resigned as Chair May 14, 2015)
A J ("Joe") Phillips, CEO (appointed as CEO and Executive Director April 28, 2015, previously Chief Operating Officer, resigned as Executive Director and CEO on December 3, 2015)
D Taplin, appointed as CEO on December 2, 2015 (in addition to existing roles of CFO, General Counsel and Company Secretary (appointed Managing Director April 28, 2015)

Non-Executive Directors
E Evans (appointed as Director April 28, 2015 and as Chair on May 14, 2015, resigned on December 3, 2015)
C McCall (appointed as Director on April 28, 2015 and appointed as Chair December 3, 2015)
J Toigo (resigned April 28, 2015)
J Starink (resigned April 28, 2015)
J Wall (resigned April 28, 2015)
R Patricio (resigned April 28, 2015)

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

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

Period ending December 31, 2015	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Directors	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
A S Phillips	150,000	102,080	-	-	-	-	2,048	254,128
A J Phillips	133,333	-	-	-	-	-	2,048	135,381
D Taplin	150,000	41,250	-	-	-	-	2,048	193,298
Non-Executive Directors:								
J Starink[1]	2,167	-	-	-	-	-	-	2,167
E Evans	40,000	-	-	-	-	-	5,497	45,497
C McCall	45,000	-	-	-	-	-	5,497	50,497
Total	**520,500**	**143,330**	**-**	**-**	**-**	**-**	**17,138**	**680,968**

[1] Resigned April 28, 2015

On April 28, 2015, A S Phillips', A J Phillips' and D Taplin's consulting agreements with the Company were amended such that from April 1, 2015 to September 31, 2015, this was further extended til December 31, 2015. It was agreed that the consulting fees were temporarily reduced by $10,416 per month for A S Phillips, $5,625 per month for A J Phillips and $4,583 per month for D Taplin. The difference has been accrued until December 31, 2015. Following his resignation as CEO, the Company agreed with A J Phillips a final settlement amount of $50,000, forgiving the accrued consultancy fee, which was agreed to be paid post December 31, 2015 on certain conditions.

As at December 31, 2015 the following consulting fee amounts have been accrued but not paid: A S Phillips $102,080 and D Taplin $41,250.

Remuneration accrued and payable to key management personnel as at December 31, 2015 was $201,663.

Remuneration of each key management personnel of the Company for the period ended December 31, 2014 was as follows.

Period ending December 31, 2014	**Short Term Employee Benefits**			**Post-Employment Benefits**		**Share Based Payments**	
Directors	Cash Salary & Fees	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$
A S Phillips	243,747	-	-	-	-	1,943	245,690
J Starink	68,935	-	-	-	-	486	69,421
J Toigo	45,000	-	-	-	-	-	45,000
J Wall	45,000	-	-	-	-	-	45,000
R Patricio	45,000	-	-	-	-	486	45,486
Other Company Executives:							
A J Phillips	200,628	-	-	-	-	1,943	202,571
D Taplin	191,250		-	-	-	1,943	193,193
Total	**839,560**	**-**	**-**	**-**	**-**	**6,801**	**846,361**

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

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

Details of Remuneration (cont'd)

Remuneration accrued and payable to key management personnel as at December 31, 2014 was $0.

Other transactions with key management personnel

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

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

10. TAX CONSOLIDATION

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

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Cash paid during the period for interest	**$7,333**	$ 7,278

During the period ended December 31, 2015, the Company entered into the following non-cash transactions:

a) Recorded $42,412 in deferred exploration expenditures through accounts payable.

During the period ended December 31, 2014, the Company entered into the following non-cash transactions:

a) Recorded $26,711 in deferred exploration expenditures through accounts payable.

11. SEGMENTED INFORMATION

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

(Expressed in Australian Dollars)

12. FINANCIAL INSTRUMENTS

Credit Risk
Exposure to credit risk

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

		December 31, 2015		March 31, 2015
Financial assets				
Cash and cash equivalents	**$**	**684,384**	$	2,807,129
Security Deposits		**109,606**		109,606
Receivables		**94,144**		39,647
	$	**888,134**	$	2,956,382

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

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

		December 31, 2015		March 31, 2015
Australia	**$**	**94,144**	$	39,647
Canada		**-**		-
Total	**$**	**94,144**	$	39,647

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

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

As at December 31, 2015	**Less than 3 months $**	**Between 3 months and 1 year $**	**Between 1 year and 3 years $**
Trade Payables	**403,586**	**-**	**-**
Finance Lease Liabilities	**9,072**	**-**	**-**
As at December 31, 2014			
Trade Payables	416,595	-	-
Finance Lease Liabilities	910	2,728	9,982

12. FINANCIAL INSTRUMENTS (cont'd)

Currency Risk

Exposure to currency risk

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

	AUD	CAD	AUD	CAD
	December 31, 2015		March 31, 2015	
Cash and cash equivalents	**682,536**	**1,847**	2,725,066	82,063
Receivables	**94,144**	**-**	39,647	-
Security deposits	**109,606**	**-**	109,606	-
	886,286	**1,847**	2,874,319	82,063
Accounts payable and accrued liabilities	**334,919**	**68,667**	347,501	49,294
Employee Benefits	**56,306**	**-**	81,547	-
Lease liability	**9,072**	**-**	11,801	-
	400,297	**68,667**	440,849	49,294
Net exposure	**485,989**	**66,820**	2,433,470	32,769

The following significant exchange rates applied during the period:

	Average rate		**Reporting date spot rate**	
AUD	**December 31, 2015**	March 31, 2015	**December 31, 2015**	March 31, 2015
Canadian dollar (CAD)	**0.9555**	0.9928	**1.0083**	0.9669

Sensitivity analysis
As at December 31, 2015, the Company's expenditures are in Australian dollars and Canadian dollars. As at December 31, 2015, the Company had cash of $1,847 (March 31, 2015 – $82,063) in a Canadian bank account and accounts payable and accrued liabilities of $68,667 (March 31, 2015 – $49,294) for Canadian suppliers. For each 10% change in the Australian dollar vs. Canadian dollar a $6,627 gain/loss would arise (March 31, 2015 - $3,168) on this balance of cash and accounts payable.

Interest rate risk

Profile

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

	December 31, 2015	March 31, 2015
Variable rate instruments		
Financial assets	**$ 790,809**	$ 2,834,359

(Expressed in Australian Dollars)

12. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
December 31, 2015 **Variable rate instruments**	**$ 7,908**	**$ (7,908)**	**$ 7,908**	**$ (7,908)**
March 31, 2015 Variable rate instruments	$ 28,344	$ (28,344)	$ 28,344	$ (28,344)

13. CAPITAL MANAGEMENT

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

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

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

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

There were no changes in the Company's approach to capital management during the period ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

(Expressed in Australian Dollars)

14. COMMITMENTS

Operating lease agreements
At December 31, 2015 the Company had the following commitments:

	Finance Vehicle leases	Operating Building leases	Total
	$	$	$
Within one year	9,072	38,659	47,731
Later than one year but no later than five years	-	-	-
Total minimum lease payments	**9,072**	**38,659**	**47,731**

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

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 5 to the condensed interim consolidated financial statements for the period ended December 31, 2015.

Option Agreement E30/317

The Company entered into an option agreement on June 16, 2011 to acquire exploration tenement E30/317 ("Option"). The Option expired on December 15, 2015, and there are no outstanding obligations.

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

15. CONTINGENT LIABILITIES

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 FSDC.

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

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

15. CONTINGENT LIABILITIES (cont'd)

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 ("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 total Claim is for $2,757,510, which is largely comprised of the amount of damages, interest and indemnity costs awarded against them in the FSDC proceedings, including their own legal costs. The FSDC Directors base the Claim on alleged misleading statements made by Company representatives.

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

16. SUBSEQUENT EVENTS

Sale of Macarthur Iron Ore

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

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

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

The Liquidator of FSDC had received by December 31, 2015, a total of $1,879,090 from the FSDC Directors for judgement, interest and costs. The Company, as funding creditor, was reimbursed a total of $1,801,770 by December 31, 2015 for its costs, pursuant to the Court approved funding agreements with the Liquidator of FSDC, including $385,263 in the quarter ended December 31, 2015.

Post December 31, 2015 the Liquidator of FSDC issued and served a bankruptcy notice in Australia against Mr Edward Kwok and commenced the process for registration of the judgement in Hong Kong against Mr Charles Chan, Mr Victor Chan and Mr Edward Kwok to recoup the balance of costs outstanding in the amount of $397,026.

Post December 31, 2015, the lawyers for the Liquidator of FSDC received funds to their trust account of $397,026 in payment of those costs. The Liquidator of FSDC has now recovered from the FSDC Directors the total judgement including, interest and costs in the amount of $2,276,115.

16. SUBSEQUENT EVENTS (cont'd)

First Strategic Development Corporation Ltd (in liquidation) v. Chan, Chan & Kwok (cont'd)

Post December 31, 2015, Macarthur was paid a further $95,620, in accordance with its entitlements under the Court approved funding agreements. The Company, as funding creditor, has now been reimbursed a total of $1,897,390 for its costs, pursuant to the Court approved funding agreements with the Liquidator of FSDC. The Company has no further funding obligations and has recovered its funding costs in full.

According to the Report to Creditors dated February 5, 2016, the Liquidator of FSDC expects to have sufficient funds to call a dividend to unsecured creditors of FSDC, of which Macarthur is one.

Legal Proceedings Summary

LPD, Mayson, Mr Edward Kwok, and Mr Charles Chan and his son Mr Victor Chan, who are business associates of Mr Kwok (collectively the "Hong Kong Shareholders"), have in aggregate been parties to 9 separate legal proceedings in the Supreme Court of Queensland, the Queensland Court of Appeal and the Federal Court of Australia. To date, none of these proceedings have been successful for the Hong Kong Shareholders recovering any damages against the Company and its directors. However, the Liquidator of FSDC has recovered against the Hong Kong shareholders damages, interests and costs for a total of $2,276,115.

To date the Company has recovered costs associated with the various proceedings, including its costs of funding the Liquidator of FSDC, of approximately $2,373,410 from the Hong Kong Shareholders.

Non-brokered Private Placement

On February 4, 2016, the Company announced a non-brokered private placement (the "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. The Unit Price is equal to the closing price of the Company's TSX Venture Exchange listed shares on February 3, 2016.

Each Unit will be comprised of one common share in the capital of the Company (each, a "Common Share") and one whole warrant to acquire a Common Share (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.

Macarthur Lithium Projects

As announced on February 15 and February 17, 2016, the Company has made applications for four exploration licenses covering a total area of 383 square kilometers ("km^2") comprised of the following projects:

- Pilgangoora Projects, in the Pilbara region of Western Australia
- Edah Hill Project, in the Mid-West of Western Australia.

<u>Pilgangoora Projects</u>
As announced on February 15, 2016, the Company has made applications for three exploration licences (E45/4693, E45/4694 and E45/4702) covering an area of 269km^2 across three project areas in the world-class Pilgangoora district, in the Pilbara region of Western Australia that are considered prospective for lithium.

<u>Edah Hill Project</u>
The Company has made application for an exploration licence (E59/2147) covering an area of 114km^2 at Edah Hill in the Mid-West of Western Australia. The Edah Hill project lies 50 km east-northeast of Yalgoo in the Murchison province of Western Australia and approximately 250 km from Geraldton Port.