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**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – prepared by Management)

**For the three months ended June 30, 2016**

**All amounts are in Australian dollars unless otherwise stated**



ACN 103 011 436

Condensed Interim Consolidated Financial Statements – June 30, 2016

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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 August 29, 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

|  |  |  |
| --- | --- | --- |
|  | **June 30,2016** | March 31,2016 |
|  |  **$** |  **$** |
| ASSETS |  |  |
|  |  |  |
| **Current** |  |  |
|   | Cash and cash equivalents | **361,289** | 267,841 |
|   | Receivables | **60,845** | 34,701 |
|   | Security deposits and prepayments | **96,389** | 105,534 |
|  |  |  |
| **Total current assets** | **518,523** | 408,076 |
|  |  |  |
| **Non-Current** |  |  |
|   | Plant and equipment (Note 4) | **94,048** | 108,682 |
|   | Exploration and evaluation assets (Note 5) | **6,097,169** | 6,000,000 |
|  |  |  |
| **Total non-current assets** | **6,191,217** | 6,108,682 |
|  |  |  |
| **Total assets** | **6,709,740** | 6,516,758 |
|  |  |  |
| LIABILITIES AND SHAREHOLDERS’ EQUITY  |  |  |
|  |  |  |
| Current |  |  |
|  | Accounts payable and accrued liabilities  | **396,367** | 342,876 |
|  | Employee benefits | **40,850** | 37,747 |
|  | Finance lease obligation (Note 6) | **-** | - |
|  | Warrant liability (Note 7) | **150,054** | 211,103 |
|  |  |  |
| **Total current liabilities** | **587,271** | 591,726 |
|  |  |  |
| Non-Current |  |  |
|  | Accounts payable and accrued liabilities | **174,496** | 160,746 |
|  | Employee benefits | **10,063** | 9,289 |
| Total non-current liabilities | **184,559** | 170,035 |
|  |  |  |
| Total liabilities | **771,830** | 761,761 |
|  |  |  |
| Shareholders’ equity  |  |  |
|   | Contributed equity (Note 7) | **90,269,861** | 89,556,838 |
|   | Reserves | **3,933,769** | 3,835,927 |
|  | Deficit | **(88,265,719)** | (87,637,768) |
|  |  |  |
| **Total shareholders’ equity**  | **5,937,911** | 5,754,997 |
|  |  |  |
| Total liabilities and shareholders' equity | **6,709,741** | 6,516,758 |

**Nature and continuance of operations** (Note 1) **Contingent liabilities** (Note 16)

**Commitments** (Note 15) **Subsequent events** (Note 17)

|  |  |  |  |
| --- | --- | --- | --- |
| **On behalf of the Board of Directors:** |  |  |  |
|  |  |  |  |
| ***“ Cameron McCall”*** | Director | ***“David Lenigas”*** | 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 June 30, 2016** | Three months ended June 30, 2015 |
|  |  **$** |  $ |
| **EXPENSES** |  |  |
|  | Depreciation (Note 4) | **(15,543)** | (40,422) |
|  | Investor relations  | **(11,608)** | (11,634) |
|  | Office and general | **(233,062)** | (73,456) |
|  | Personnel fees | **(196,407)** | (291,300) |
|  | Professional fees | **(69,237)** | (30,713) |
|  | Rent | **(30,417)** | (30,417) |
|  | Share-based compensation (Note 8) | **(97,841)** | (8,046) |
|  | Share registry, filing and listing fees | **(12,006)** | (42,036) |
|  | Travel and accommodation | **(123,751)** | (30,057) |
|  **Total Administrative Expenses** | **(789,872)** | (558,081) |
| **REVENUE** |  |  |
|  | Interest Income | **733** | 14,439 |
|  | Other Income (Cost Order) | **98,321** | 29,680 |
|  | Gain on sale of asset | **1,818** | 58,778 |
|  | Change in fair value of warrant liability | **(61,049)** | - |
| **Net loss and comprehensive loss** **for the period** | **(627,951)** | (455,184) |
|  |  |  |
|  |  |  |  |
| Basic and diluted loss per ordinary share | **(0.01)** |  $ (0.01) |
|  Basic and diluted weighted average number of ordinary shares outstanding | 79,773,085 | 56,020,630 |

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$ | Subscriptions received in advance$ | Deficit$ | Reserves$ | Total Equity$ |
|  |  |  |  |  |  |  |
| 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 | - | - | - | (455,184) | - | (455,184) |
| Private placement |  |  |  |  |  |  |
|  Share-based payment transactions | - | - | - | - |  8,046 |  8,046 |
|  |  |  |  |  |  |  |
| Balance at June 30, 2015 | 56,020,630 | 89,043,070 | - | (29,484,882) | 3,777,016 | 63,335,204 |
|  |  |  |  |  |  |  |
| Balance at April 1, 2015 | 56,020,630 |  89,043,070 | - | (29,029,698) |  3,768,970 | 63,782,342 |
|  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 |
|  |  |  |  |  |  |  |
| Balance at April 1, 2016 | 81,623,799 |  89,556,838 | - |  (87,637,768) |  3,835,927 |  5,754,997 |
|  Net loss for the period | - | - | - | (627,951) | - | (627,951) |
|  Share-based payment transactions | - | - | - |  | 97,841 | 97,841 |
|  Private placement | 15,000,000 | 315,128 | - | - | - | 315,128 |
| Exercise of options and warrants | 7,623,593 | 400,212 | - | - | - | 400,212 |
| Share issuance costs | - | (2,318) | - | - | - | (2,318) |
|  |  |  |  |  |  |  |
| Balance at June 30, 2016 | 104,247,392 | 90,269,861 | - | (88,265,719) | 3,933,768 | 5,937,911 |

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)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Three months ended****June 30, 2016** |  | Three months endedJune 30, 2015 |
|  |  | **$** |  | **$** |
|  |  |  |  |  |
| **OPERATING ACTIVITIES** |  |  |  |  |
|  | Net loss for the period |  | **(627,951)** |  | (455,184) |
|  | *Items not involving cash:* |  |  |  |  |
|  |  Depreciation |  | **15,543** |  | 40,422 |
|  | Change in fair value of warrant liability |  | **(61,049)** |  | - |
|  |  Share-based compensation |  | **97,841** |  | 8,046 |
|  | Loss (Gain) on disposal of equipment |  | **(1,818)** |  | (58,778) |
|  | *Changes in non-cash working capital balances:* |  |  |  |  |
|  | Accounts payable and accrued liabilities |  | **71,120** |  | (75,155) |
|  | Security deposits and prepayments |  | **9,143** |  | (3,518) |
|  | Receivables |  | **(26,143)** |  | 12,177 |
| **Net Cash used in Operating Activities** |  | **(523,314)** |  | (531,990) |
|  |  |  |  |  |
| **INVESTING ACTIVITIES** |  |  |  |  |
|  | Disposals/(Purchases) of plant and equipment |  | **908** |  | 73,182 |
|  | Government recoveries |  | **-** |  | 2,126 |
|  | Deferred exploration expenditures |  | **(97,169)** |  | (465,567) |
| **Net Cash used in Investing Activities** |  | **(96,261)** |  | (390,259) |
|  |  |  |  |  |
| **FINANCING ACTIVITIES** |  |  |  |  |
|  | Proceeds from issuance of shares/exercise of options & warrants |  | **715,341** |  | - |
|  | Share issue and placement costs |  | **(2,318)** |  | - |
|  | Repayment of finance lease |  |  |  | (909) |
| **Net Cash provided by (used in) Financing Activities** |  | **713,023** |  | (910) |
|  |  |  |  |  |  |
| Change in cash and cash equivalents during period |  | **93,448** |  | (923,158) |
|  |  |  |  |  |
| Cash and cash equivalents, beginning of period |  | **267,841** |  | 2,807,129 |
|  |  |  |  |  |  |
| **Cash and cash equivalents, end of period** |  | **361,289** |  | 1,883,971 |

**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” or “Macarthur”) is an Australian public company listed in Canada on the TSX Venture Exchange (“TSX-V”) (symbol: MMS) currently is focused on identifying and developing high grade lithium and counter cyclical investments, with significant lithium exploration interest in Australia and has entered into an agreement to acquire a lithium project in Nevada. In addition, Macarthur retains its two iron ore projects in Western 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.

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

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.

1. **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, 2016.

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, 2016.

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on August 29, 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.

1. **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, 2016, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.

1. **PLANT AND EQUIPMENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Plant & Equipment** | **Motor Vehicles** | **Office Equipment** | **Total** |
|  | **$** | **$** | **$** | **$** |
| 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 | 86,506 | - | 22,176 | **108,682** |
|  |  |  |  |  |
| 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 | 86,506 | - | 22,176 | **108,682** |
|  |  |  |  |  |
| Period ended June 30, 2016 |  |  |  |  |
| Opening net book value | 86,506 | - | 22,176 | **108,682** |
| Additions | - | - | - | **-** |
| Disposals | - | - | - | **-** |
| Depreciation charge | (13,598) | - | (1,036) | **(14,634)** |
| Closing net book amount | 72,908 | - | 21,140 | **94,048** |
|  |  |  |  |  |
| At June 30, 2016 |  |  |  |  |
| Cost or fair value | 654,217 | 408,351 | 381,962 | **1,444,530** |
| Accumulated depreciation | (581,309) | (408,351) | (360,822) | **(1,350,482)** |
| Net book amount | 72,908 | - | 21,140 | **94,048** |

1. **EXPLORATION AND EVALUATION ASSETS**

The Company holds 100% of the outstanding and issued share capital of Macarthur Iron Ore Pty Ltd (“MIO”). MIO’s assets include a 100% interest in the Iron Ore Projects located in Western Australia.

During the year ended March 31, 2016, 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.

**5. EXPLORATION AND EVALUATION ASSETS** (cont’d)

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. The value of Exploration and Evaluation assets will continue to be assessed on an annual basis.

**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, 2015** | **3,834,051** | **56,966,172** | **60,800,223** |
|  | Accommodation and camp maintenance | - | 54,169 | 54,169 |
|  | Drilling | - | - | - |
|  | E30/317 acquisition cost  | - | 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** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Acquisition Costs** | **Deferred Exploration Costs** | **Total** |
|  | $ | $ | $ |
| **Incurred during the period** |  |  |  |
|  | Accommodation and camp maintenance | - | 697 | **697** |
|  | Other | - | 1,893 | **1,893** |
|  | Personnel and Contractors | - | 45,504 | **45,504** |
|  | Rent and rates | - | 42,910 | **42,910** |
|  | Research and reports | - | 520 | **520** |
|  | Tenement management and outlays | - | 5,045 | **5,045** |
|  | Travel | - | - | **-** |
|  | Vehicle hire | - | 600 | **600** |
|  | Government Recoveries | - | - | **-** |
|  |  |  |  |  |
|  |  | **-** | **97,169** | **97,169** |
|  |  |  |  |  |
|  | **Balance as at June 30, 2016** | **3,834,051** | **2,263,118** | **6,097,169** |

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

**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:

|  |  |  |
| --- | --- | --- |
|  | **June 30,****2016** | March 31,2016 |
|  | **$** | $ |
|  |  |  |
| Not later than one year | **1,144,449** | 1,431,443 |
| Later than one year but not later than five years | **5,381,022** | 6,316,062 |
|  | **6,525,470** | 7,747,505 |

For the financial year ending March 31, 2017, 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:

|  |  |
| --- | --- |
|  |  |
|  | **June 30,****2016** | March 31,2016 |
|  | **$** | $ |
|  |  |  |
| Not later than one year | **196,710** | 323,206 |
| Later than one year but not later than five years | **5,381,022** | 6,316,062 |
|  | **5,577,732** | 6,639,268 |

1. **FINANCE LEASE COMMITMENTS**

The Company no longer has any finance lease commitments.

1. **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.

|  |  |  |
| --- | --- | --- |
|  | **June 30,2016** | March 31,2016 |
|  |  |  |
| Issued and fully paid ordinary shares: | **$90,269,861**  | $ 89,556,838 |
|  |  |  |
| Number of shares on issue: | **104,247,392** | 81,623,799  |

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.

**Share Compensation Plans**

The Company, in accordance with the Company’s Employee and Consultant Share Compensation Plans (“Plans”) and the policies of the TSX-V, is authorized to grant incentive stock options (“Options”), award equity restricted share units (“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 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 to the audited financial statements for the year ended March 31, 2016.

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.

1. **CONTRIBUTED EQUITY** (cont’d)

**Share Options**

*During the three month period ended June 30, 2016*

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.

During thethree month period ended June 30, 2016*,* 300,000 Options have been exercised and 1,000,000 Options expired.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Three months ended June 30, 2016** |  | Year endedMarch 31, 2016 |
|  | **Number of Options** | **Weighted Average****Exercise Price** |  | Numberof Options | Weighted AverageExercise Price |
|  |  |  |  |  |  |
| Outstanding, beginning of year | **5,500,000** | **$0.05 (CAD$0.05)** |  | 2,175,000 | $0.28 (CAD$0.27) |
|  |  |  |  |  |  |
|  Granted | **2,660,000** | **$0.05 (CAD$0.05)** |  | 8,900,000 | $0.05 (CAD$0.05) |
|  Forfeited | **-** | **$0.05 (CAD$0.05)** |  | (1,700,000) | $0.20 (CAD$0.20) |
|  Expired | **1,000,000** | **$0.05 (CAD$0.05)** |  | (3,875,000) | $0.11 (CAD$0.11) |
|  Exercised | **300,000** | **$0.05 (CAD$0.05)** |  | - | - |
|  |  |  |  |  |  |
| Outstanding, end of period | **6,860,000** | **$0.05 (CAD$0.05)** |  | 5,500,000 | $0.05 (CAD$0.05) |
|  |  |  |  |  |  |
| Options exercisable, end of period  | **6,860,000** | **0.05 (CAD$0.05)** |  | 5,500,000 | $0.05 (CAD$0.05) |

Share options outstanding at June 30, 2016 have the following exercise prices and expiry dates:

|  |  |  |  |
| --- | --- | --- | --- |
| Numberof Options | ExercisePrice |  | Expiry Date |
| 280,000 |  $0.05 (CAD$0.046) |  | May 13, 2018 |
| 3,920,000 | $0.05 (CAD$0.05) |  | September 1, 2018 |
| 2,660,000 | $0.05 (CAD$0.05) |  | April 13, 2019 |

The range of exercise prices for options outstanding at June 30, 2016 is CAD$0.046 to CAD$0.05.

The weighted average remaining contractual life for the share options as at June 30, 2016 is 2.40 years.

Refer to Note 17 *Subsequent Events* on Options granted since the three month period ended June 30, 2016.

1. **CONTRIBUTED EQUITY** (cont’d)

**Warrants**

*During the three month period ended June 30, 2016*

Pursuant to the 2016 Offering 15,000,000 Warrants at an exercise price of CAD$0.05 per Common Share were issued for a period of twelve months from the date of issuance. The Warrants are subject to a 4 month hold and will be available to exercise from September 9, 2016.

During thethree month period ended June 30, 2016*,* 7,323,593 Warrants have been exercised.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Three months ended June 30, 2016** |  | Year endedMarch 31, 2016 |
|  | **Number of Warrants** | **Weighted Average****Exercise Price** |  | Numberof Warrants | Weighted AverageExercise Price |
|  |  |  |  |  |  |
| Outstanding, beginning of year | **25,603,169** | **$0.05 (CAD $0.05)** |  | - | - |
|  |  |  |  |  |  |
|  Granted | **15,000,000** | **$0.05 (CAD $0.05)** |  | 25,603,169 | $0.05 (CAD $0.05) |
|  Forfeited | **-** | **-** |  | - | - |
|  Expired | **-** | **-** |  | - | - |
|  Exercised | **7,323,593** | **$0.05 (CAD $0.05)** |  | - | - |
|  |  |  |  |  |  |
| Outstanding, end of period | **33,279,576** | **$0.05 (CAD $0.05)** |  | 25,603,169 | $0.05 (CAD $0.05) |
|  |  |  |  |  |  |
| Warrants exercisable, end of period  | **18,279,576** | **$0.05 (CAD $0.05)** |  | 25,603,169 | $0.05 (CAD $0.05) |

**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 June 30, 2016, the Company had 33,279,576 (2015 – none) warrants outstanding, which are classified and accounted for as a financial liability. The Company recognised other income of $61,049 (June 30, 2015 - $nil) from changes in fair value of the warrant liability in the Consolidated Statement of Loss and Comprehensive Loss.

Warrants outstanding at June 30, 2016 have the following exercise prices and expiry dates:

|  |  |  |  |
| --- | --- | --- | --- |
| Numberof Warrants | ExercisePrice |  | Expiry Date |
| 9,643,248 | C$0.05 |  | Jul 28, 2016 |
| 8,136,328 | C$0.05 |  | Aug 17, 2016 |
| 500,000 | C$0.05 |  | Aug 19, 2016 |
| 15,000,000 | C$0.05 |  | May 8, 2017 |

The weighted average remaining contractual life for the warrants as at June 30, 2016 is 0.44 years.

Refer to Note 17 *Subsequent Events* on Warrants exercised and expired since the statement of financial position date.

1. **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 June 30, 2015 period ended was $0.04 (June 30, 2015 - $0.01), resulting in a $97,841 share-based compensation charge to the statement of loss and comprehensive loss (June 30, 2015 - $8,046). Refer to Note 7 for details of options granted during the period.

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

|  |  |  |
| --- | --- | --- |
|  | **Three months ended****June 30, 2016** | Three months endedJune 30, 2015 |
|  |  |  |
|  | ***Weighted average*** | *Weighted average* |
|  |  |  |
| Share price | **CAD $0.040** | CAD $0.045 |
| Exercise price | **CAD $0.050** | CAD $0.046 |
| Risk-free interest rate | **0.59%** | 0.68% |
| Expected life of options | **3 years** | 3 years |
| Annualized volatility | **200.95%** | 208.13% |
| 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.

1. **RELATED PARTY TRANSACTIONS**

**Related party disclosure**

The consolidated 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** |
| **June 30,** **2016** | **June 30,****2015** |
| Macarthur Iron Ore Pty Ltd | Australia | 100 | 100 |
| Macarthur Midway 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 | - |

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)

**Key Management Personnel**

The following persons were key management personnel of the Company during the period ending June 30, 2016.

*Executive Directors*

Alan Phillips, Executive Director

David Taplin, President, CEO and Director

*Non-Executive Directors*

C McCall

**Details of Remuneration**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Period ending June 30,** **2016** | **Short Term Employee****Benefits** | **Post-Employment Benefits** | **Share Based Payments** |  |
| *Executive Directors* | Cash Salary & Fees | AccruedSalaries | Cash Bonus | Non-monetary benefits | Super-annuation | Retirement Benefits | Options | Total |
|  | $ | $ | $ | $ | $ | $ | $ | $ |
| A S Phillips | 37,500 | - | - | - | - | - | - | 37,500 |
| D Taplin | 50,000 | 13,750 | - | - | - | - | 38,989 | 102,739 |
| *Non-Executive Directors:* |
| C McCall | 15,000 | - | - | - | - | - | 19,495 | 34,495 |
| **Total** | **102,500** | **13,750** | **-** | **-** | **-** | **-** | **58,484** | **174,734** |

Remuneration accrued and payable to key management personnel as at June 30, 2016 was $57,917.

On April 1, 2016 the Company resolved to execute a Bond with Executive Directors whereby accrued salaries totaling $174,496 are not repayable before April 1, 2017, subject to other terms and conditions, unless agreed to otherwise. Interest is payable on a monthly basis.

Remuneration of each key management personnel of the Company for the period ended June 30, 2015 was as follows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  **Period ending June 30,** **2015** | **Short Term Employee****Benefits** | **Post-Employment Benefits** | **Share Based Payments** |  |
| *Executive Directors* | Cash Salary & Fees | AccruedSalaries | Cash Bonus | Non-monetary benefits | Super-annuation | Retirement Benefits | Options | Total |
|  | $ | $ | $ | $ | $ | $ | $ | $ |
| A S Phillips | 50,000 | 39,582 | - | - | - | - | - | 89,582 |
| A J Phillips[1] | 50,000 | 16,876 | - | - | - | - | - | 66,876 |
| D Taplin | 50,000 | 13,750 | - | - | - | - | - | 63,750 |
| *Non-Executive Directors:* |
| J Starink[2] | 2,167 |  | - | - | - | - | - | 2,167 |
| E Evans[1] | 15,000 |  | - | - | - | - | 4,023 | 19,023 |
| C McCall | 15,000 |  | - | - | - | - | 4,023 | 19,023 |
| **Total** | **182,167** | **70,208** | **-** | **-** | **-** | **-** | **8,046** | **260,421** |

[1] Resigned December 3, 2015.

[2] Resigned April 28, 2015.

Remuneration accrued and payable to key management personnel as at June 30, 2015 was $150,208.

**9. RELATED PARTY TRANSACTIONS** (cont’d)

**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.

1. **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.
2. **SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

|  |  |  |
| --- | --- | --- |
|  | **Three months ended June 30, 2016** | Three months ended June 30, 2015 |
|  |  |  |
| Cash paid during the period for interest | **$1,382** | $2,412  |
|  |  |  |

*During the period ended June 30, 2016, the Company entered into the following non-cash transactions:*

1. Recorded $9,304 in deferred exploration expenditures through accounts payable.

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

1. Recorded $27,602 in deferred exploration expenditures through accounts payable.
2. **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.

1. **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:

|  |  |
| --- | --- |
|  |  |
|  | **June 30,** **2016** | March 31,2016 |
|  | **$** | $ |
|  |  |  |
| **Financial assets** |  |  |
|  |  Cash and cash equivalents | **361,289** | 267,841 |
|  | Security Deposits | **92,106** | 92,106  |
|  |  Receivables | **60,845** | 34,701 |
|   |  |  |
|  | **514,240** | 394,648 |

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:

|  |  |
| --- | --- |
|  |  |
|  | **June 30,****2016** | March 31,2016 |
|  | **$** | $ |
|  |  |  |
| Australia | **60,845** | 34,701 |
| Canada | **-** | - |
|   |  |  |
| **Total** | **60,845** | 34,701 |

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

**13. 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 |
|  | **June 30, 2016** | March 31, 2016 |
|  |  |  |  |  |
| Cash and cash equivalents | 182,039 | 179,250 | 266,477 | 1,364 |
| Receivables | 60,845 | - | 34,701 | - |
| Security deposits | 92,106 | - | 92,106 | - |
|  | 334,990 | 179,250 | 393,284 | 1,365 |
|  |  |  |  |  |
| Accounts payable and accrued liabilities | 337,772 | 58,597 | 448,773 | 54,849 |
| Employee Benefits | 50,912 | - | 47,037 | - |
| Lease liability | - | - | - | - |
| Warrant liability  | - | 150,054 | - | 211,103 |
|  | 388,684 | 208,651 | 495,809 | 265,952 |
|  |  |  |  |  |
| Net exposure | (53,694) | (29,401) | (102,525) | (264,588) |

The following significant exchange rates applied during the period:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Average rate** |  | **Reporting date spot rate** |
| *AUD* | **June 30, 2016** | March 31,2016 |  | **June 30, 2016** | March 31,2016 |
|  |  |  |  |  |  |
| Canadian dollar (CAD) | **0.9610** | 0.9642 |  | **0.9670** | 0.9957 |

*Sensitivity analysis*

 As at June 30, 2016, the Company’s expenditures are in Australian dollars and Canadian dollars. As at June 30, 2016, the Company had cash of $179,250 (March 31, 2016 – $1,364) in a Canadian bank account and accounts payable and accrued liabilities of $269,700 (March 31, 2016 – $265,952) for Canadian suppliers. For each 10% change in the Australian dollar vs. Canadian dollar a $2,843 gain/loss would arise (March 31, 2016 - $27,599) on this balance of cash and accounts payable.

**13. FINANCIAL INSTRUMENTS** (cont’d)

**Interest rate risk**

*Profile*

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

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **June 30,****2016** | March 31,2016 |
|  |  | $ | $ |
|  |  |  |  |  |  |
|  | *Variable rate instruments* |  |  |  |  |
|  | Financial assets |  |  | **272,811** | 359,947 |

*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 | 100bp | 100bp | 100bp |
|  |  | increase | decrease | increase | decrease |
|  |  | $ | $ | $ | $ |
|  |  |  |  |  |  |
|  | **June 30, 2016** |  |  |  |  |
|  | **Variable rate instruments** | **2,728** | **(2,728)** | **2,728** | **(2,728)** |
|  |  |  |  |  |  |
|  | March 31, 2016 |  |  |  |  |
|  | Variable rate instruments | **3,599** | **(3,599)** | **3,599** | **(3,599)** |

1. **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 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.

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 period ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

1. **COMMITMENTS**

**Operating lease agreements**

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

**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 June 30, 2016.

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

1. **CONTINGENT LIABILITIES**
2. ***Security Bonds***

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

1. ***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 Ltd (in liquidation) (“FSDC”).

LPD brought New Proceedings against the Company and some of its directors in November 2012 substantially on the same grounds, following dismissal of the Initial Proceedings. On 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 for the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson. LPD has paid $347,473.56 to the directors and officers of the Initial Proceedings for the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson.

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

1. **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 (“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.

**17. SUBSEQUENT EVENTS**

1. ***Warrants***

Since the period ended June 30, 2016, 16,801,768 warrants were exercised and 478,650 expired, raising CAD$840,088.

1. ***Options***

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.

1. ***Ravensthorpe Farm-in***

On July 12, 2016 Macarthur Lithium Pty Ltd (“MLi”) (the Company’s 100% owned subsidiary) entered into a MOU with Zadar Ventures Ltd (“ZAD”) for entering into a Farm-in Agreement for lithium exploration on the Company’s Ravensthorpe acreage for minimum expenditure of A$2 million. ZAD will earn a 51% interest in the Ravensthorpe acreage on expending A$2 million and on completion of a positive NI43-101 Preliminary Economic Assessment, a total interest of 75%. The Company will be appointed project manager for the Ravensthorpe lithium exploration program and will be paid a project management fee of 15% of the total expenditure and also be reimbursed all its associated costs in full. The Company will always have a free carried interest.

**17. SUBSEQUENT EVENTS** (cont’d)

1. ***Lithium Project in Yalgoo***

On August 15, 2016 MLi entered into a MOU with a private gold company to purchase exclusive rights for lithium and other rare earth minerals on the private company’s acreage in the Yalgoo region of Western Australia (“Yalgoo Acreage”). Macarthur Minerals will pay the private company A$30,000 upon satisfaction of conditions precedent in the Purchase Agreement; A$50,000 upon the first anniversary of the commencement of the Purchase Agreement; A$250,000 upon defining a 5 million tonne JORC resource of >1.2% Li2O; and A$500,000 upon defining a 15 million tonne JORC resource of >1.2% Li2O. Net smelter royalty of: 2.5% for lithium concentrate produced on the Yalgoo Acreage; and 50% of Western Australian Department of Minerals and Petroleum royalty rate for other rare earth minerals, produced on the Yalgoo Acreage.

1. ***Stonewall Project***

On August 17, 2016 the Company entered the United States lithium supply sector through an agreement to acquire the Stonewall Project in Nevada, which is prospective for lithium (“Stonewall Project”). The Stonewall Project covers an area of approximately 5,700 acres (23 km2) and the majority of a Salt Lake Playa in Nevada’s Lida Valley Basin, the adjacent basin to the Clayton Valley Basin, which hosts the United States’ only producing lithium mine. The Stonewall Project is considered essentially “drill ready” and a United States mineral exploration company is being engaged to undertake a shallow drilling program for due diligence purposes.

Macarthur entered into a MOU with Voltaic Minerals Corp. (TSX-V: VLT, FSE: 2P61) (“Voltaic”) to enter into a Purchase Agreement for the Stonewall Project on the following key terms:

* Macarthur will issue 2 million ordinary shares to Voltaic at 10 cents per share.
* Macarthur will pay approximately US$48,000 by September 1, 2016 (refundable if no completion of purchase).
* completion of the Purchase Agreement scheduled for September 30, 2016, is subject to Macarthur carrying out satisfactory technical, legal and tax due diligence.
* following completion and transfer of unencumbered title to the Stonewall Project, payment to Voltaic of US$50,000 within 6 months.