MACARTHUR
Minerals

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by Management)

For the Six months ended September 30, 2017

All amounts are in Australian dollars unless otherwise stated

ACN 103 011 436

Condensed Interim Consolidated Financial Statements – September 30, 2017

Contents

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

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

The financial report was authorized for issue by the directors on November 28, 2017. The directors have the power to amend and reissue the financial report.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of the condensed interim consolidated financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

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

	September 30, 2017	March 31, 2017
	$	$
ASSETS		
Current		
Cash and cash equivalents	**154,531**	807,229
Receivables	**30,545**	153,434
Security deposits and prepayments	**109,292**	297,134
Total current assets	**294,368**	1,257,797
Non-Current		
Plant and equipment (Note 4)	**66,427**	79,204
Investment – Stonewall Project	**267,349**	-
Exploration and evaluation assets (Note 5)	**6,345,470**	6,000,000
Total non-current assets	**6,679,246**	6,079,204
Total assets	**6,973,614**	7,337,001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**414,399**	616,200
Employee benefits	**46,765**	33,132
Warrant liability (Note 7)	**-**	508,463
Total current liabilities	**461,164**	1,157,795
Non-Current		
Accounts payable and accrued liabilities	**58,666**	-
Employee benefits	**12,510**	10,857
Total non-current liabilities	**71,176**	10,857
Total liabilities	**532,340**	1,168,652
Shareholders' equity		
Contributed equity (Note 7)	**94,698,274**	92,199,295
Reserves	**4,013,363**	4,013,363
Deficit	**(92,270,363)**	(91,463,263)
Total shareholders' equity	**6,441,274**	4,749,395
Non-controlling interests Contributed Equity	**-**	1,418,954
Total shareholders' equity	**6,441,274**	6,168,349
Total liabilities and shareholders' equity	**6,973,614**	7,337,001

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 ***"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 September 30, 2017 $	Three months ended September 30, 2016 $	Six months ended September 30, 2017 $	Six months ended September 30, 2016 $
EXPENSES				
Depreciation (Note 4)	(6,388)	(7,316)	(12,777)	(58,138)
Impairment expense (Note 5)	-	-	-	(55,507,884)
Investor relations	(219)	(3,400)	(7,219)	(33,105)
Office and general	(135,135)	(112,517)	(310,715)	(130,939)
Personnel fees	(199,637)	(223,002)	(411,816)	(599,616)
Professional fees	(241,778)	(85,675)	(400,020)	(347,127)
Rent	(40,635)	(30,608)	(80,842)	(56,835)
Share-based compensation (Note 8)	-	(420,259)	-	(22,409)
Share registry, filing and listing fees	(38,872)	(88,399)	(47,613)	(93,368)
Travel and accommodation	(32,788)	(6,709)	(57,874)	(57,848)
Total Administrative Expenses	**(695,452)**	**(977,885)**	**(1,328,876)**	**(1,767,757)**
REVENUE				
Interest income	711	1,102	2,346	1,835
Other Income (Cost Order/Partial Sale of Asset)	60,000	-	60,000	98,321
Gain on sale of asset	-	-	-	1,818
Change in fair value of warrant liability	-	150,054	508,463	211,103
Net loss and comprehensive loss for the period	**(634,741)**	**(826,729)**	**(758,067)**	**(1,454,680)**
Basic and diluted loss per ordinary share	$ (0.004)	$ (0.02)	$ (0.005)	$ (0.01)
Basic and diluted weighted average number of ordinary shares outstanding	157,921,571	76,007,550	159,537,496	106,557,652

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	Non-Controlling Interests	Total Equity
	#	$	$	$	**$**	$
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	-	-	(1,454,680)	-	-	(1,454,680)
Share-based payment transactions	-	-		518,100	-	518,100
Private placement	15,000,000	315,128	-	-	-	315,128
Exercise of options and warrants	29,727,174	1,515,821	-	-	-	1,515,821
Share issuance costs	-	(2,318)	-	-	-	(2,318)
Balance at September 30, 2016	126,350,973	91,385,469	(89,092,448)	4,354,027	-	6,647,048
Balance at April 1, 2016	81,623,799	89,556,838	(87,637,768)	3,835,927	-	5,754,997
Net loss for the year	-	-	(3,825,495)	-	(49,086)	(3,874,581)
Share-based payment transactions	-	-	-	177,436	-	177,436
Private placement	18,750,000	564,119	-	-	-	564,119
Exercise of options and warrants	37,427,174	1,896,168	-	-	-	1,896,168
Purchase of Assets in consideration for shares	2,000,000	196,040	-	-	-	196,040
Seed Capital (Macarthur Australia)	-	-	-	-	1,468,040	1,468,040
Share issuance costs	-	(13,870)	-	-	-	(13,870)
Balance at March 31, 2017	139,800,973	92,199,295	(91,463,263)	4,013,363	1,418,954	6,168,349
Balance at April 1, 2017	**139,800,973**	**92,199,295**	**(91,463,210)**	**4,013,363**	**1,418,954**	**6,168,402**
Net loss for the period	**-**	**-**	**(807,153)**	**-**	**49,086**	**(758,067)**
Share-based payment transactions	**-**	**-**	**-**	**-**	**-**	**-**
Private placement	**41,975,407**	**2,115,819**	**-**	**-**	**(1,468,040)**	**647,799**
Exercise of options and warrants	**7,500,000**	**371,850**	**-**	**-**	**-**	**371,850**
Purchase of Assets in consideration for shares	**1,000,000**	**71,309**				
Share issuance costs	**-**	**(60,000)**	**-**	**-**	**-**	**(60,000)**
Balance at September 30, 2017	**190,276,380**	**94,698,274**	**(92,270,363)**	**4,013,363**	**-**	**6,441,274**

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

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

	Six months ended September 30, 2017	Six months ended September 30, 2016
	$	**$**
OPERATING ACTIVITIES		
Net loss for the period	**(758,067)**	(1,454,680)
Items not involving cash:		
Depreciation	**12,777**	22,859
Impairment expense	**-**	-
Change in fair value of warrant liability	**(508,463)**	(211,103)
Share-based compensation	**-**	518,100
Loss (Gain) on disposal of equipment	**-**	(1,818)
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**(127,843)**	(128,075)
Security deposits and prepayments	**187,842**	9,144
Receivables	**122,889**	(49,051)
Net Cash used in Operating Activities	**(1,070,865)**	(523,314)
INVESTING ACTIVITIES		
Disposals/(Purchases) of plant and equipment	**-**	908
Government recoveries	**2,005**	-
Investment – Stonewall Lithium Project	**(267,349)**	-
Deferred exploration expenditures	**(347,428)**	(178,656)
Net Cash used in Investing Activities	**(612,772)**	(177,748)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/exercise of options & warrants/private placement	**1,090,938**	1,830,949
Share issue and placement costs	**(60,000)**	(2,318)
Net Cash provided by (used in) Financing Activities	**1,030,938**	1,828,631
Change in cash and cash equivalents during period	**(652,699)**	356,259
Cash and cash equivalents, beginning of period	**807,230**	267,841
Cash and cash equivalents, end of period	**154,531**	624,100

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 is an Australian public company listed in Canada on the TSX Venture Exchange ("TSX-V") (symbol: MMS). Macarthur Minerals is an exploration company that is focused on identifying high grade lithium and gold with significant exploration interests in Australia and Nevada. Macarthur Minerals has two iron ore projects in Western Australia; the Ularring hematite project and the Moonshine magnetite project.

As at September 30, 2017, the Company had the following subsidiaries:

- 100% of Macarthur Australia Limited, and holds the following subsidiaries:
  - 100% of Macarthur Lithium Pty Ltd ("MLi") which holds the Macarthur Lithium and Gold Projects;
  - 100% of Macarthur Iron Ore Pty Ltd ("MIO") which owns the Iron Ore Projects;
- 100% of Macarthur Lithium Nevada Limited (incorporated in Nevada), which holds the lithium exploration projects in Nevada;
- 100% of Macarthur Marble Bar Pty Ltd (previously Batchelor Project Pty Ltd);
- 100% of Macarthur Midway Pty Ltd (a dormant subsidiary); and
- 100% of Macarthur Minerals NT Pty Ltd ("MMNT") and MMNT's 100% subsidiary, Macarthur Tulshyan Pty Ltd.

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.

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, 2017.

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, 2017.

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on November 28, 2017.

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, 2017, 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, 2017				
Opening net book value	86,506	-	27,771	**114,277**
Additions	-	-	-	**-**
Disposals	-	-	909	**909**
Depreciation charge	(29,274)	-	(6,708)	**(35,982)**
Impairment	-	-	-	**-**
Closing net book amount	57,232	-	21,972	**79,204**
At March 31, 2017				
Cost or fair value	654,217	-	393,357	**1,047,574**
Accumulated depreciation	(373,340)	-	(371,385)	**(744,725)**
Impairment	(223,645)	-	-	**(223,645)**
Net book amount	57,232	-	21,972	**79,204**
Period ended September 30, 2017				
Opening net book value	57,232	-	21,972	**79,204**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
Depreciation charge	(9,933)	-	(2,844)	**(12,777)**
Closing net book amount	47,299	-	19,128	**66,427**
At September 30, 2017				
Cost or fair value	312,745	-	387,557	**700,302**
Accumulated depreciation	(265,446)	-	(368,429)	**(633,875)**
Net book amount	47,299	-	19,128	**66,427**

5. EXPLORATION AND EVALUATION ASSETS

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

At September 30, 2017 the Company held 100% of the outstanding and issued share capital of Macarthur Australia. Macarthur Australia's wholly owned subsidiaries MIO and MLi hold assets which include the Iron Ore Projects, gold and lithium exploration projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which is acquiring lithium exploration projects in Nevada (refer to Note 24(d) of the audited consolidated financial statements for the year ended March 31, 2017).

The carrying value of exploration and evaluation assets does not include expenditure on the lithium projects as these are currently in acquisition status. During the period ended September 30, 2017, $376,779 has been expensed on the projects.

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

Recoverable value of the Iron Ore Projects is difficult to determine given current global conditions, in particular the fluctuating outlook in demand and price for iron ore. The operational status of these projects was assessed in the prior year, along with the carrying value, resulting in an impairment change and write-down to estimated recoverable value of $6,000,000.

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

In the March 31, 2017 year, global market conditions have improved however given ongoing uncertainty, carrying value has been maintained at $6,000,000.

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

The recoverable amount, which is the higher of value in use or fair value less costs of disposal, was determined to be the $6,000,000 selling price. The difference between the carrying value and recoverable amount resulted in an impairment expense of $55,851,937 charged to the statement of loss and comprehensive loss for the year ended March 31, 2016. 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, 2016	**3,834,051**	**56,966,172**	**60,800,223**
Accommodation and camp maintenance	-	-	-
Environmental Surveys	-	-	-
Other	-	-	-
Personnel and Contractors	-	-	-
Rent and rates	-	-	-
Research and reports	-	-	-
Sampling and testing	-	-	-
Tenement management and outlays	-	-	-
Travel	-	-	-
Vehicle hire	-	-	-
Government Recoveries	-	-	-
Balance as at March 31, 2017	**3,834,051**	**2,165,949**	**6,000,000**

	Acquisition Costs $	Deferred Exploration Costs $	Total $
Incurred during the period			
Accommodation and camp maintenance	**-**	**10,389**	**10,389**
Environmental Surveys	**-**	**732**	**732**
Other	**-**	**2,974**	**2,974**
Personnel and Contractors	**-**	**76,816**	**76,816**
Rent and rates	**-**	**96,597**	**96,597**
Research and reports	**-**	**83,425**	**83,425**
Sampling and testing	**-**	**60,336**	**60,336**
Tenement management and outlays	**-**	**4,290**	**4,290**
Travel	**-**	**3,475**	**3,475**
Vehicle hire	**-**	**8,441**	**8,441**
Government Recoveries	**-**	**(2,005)**	**(2,005)**
	-	**345,470**	**345,470**
Balance as at September 30, 2017	**3,834,051**	**2,511,419**	**6,345,470**

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

(Expressed in Australian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

Commitments

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

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

	September 30, 2017 **$**	March 31, 2017 $
Not later than one year	**738,528**	803,973
Later than one year but not later than five years	**3,009,600**	3,791,606
	3,748,128	4,595,579

For the financial year ending March 31, 2018, 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 has and may be sought on the basis that aggregate expenditure on those tenements in prior years far exceeded the minimum required. In the event that exemption for these tenements is not granted (which the Company believes is highly unlikely), the Company may have to impair/expense the value of the amount capitalised to exploration and evaluation assets for those tenements.

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

	September 30, 2017 **$**	March 31, 2017 $
Not later than one year	**292,203**	643,096
Later than one year but not later than five years	**3,009,600**	3,791,606
	3,301,803	4,434,702

6. FINANCE LEASE COMMITMENTS

The Company no longer has any finance lease commitments.

7. CONTRIBUTED EQUITY

Ordinary Shares

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

	September 30, 2017	March 31, 2017
Issued and fully paid ordinary shares:	**$94,698,274**	$ 92,199,295
Number of shares on issue:	**190,276,380**	139,800,973

(Expressed in Australian Dollars)

7. CONTRIBUTED EQUITY (cont'd)

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

Share Compensation Plans

The Company, in accordance with the Company's Employee and Consultant Share Compensation Plans ("Plans") and the policies of the TSX-V, is authorized to grant incentive stock options ("Options"), award equity restricted share units, or bonus shares or issue common shares from treasury pursuant to the Company's share purchase scheme to directors, employees and consultants to acquire in aggregate up to 20% of issued and outstanding ordinary shares as at August 31, 2017, being 185,785,241 Common Shares. Both of the Plans were approved on August 31, 2017 by the shareholders and replaces the Company's previous Plans.

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

Macarthur Australia Limited, also had share compensation plans in place (see Note 19(ii) of the audited consolidated financial statements for the year ended March 31, 2017).

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 of the audited consolidated financial statements for the year ended March 31, 2017.

Share Options

During the six month period ended September 30, 2017

During the six month period ended September 30, 2017*,* 500,000 options expired.

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

	Six months ended September 30, 2017		Year ended March 31, 2017	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**19,907,009**	**$0.06 (CAD$0.06)**	5,500,000	$0.05 (CAD$0.05)
Granted	**-**	**-**	20,209,664	$0.05 (CAD$0.06)
Forfeited	**-**	**-**	(4,802,655)	$0.05 (CAD$0.05)
Expired	**(500,000)**	**$0.05 (CAD$0.05)**	-	-
Exercised	**-**	**-**	(1,000,000)	$0.05 (CAD$0.05)
Outstanding, end of period	**19,407,009**	**$0.06 (CAD$0.06)**	19,907,009	$0.06 (CAD$0.06)
Options exercisable, end of period	**19,407,009**	**$0.06 (CAD$0.06)**	19,907,009	$0.06 (CAD$0.06)

Refer to Note 17 *Subsequent Events* on Share Based Compensation issued pursuant to the Plans since the statement of financial position date.

(Expressed in Australian Dollars)

8. CONTRIBUTED EQUITY (cont'd)

Share Options (cont'd)

Share options outstanding at September 30, 2017 have the following exercise prices and expiry dates:

Number of Options	Exercise Price	Expiry Date
280,000	$0.05 (CAD$0.046)	May 13, 2018
1,620,000	$0.05 (CAD$0.05)	September 1, 2018
1,330,000	$0.05 (CAD$0.05)	April 13, 2019
3,540,000	$0.05 (CAD$0.0525)	July 10, 2019
12,837,009	$0.06 (CAD$0.06)	September 21, 2019

The range of exercise prices for options outstanding at September 30, 2017 is CAD$0.046 to CAD$0.06.

The weighted average remaining contractual life for the share options as at September 30, 2017 is 1.80 years.

Warrants

During the six month period ended September 30, 2017

During the six month period ended September 30, 2017, 7,500,000 warrants have been exercised raising CAD$375,000 and 41,145,297 warrants have been issued as part of a Private Placement

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

	Six months ended September 30, 2017		Year ended March 31, 2017	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**7,500,000**	**$0.05 (CAD$0.05)**	25,603,169	$0.05 (CAD$0.05)
Granted	**41,145,297**	**$0.06 (CAD$0.06)**	15,000,000	$0.05 (CAD$0.05)
Forfeited	**-**	**-**	(478,650)	$0.05 (CAD$0.05)
Expired	**-**	**-**	-	-
Exercised	**(7,500,000)**	**$0.05 (CAD$0.05)**	(32,624,519)	$0.05 (CAD$0.05)
Outstanding, end of period	**41,145,297**	**$0.06 (CAD$0.06)**	7,500,000	$0.05 (CAD$0.05)
Warrants exercisable, end of period	**41,145,297**	**$0.06 (CAD$0.06)**	7,500,000	$0.05 (CAD $0.05)

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

7. CONTRIBUTED EQUITY (cont'd)

Warrant Liability

During the year ended March 31, 2017, equity offerings were completed whereby 15,000,000 warrants were issued with exercise prices denominated in Canadian dollars (March 31, 2016 – 25,603,169). Where the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (Australian dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in the Consolidated Statement of Loss and Comprehensive Loss. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of September 30, 2017, the Company had 41,145,297 (2016 – 33,279,576) warrants outstanding. The Company recognised other income of $508,463 (September 30, 2016 - $61,049) from changes in fair value of the warrant liability in the Consolidated Statement of Loss and Comprehensive Loss.

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 September 30, 2017 period ended was nil (September 30, 2016 - $0.04), resulting in a nil share-based compensation charge to the statement of loss and comprehensive loss (September 30, 2016 - $97,841). Refer to Note 7 for details of options granted during the period.

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

	Six months ended September 30, 2017	Six months ended September 30, 2016
	Weighted average	*Weighted average*
Share price	**-**	CAD $0.040
Exercise price	**-**	CAD $0.050
Risk-free interest rate	**-**	0.59%
Expected life of options	**-**	3 years
Annualized volatility	**-**	200.95%
Dividend rate	**-**	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.

(Expressed in Australian Dollars)

9. 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	
		September 30, 2017	September 30, 2016
Macarthur Iron Ore Pty Ltd	Australia	^	100
Macarthur Midway Pty Ltd	Australia	100	100
Macarthur Lithium Pty Ltd	Australia	^	100
Macarthur Minerals NT Pty Ltd	Australia	100	100
Macarthur Tulshyan Pty Ltd	Australia	100	100
Batchelor Project Pty Ltd	Australia	100	100
Macarthur Australia Limited	Australia	100	-

^100% ownership transferred in the year ended March 31, 2017 to Macarthur Australia Limited.

The Group's equity interest in all subsidiaries is in direct holdings of ordinary shares. All subsidiaries operate from the Company's premises and have the same reporting date as the Group. There are no significant restrictions on the Group's ability to access or use assets, and settle liabilities, of the Group.

Subsidiaries incorporated in the year ended March 31, 2017 were for nominal value.

During the year ended March31, 2017, the Company incorporated Macarthur Australia Limited and undertook a group restructure. Macarthur Australia also raised capital totaling $1,468,040, direct from investors, and undertook an Initial Public Offering ("IPO") on the Australian Securities Exchange. The IPO was withdrawn and costs of $483,365 have been expensed.

Non-controlling interest in Macarthur Australia as at 31 March 2017 totaled 9.7%, and the Company further restructured those interest during the period ending September 30, 2017 which resulted in 100% ownership of Macarthur Australia.

Key Management Personnel

The following persons were key management personnel of the Company during the period ending September 30, 2017.

Executive Directors

David Taplin, President, CEO and Director

Non-Executive Directors

Cameron McCall, Chairman

David Lenigas

Alan Phillips

(Expressed in Australian Dollars)

9. RELATED PARTY TRANSACTIONS (Cont'd)

Details of Remuneration

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

Period ending September 30, 2017	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Director	Cash Salary & Fees	Accrued Salaries[1]	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
D Taplin	100,000	27,500	-	-	-	-	-	127,500
Non-Executive Directors:								
C McCall	40,000	-	-	-	-	-	-	40,000
D Lenigas	30,000	-	-	-	-	-	-	30,000
A S Phillips	40,000	-	-	-	-	-	-	40,000
Total	**210,000**	**27,500**	**-**	**-**	**-**	**-**	**-**	**237,500**

[1] Accrued Salaries includes amounts accrued but not paid to the Executive Director during the period ended September 30, 2017. On April 1, 2016, the Company entered into a Deed of Bond with the Executive Director whereby accrued salaries was not repayable before April 1, 2017, and interest accrued on the amounts. On September 30, 2016 it was agreed that the Bonds be paid out, interest foregone and the funds used for the exercise of 3,604,175 options already on issue to the Executive Directors for salaries accrued up to September 30, 2016. Total accrued salaries unpaid to the Executive Director as at September 30, 2017 is $58,666.

Remuneration accrued and payable to key management personnel as at September 30, 2017 was $95,000.

Remuneration of each key management personnel of the Company for the period ended September 30, 2016 was as follows.

Period ending September 30, 2016	**Short Term Employee Benefits**				**Post-Employment Benefits**		**Share Based Payments**	
Executive Directors	Cash Salary & Fees	Accrued Salaries	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement Benefits	Options	Total
	$	$	$	$	$	$	$	$
A 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**

[1] Refer to note above.

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

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.

(Expressed in Australian Dollars)

10. TAX CONSOLIDATION

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

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

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

As a result of a potential reacquisition of the interest held by the seed investors in Macarthur Australia by Macarthur Minerals, Macarthur Australia and its wholly owned subsidiaries may rejoin the Macarthur Minerals Australian income tax consolidated group subsequent to September 30, 2017.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Six months ended September 30, 2017	Six months ended September 30, 2016
Cash paid during the period for interest	**$3,206**	$1,382

During the period ended September 30, 2017, the Company entered into the following non-cash transactions:

a) Recorded $49,626 in deferred exploration expenditures through accounts payable.

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

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

12. SEGMENTED INFORMATION

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

13. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

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

	September 30, 2017 $	March 31, 2017 $
Financial assets		
Cash and cash equivalents	**154,531**	807,229
Security Deposits	**92,106**	92,106
Receivables	**30,545**	153,434
	277,182	1,052,769

(Expressed in Australian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd)

Credit Risk (cont'd)

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

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

	September 30, 2017 $	March 31, 2017 $
Australia	**30,545**	153,434
Canada	**-**	-
Total	**30,545**	153,434

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.

Currency Risk

Exposure to currency risk

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

	AUD	CAD	AUD	CAD
	September 30, 2017		March 31, 2017	
Cash and cash equivalents	**130,615**	**23,917**	798,349	8,880
Receivables	**30,545**	**-**	153,434	-
Security deposits	**92,106**	**-**	92,106	-
	253,266	**23,917**	1,043,889	8,880
Accounts payable and accrued liabilities	**385,330**	**87,735**	542,260	73,940
Employee Benefits	**59,274**	**-**	43,989	-
Lease liability	**-**	**-**	-	-
Warrant liability	**-**	**-**	-	508,463
	444,604	**87,735**	586,249	582,403
Net exposure	**(191,338)**	**(63,818)**	(457,640)	(573,523)

The following significant exchange rates applied during the period:

	Average rate		**Reporting date spot rate**	
AUD	**September 30, 2017**	March 31, 2017	**September 30, 2017**	March 31, 2017
Canadian dollar (CAD)	**0.9993**	1.0115	**0.9783**	1.0160

13. FINANCIAL INSTRUMENTS (cont'd)

Currency Risk (cont'd)

Sensitivity analysis

As at September 30, 2017, the Company's expenditures are in Australian dollars and Canadian dollars. As at September 30, 2017, the Company had cash of $23,917 (March 31, 2017 – $1,364) in a Canadian bank account and accounts payable and accrued liabilities of $87,735 (March 31, 2017 – $265,952) for Canadian suppliers. For each 10% change in the Australian dollar vs. Canadian dollar a $6,243 gain/loss would arise (March 31, 2017 - $27,599) 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:

	September 30, 2016 $	March 31, 2017 $
Variable rate instruments		
Financial assets	**222,417**	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 increase $	100bp decrease $	100bp increase $	100bp decrease $
September 30, 2017				
Variable rate instruments	**2,224**	**(2,224)**	**2,224**	**(2,224)**
March 31, 2017				
Variable rate instruments	8,902	(8,902)	8,902	(8,902)

14. CAPITAL MANAGEMENT

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

The properties in which the Company currently has an interest in are in the exploration and 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 September 30, 2017. The Company is not subject to externally imposed capital requirements.

15. COMMITMENTS

Operating lease agreements

Office space in Brisbane is the only operating lease entered into by the Company. The Company renewed its office lease in Brisbane for 10 months commencing September 1, 2017.

Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 5 to the condensed interim consolidated financial statements for the period ended September 30, 2017.

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

16. CONTINGENT LIABILITIES

a) Security Bonds

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

b) Supreme Court Proceedings

LPD Holdings (Aust) Pty Ltd ("LPD") and Mayson Associates Limited ("Mayson") v. Macarthur and Ors. ("Initial Proceedings") and LPD v. Macarthur and Ors. ("New Proceedings")

The Initial Proceedings were dismissed in November 2012 and the Company was awarded costs on an indemnity basis. LPD and Mayson appealed the indemnity costs order in the Queensland Court of Appeal and on October 11, 2013 the appeal was dismissed with costs of the appeal being awarded to the Company. LPD, a shareholder of the Company, and Mayson are entities associated with Mr Edward Kwok, a Director of First Strategic Development Corporation Ltd (in liquidation) ("FSDC").

16. CONTINGENT LIABILITIES (cont'd)

LPD brought New Proceedings against the Company and some of its directors in November 2012 substantially on the same grounds, following dismissal of the Initial Proceedings. On November 26, 2013 the New Proceedings were stayed by consent pending payment of the indemnity costs of the dismissed Initial Proceedings and the appeal costs by LPD and Mayson. No steps have been taken in the New Proceedings by the plaintiff since January 22, 2015.

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

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

On January 20, 2016 the Company was served with a Claim in the Supreme Court of Queensland commenced by Mr Charles Chan, Mr Victor Chan (who are associated with a shareholder of the Company) and Mr Edward Kwok ("FSDC Directors' Claim"). The FSDC Directors are yet to file their amended pleadings, as per the judgment delivered by Bond J on March 1, 2017. The FSDC Directors were also ordered to pay costs which are currently being assessed.

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

17. SUBSEQUENT EVENTS

(i) Warrants

Since the period end September 30, 2017, 6,943,298 warrants were exercised raising CAD$416,598.

(ii) Board Changes and Executive Consultancy Agreements

On October 10, 2017 Mr Joe Phillips was appointed as an executive director to the Board and on October 24, 2017 was appointed as Co-CEO.

On October 17, 2017 Mr Cameron McCall was appointed as Executive Chairman of the Board.

The Board is comprised of Mr Cameron McCall as Executive Chairman, Mr David Lenigas as Independent Director, Mr Alan Phillips as Non-Executive Director, Mr David Taplin as Co-CEO and Director and Mr Joe Phillips as Co-CEO and Director.

Mr McCall and Mr Phillips are retained on consultancy contracts with a cash salary of AUD$120,000 per annum, in addition to share based compensation as detailed below.

Pursuant to the Company's Share Compensation Plan, the Company has granted a total of 2,352,942 Bonus Shares to Mr McCall and Mr Phillips at a deemed price of C$0.085 per share, being the closing share price per Common Share on the TSX-V on the trading day immediately preceding the day on which the Bonus Shares are to be issued.

Mr McCall and Mr Phillips were also issued 4,705,882 restricted share units ("RSUs") at a deemed price of C$0.085 per share, being the closing share price per Common Share on the TSX-V on the trading day immediately preceding the day on which the RSU's are to be issued. The RSU's vest upon the closing share price of the Company's shares on the TSX-V being greater than C$0.20 for 20 consecutive trading days.

The Bonus Shares and RSUs are being issued under the terms of the Company's Share Compensation Plans which were approved by shareholders at the Company's Annual General Meeting on 31 August 2017 and has been approved by the TSX-V.

17. SUBSEQUENT EVENTS (Cont'd)

(iii) Rights Offering

On October 23, 2017 the Company announced that it will be offering rights ("Rights") to holders of its common shares ("Common Shares") at the close of business on the record date of October 30, 2017, on the basis of one right for each common share held (the "Rights Offering"). Six (6) Rights will entitle the holder to subscribe for 1 unit at a subscription price of C$0.06 per unit ("Unit").

Each whole Unit consists of one Common Share and one Common Share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one Common Share for C$0.20 for a term of 12 months from the date of issue of the Unit. In the event that the closing sale price of the Company's Common Shares on the TSX Venture Exchange is greater than C$0.20 per share for a period of 20 consecutive trading days at any time after closing of the Rights Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 20th day after the date on which such notice is given by the Company.

The Rights Offering will be conducted in Canada. The Rights will expire at 5:00 p.m. (Toronto time) on December 12, 2017 (the "Expiry Time"), after which time unexercised Rights will be void and of no value. Shareholders who fully exercise their Rights will be entitled to subscribe for additional Units, if available as a result of unexercised Rights prior to the Expiry Time.

If all of the Rights issued under the Rights Offering are validly exercised the Rights Offering will raise gross proceeds of approximately C$1,900,000. Macarthur Minerals intends to use the net proceeds of the Rights Offering to analyse the potential for lithium and gold on its acreage, pay care and maintenance costs on Macarthur Minerals' existing acreage and for ongoing working capital.

In connection with the Rights Offering, the Company has entered into a standby guarantee agreement (the "Standby Guarantee") for the full Rights Offering of approximately C$1.9 million with Orbit Drilling Pty Ltd (the "Standby Purchaser"). Under the Standby Guarantee, the Standby Purchaser has agreed to subscribe for, and the Company has agreed to issue, all Units offered under the Rights Offering that are not otherwise purchased by the Company's shareholders, up to the amount of approximately $1.9 million.

(iv) Artemis Resources Earn-in

On September 28, 2017 the Company entered into a binding term sheet with ASX listed Artemis Resources Limited (ASX:ARV) ("Artemis") for Artemis to earn-in up to 80% interest in two of its tenements in the Pilbara Region of Western Australia. The key terms of the binding term sheet are as follows:

1. Pay A$60,000 for an exclusive option to earn 80% interest in E45/4779 and E45/4732 for 60 days. This amount has been paid.
2. Artemis may exercise the Option by paying the amount of A$170,000 to MLi.
3. Artemis may earn up to an initial 65% interest in E45/4779 and E45/4732 by either expending A$1,000,000 on the Tenements; or paying MLi A$1,000,000 less any expenditure made by ARV on the Tenements, within 3 years from exercise of the option.
4. Artemis may earn up to an additional 15% interest in the Tenements by paying MLi A$1,000,000 in cash or Artemis shares (based on the 5-day VWAP prior to the issue date), at Artemis's election.
5. On exercise the Option, until the formation of a joint venture, Artemis will be responsible for administration and maintenance of the Tenements including minimum annual expenditure requirements.
6. MLi will have a free carried interest in the Tenements until the last to occur of:
   a. Artemis earning 65% interest;
   b. Artemis earning 80% interest; or
   c. completion of a Feasibility Study,

   following which the parties shall form an unincorporated joint venture for the purpose of exploration and development of the Tenements.
7. MLi will retain exclusive rights to all rare earth minerals including lithium on the Tenements.

17. SUBSEQUENT EVENTS (Cont'd)

(v) Hillside Gold Project Option Agreement

The Company entered into an option agreement to acquire Exploration License E45/4685.The key terms of the Option Agreement with private prospectors are as follows:

1. An exclusive option to purchase E45/4685 for A$135,000 consisting of A$85,000 in cash and A$50,000 in shares at 20-day VWAP on execution for period to 31 January 2018.
2. Pay A$15,000 to the prospectors on executing the formal option agreement
3. Sellers have all rights to alluvial gold on E45/4685

(vi) Tenement E45/4764

On October 12, 2017 the Company entered into an agreement to acquire 100% of granted exploration license E45/4764 in the Pilbara region of Western Australia. The key terms of the Option Agreement with a private prospector to purchase 100% interest in the tenement are as follows:

- The Company will pay a non-refundable payment of A$2,000 upon entry into the Option Agreement;
- The Company will have the exclusive option to acquire E45/4764 for up to 120 days, to conduct due diligence;
- The Company will acquire 100% of E45/4764 upon exercising the Option, and the payment of:
  - A$6,000 in a lump sum cash payment; and
  - A$15,000 in shares in the Company, at a deemed price based on the VWAP for the 5 Trading Days preceding the exercise of the option;
- The Company can conduct exploration activities on E45/4764 during the term of the option.

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

The Company settled its proceedings in the Supreme Court of Western Australia against Mining and Metallurgy Process Solutions Pty Ltd ("MMPS") regarding the first right of refusal granted to MLi in respect of the shares in Yalgoo Exploration Pty Ltd ("Yalgoo Exploration") under the Mineral Rights Deed[1] between MLi and Yalgoo Exploration ("MMPS Proceedings"). MMPS owns 100% of Yalgoo Exploration.

The MMPS Proceedings were settled on the following key terms:

- MLi and MMPS enter into a Shareholders Agreement for Yalgoo Exploration whereby MLi be issued 15% of the issued capital of Yalgoo Exploration, which is a non-contributing interest and cannot be diluted until after there is a decision to mine.
- MLi, MMPS and Yalgoo Exploration have agreed to terminate the Mineral Rights Deed at no cost to MLi, so that Yalgoo Exploration owns all minerals on the Yalgoo Tenements.
- MMPS to pay MLi $100,000 within 5 days of execution of Shareholders Agreement and satisfaction of conditions precedent, unless waived by the party for who it benefits.

On November 16, 2017 MLi agreed to be paid a further $200,000 for its 15% of the issued capital of Yalgoo Exploration. MLi will also receive 5% of gross sale proceeds for lithium rights, if Yalgoo Exploration's rights to lithium are sold within 2 years.

1 Refer to the Company's news releases dated August 15, 2016 and October 12, 2016.