



ACN 103 011 436

## **Management's Discussion and Analysis**

**(Form 51-102F1)**

**For the Year ended March 31, 2018**

**Information as of July 25, 2018 unless otherwise stated**

### **Note to Reader**

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Macarthur Minerals Limited ("Macarthur Minerals" or the "Company") for the year ended March 31, 2018 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of July 25, 2018 (unless otherwise stated).

This MD&A should be read in conjunction with the Company's Audited Annual Financial Statements for the year ended March 31, 2018, together with the notes thereto, as well as the Company's previous quarterly financial and MD&A reports throughout the year. The Audited Annual Financial Statements for the year ended March 31, 2018 are prepared in accordance with International Financial Reporting Standards ("IFRS").

### **Forward-Looking Information**

This MD&A includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements in this MD&A, other than statements of historical facts, are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. Although the Company believes that expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. The material factors or assumptions used to develop forward-looking information include prevailing and projected market prices, exploitation and exploration estimates and results, continued availability of capital and financing, and general economic, market or business conditions. Factors that could cause actual results to differ materially from those in forward-looking statements include fluctuations in exchange rates and certain commodity prices, uncertainties related to mineral title in the projects, unforeseen technology changes that results in a reduction in minerals demand or substitution by other minerals or materials, the discovery of new large low cost deposits of minerals and the general level of global economic activity. Readers are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty thereof. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. The forward-looking statements contained in this MD&A and are made as of the date of this press release and except as may otherwise be required pursuant to applicable laws, the Company does not assume any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "Risk and Uncertainties".

These forward-looking statements are made as at the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements and investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

## Discussion on Operations

### BACKGROUND

Macarthur Minerals Limited is an Australian public company listed in Canada on the TSX-V (symbol: MMS). Macarthur Minerals has three iron ore projects in the Yilgarn region of Western Australia. The Company has also established multiple project areas in the Pilbara, Western Australia for conglomerate gold, hard rock greenstone gold and hard rock lithium. In addition, Macarthur Minerals has significant lithium brine interests in the Railroad Valley, Nevada, USA.

### WESTERN AUSTRALIAN IRON ORE PROJECTS

#### Lake Giles Projects

Macarthur Minerals' Lake Giles iron ore projects ("Lake Giles Projects") are located on mining tenements covering approximately 62 km<sup>2</sup> located 175 kilometres ("km") northwest of Kalgoorlie in Western Australia. Within the tenements, at least 33 km strike extent of outcropping banded iron formation ("BIF") occurs as low ridges, surrounded by intensely weathered and mostly unexposed granites, basalts and ultramafic rocks.

The Lake Giles Projects are situated in the Yilgarn Region of south-western, Western Australia. The Yilgarn Region is a host to many significant mineral deposits that have been or are being mined for iron ore. The tenements cover the Yerilgee greenstone belt which is some 80 km in length and lies within the Southern Cross Province of the Yilgarn.

The Lake Giles Projects are approximately 107 km from the existing Eastern Goldfields Railway (located near the township of Menzies) that has a direct connection to the Port of Esperance in Western Australia, where it is intended that ore from the Projects will be shipped. Export is subject to capacity becoming available, which is not certain.

The Lake Giles Projects comprise of two distinct mineral projects:

1. The Ularring Hematite Project: comprising hematite material ("hematite"), to be marketed as potential direct shipping and/or beneficiated iron ore; and
2. The Moonshine Magnetite Project: comprising magnetite resources ("magnetite"), to be marketed as a beneficiated magnetite concentrate.

Exploration for the Ularring Hematite and Moonshine Magnetite projects has been sufficient to allow the estimation of Mineral Resources for both projects.

The Ularring Hematite Project's Mineral Resources are comprised of Indicated Mineral Resources of approximately 54.5 Mt @ 47.2% Fe and approximately 26Mt @ 45.4% Fe Inferred resources.

The Mineral Resource estimates were prepared by CSA Global on behalf of Macarthur Minerals (N143-101 Technical Report, 2012<sup>1</sup>) and reported in accordance with the JORC Code.

The Company has received approval to develop an iron ore mine for the Ularring Hematite Project and associated infrastructure at the project location under the Environmental Protection Act 1986 and the Environmental and Biodiversity Conservation Act 1999.

The Inferred Mineral Resource estimate for the Moonshine Magnetite Project was initially prepared by CSA Global Pty Ltd (NI 43-101 Technical Report, 2009<sup>2</sup>) and was updated by Snowden Mining Industry Consultants in 2011 (NI 43-101 Technical Report, 2011<sup>3</sup>). The Moonshine Magnetite Project has an Inferred Mineral Resource consisting of approximately 1,316 Mt @ 30.1% Fe.

A Preliminary Assessment Report was prepared on the Moonshine Magnetite Project by Snowden Mining Industry Consultants in 2011.

<sup>1</sup> NI 43-101 Technical Report filed 1 October, 2012, titled "NI 43-101 Technical Report, Macarthur Minerals Limited, Pre-Feasibility Study, Ularring Hematite Project, Western Australia."

<sup>2</sup> NI 43-101 Technical Report filed December 17, 2009, titled "NI 43-101 Technical Report on Lake Giles Iron Ore Project: Western Australia."

<sup>3</sup> NI 43-101 Technical Report filed March 25, 2011, titled "Macarthur Minerals Limited: Moonshine and Moonshine North Prospects, Lake Giles Iron Project, Western Australia, NI 43-101 Technical Report – Preliminary Assessment".

## Discussion on Operations (Cont'd)

### **Treppo Grande Iron Ore Project**

On February 15, 2018, the Company's wholly owned subsidiary, Esperance Iron Ore Export Company Pty Ltd ("EIOEC") (previously Macarthur Midway Pty Ltd), made an application for Exploration Licence E77/2521 for the Treppo Grande Iron Ore Project ("Treppo Grande Project").

The Treppo Grande Project covers an area of 68 km<sup>2</sup> and is located approximately 32 km west of the Lake Giles Projects. The project is also 35km east of current iron ore producer Cliffs' Asia Pacific Iron Ore Operations and in close proximity to established rail infrastructure to the Port of Esperance.

This area has been held by a private exploration company wholly owned by renowned Kalgoorlie Prospector Mel Dalla-Costa for the past 8 years under an Exploration Licence (EL77/1208). During this time, approval was granted for an exploration program of diamond drilling and geophysical mapping. The Treppo Grande Project has already benefited from flora and fauna baseline surveys indicating the conservation values of Mt Manning are a lower priority than surrounding BIF ridges. In addition, an ethnographical cultural heritage survey by the Traditional owners has cleared the area for sites of significance.

The Treppo Grande Project was explored in recent years for high grade hematite iron ore mineralisation. Exploration by Kalgoorlie prospector, Mel Dalla-Costa identified three potentially economic styles of Direct Shipping Ore ("DSO") mineralisation including massive dense hematitic ironstones, specular hematite and oxidised 'Indurated Detrital Ironstone'. A drilling programme consisting of two diamond holes have penetrated the hematitic iron stone at the J-Hook prospect. Significant intercepts include 17.5m @ 65.49% Fe from 2.5m from hole MMS002 and 40.4m @ 55.77% Fe from 3.6 m from hole MMS001. The iron-rich mineralisation (> 55% Fe) is centred on the J-Hook prospect that contains occurrences of massive, fissile and specular hematite.

The Company also applied for three new iron ore exploration areas in the Yilgarn region, adding an additional 113 km<sup>2</sup> to the Company's portfolio. Two of these tenements are adjacent to the Mt Jackson and Deception iron ore deposits of Cleveland-Cliffs Inc. The third area is located 35 km west of Macarthur's Ularring Hematite Project.

## **WESTERN AUSTRALIAN GOLD PROJECTS**

### **Hillside Gold Project**

The Hillside Gold Project encompasses Exploration Licence E45/4685, E45/4824, E45/4708 and E45/4709 held by Macarthur Lithium Pty Ltd ("MLi"), a wholly owned subsidiary of Macarthur Minerals and E45/4685 which MLI entered into an option agreement to acquire 100% of the tenement. This group of tenements are located approximately 185 kilometres ("km") South East of Port Hedland and 50 km South West of Marble Bar (the "Hillside Gold Project").

The Hillside Gold Project is highly prospective for gold and copper. The area has previously been explored by various companies for gold, copper, zinc and lead but limited drilling exists.

These tenements surround the mining lease of the historic Edelwiess gold mine. A limited drilling program consisting of six rotary percussion ("RC") holes conducted by Metana Minerals N.L in 1980 intersected gold mineralisation associated with quartz veins. Gold was recorded in three holes with an average grade of approximately 12 g/t Au and a maximum of 25.83 Au g/t. In addition, sampling along a discontinuous outcropping gossan over a strike of 18 km, showed high potential for copper mineralisation. A total of 20 results yielded above 1,000 ppm Cu to a maximum of 7.8% Cu.

The Company conducted a reconnaissance field trip to the Hillside Gold Project to investigate further the highly anomalous gold results previously reported. This trip confirmed the potential for high grade gold on the Hillside Gold Project.

In late May, an Airborne Electromagnetic survey was flown over the Hillside Gold Project over two areas. The aim of the survey was to define high priority targets from conductors such as clusters of massive sulphide hosted base metal deposits at depth. The survey was conducted using the SkyTEM system with 150m spaced lines. In total the system flew 846 line-kilometers covering approximately 125 km<sup>2</sup>. The survey was successful and identified numerous interpreted bedrock conductors including isolated discrete bedrock conductors that correlates with historical gold workings, magnetic anomalies and fault systems. Final interpretation reports are scheduled to be completed end of July 2018 with subsequent field mapping to define drill targets.

## Discussion on Operations (Cont'd)

The Company acquired 100% interest in Exploration Licence E45/4685 from private prospectors. Under the terms of the Option Agreement:

1. the Company paid \$135,000 consisting of \$85,000 in cash and \$50,000 in shares at 20-day VWAP on January 31, 2018 to purchase E45/4685.
2. the Company paid \$15,000 to the prospectors on executing the formal option agreement
3. Sellers retain rights to alluvial gold on E45/4685 excluding gold hosted in conglomerate.

### **Panorama Gold Project**

The Panorama Gold Project encompasses Exploration Licences E45/4732 and E45/4779 held by MLI, covering a total of 265km<sup>2</sup>.

The Panorama Gold Project is located 265km south-south-east of Karratha in the Pilbara Region of Western Australia. The project is prospective for lithium and gold hosted within conglomerate. The tenement group contains an extensive area of the Mt Roe Basalt which is the geological member of the Fortescue Group that overlies the conglomerate gold horizon at Artemis Resources Limited's Purdy's Reward Project near Karratha, Western Australia.

#### *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 tenements of the Panorama Gold Project. Artemis has commenced a stream sediment sampling program with a focus on identifying a prospective conglomerate hosted gold horizon.

The terms of the earn-in 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, which has been paid.
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 Artemis 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.

#### *Bonnie Scot Tenement*

On October 12, 2017 the Company entered into an agreement to acquire 100% of granted exploration license E45/4764 covering an area of 13 km<sup>2</sup> in the Pilbara region of Western Australia ("Bonnie Scot Tenement"). The Bonnie Scot Tenement is immediately adjacent to the Company's Gold Panorama Project.

In May 2018, the Company completed a stream sediment sampling program across the tenement. During the geochemical survey a total of 45 samples were collected from selected drainage courses confirming several anomalous sediment values ranging from 13 ppb to 113 ppb Gold. This area was previously identified from historical rock chip sampling program with values of up to 3.5 g/t Au.

## Discussion on Operations (Cont'd)

Tenement E45/4764 is located approximately 42 km west-southwest of Marble Bar and 265 km east-south-east of Karratha, in the Pilbara region of Western Australia. Geological Survey of Western Australia (GSWA) mapping across the tenement shows areas of the Mt Roe Basalt which is known to overlie the conglomerate gold horizon at Artemis' Purdy's Reward. Beds of auriferous (gold containing) conglomerate up to 2 m thick at the base of the Mt Roe Basalt have been worked at the Just-In-Time and Tassy Queen mines located within 10 km of Macarthur Minerals' tenements and in close proximity to ground held by Novo Resources Limited and Creasy Group<sup>4</sup>.

The key terms of the Option Agreement with a private prospector to purchase 100% interest in the tenement were as follows:

- The Company paid a non-refundable payment of A\$2,000 upon entry into the Option Agreement;
- Upon exercising the Option, and the Company paid A\$6,000 in a lump sum cash payment; and \$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.

### WESTERN AUSTRALIAN NICKEL AND COBALT PROJECTS

The Company has identified two areas prospective for sulphide hosted base metal deposits based on historical drill results at the Snark and Moonshine prospects, located on the Company's Lake Giles Projects.

The Snark prospect is considered to be a highly favourable tectonic and structural setting and is well supported by surface geology featuring volcanic sequences comprising of high-mg basalts and Kambalda type komatiitic ultramafic flows of which nickel-sulfide ore bodies are hosted. In February 2018 a reconnaissance trip to the area discovered surface rock samples containing the cobalt mineral asbolite with assays reporting up to 2.6% cobalt and 2.0% nickel.

The Moonshine prospect has also been identified as prospective for nickel sulphide deposits from previous drilling. Anomalous nickel values including 0.9% Ni from 10.5meters to 22meters including 1meter at 1.4% nickel were detected within the first 30 meters of a 2012 diamond drill hole. Anomalous cobalt averaging 0.13% was also discovered from 18.5 to 22m.

Exploration for nickel and cobalt at Lake Giles moved to the next stage of exploration by completing Moving Loop Electromagnetic ("MLEM") and Fixed-Loop Electromagnetic ("FLEM") surveys across three prospect areas: Moonshine, Snark and Clark Hill. The program targeted areas where elevated nickel has been identified in surface geochemical sampling and intersected by drilling.

Preliminary interpretation of the MLEM and FLEM survey identified two distinct bedrock conductors at Moonshine and two bedrock conductors at Snark. Further interpretation is underway. The widespread Nickel, Cobalt and Magnesium Oxide correlations across the Lake Giles tenement package is a good indication of komatiite structures being present. These structures can often host nickel-copper sulphide mineralisation such as the Kambalda type komatiitic nickel ore deposits.

### WESTERN AUSTRALIAN LITHIUM PROJECTS

Macarthur Minerals has 16 Exploration Licenses and 1 Exploration License Application in the Pilbara covering a total area of approximately 1,328km<sup>2</sup>.

#### ***Tambourah Lithium Project***

The Tambourah Lithium Project consists of Exploration Licence Application E45/4848 and is located approximately 200 km southeast of Port Hedland and 80 km southwest of Marble Bar in the Pilbara region of Western Australia. Assays received from rock chip sampling returned very promising results of up to 1.47% lithium (Li<sub>2</sub>O), confirming the presence of lithium bearing pegmatites.

#### ***Marble Bar Lithium Joint Venture***

On May 2, 2017, Macarthur Minerals and Southern Hemisphere Mining Ltd (ASX: SUH) ("SUH"), through a 50:50 joint venture entered into a Memorandum of Understanding with Great Sandy Pty Ltd to acquire the Marble Bar Lithium Project and Pippingarra Lithium Tantalite Project in the Pilbara region of Western Australia.

---

<sup>4</sup> Geology of the Fortescue Group, Pilbara Craton, Western Australia. Western Australia Geological Survey, Bulletin 144

## Discussion on Operations (Cont'd)

Following due diligence, Macarthur Minerals and SUH decided not to acquire the Marble Bar Lithium Project and Pippingarra Lithium Tantalite Project.

### **Yalgoo Lithium Project**

As part of the settlement between the Company and Mining and Metallurgy Process Solutions Pty Ltd ("MMPS") (refer to MLI v MMPS in Corporate Update below MLI will also receive 5% of gross sale proceeds for lithium rights, if Yalgoo Exploration sells the rights to lithium within 2 years. Yalgoo Exploration owns two granted exploration licences (E59/2077 and E59/2140), covering an area of 191 km<sup>2</sup> (47,161 acres) in the Murchison region of Western Australia.

### **Western Australian Lithium Projects Next Steps**

The Company is focussed on the exploration of high quality lithium projects. The Company is currently evaluating its tenure and commencing discussions with various third parties concerning potential joint ventures to maximise the exploration effort throughout 2018.

## **NEVADA BRINE LITHIUM PROJECT**

### **Reynolds Springs Lithium Brine Project**

The Reynolds Springs lithium brine project consists of 210 new unpatented placer mining claims covering an area of 7 square miles (18 km<sup>2</sup>) located in Railroad Valley, near the town of Currant, in Nye County, Nevada ("Reynolds Springs Project") The Reynolds Springs Project is located approximately 180 miles (300 km) North of Las Vegas, Nevada, and 330 miles (531 km) South East of Tesla's new Gigafactory, which has a planned production capacity of 35 gigawatt-hours per year by 2020.

A total of 206 soil samples were collected across the full extent of the Reynolds Springs Project. Lithium values in the soil samples ranged from a low of 39.3 ppm to a high of 405 ppm Li. Samples were consistently high averaging 168.3 ppm Li with 85% of samples recording over 100 ppm Li and 19% greater than 200 ppm Li.

These results are considered high in comparison to the majority of non-lithium producing playas and amongst the highest we have seen outside of the Clayton Valley.

In 2017 the Company completed an assessment of downhole geophysical logs for 12 – 15 abandoned oil and gas wells that are found both within (5 wells) and in the near vicinity of the project. Several zones of high conductivity were identified that are indicative of brine aquifers. The Company is now considering obtaining a permit to either re-enter one or more of the old wells or to drill new test wells or both.

The Company also made an application to secure water rights for the project and is waiting on allocation.

### **Stonewall Project**

On October 20, 2016, Macarthur Minerals, through its wholly owned US subsidiary, Macarthur Lithium Nevada Limited, entered into an Assignment Agreement with Voltaic Minerals Corp. (TSX-V: VLT, FSE: 2P61) ("Voltaic") to acquire the Stonewall Lithium Project ("Stonewall Project") which covers an area of approximately 12,019 acres (48.64 km<sup>2</sup>) and most of the playa in Nevada's Lida Valley Basin.

The key terms of the Assignment Agreement were:

- 2 million ordinary shares of Macarthur Minerals to Voltaic at CAD\$0.10 per share, which were issued on October 20, 2016; and
- 1 million ordinary shares of Macarthur Minerals to Voltaic at CAD\$0.07 per share, which were issued on July 13, 2017.

An immediately adjacent tenement holder recently drilled two exploration holes ~ 2 km to the immediate south of the Stonewall Project claims. These two bores encountered only fresh water instead of the expected brines. Upon review of these results and on the advice of Macarthur Minerals' consulting geologist, the Company did not renew the Stonewall Project claims as of October 5, 2017.

## Discussion on Operations (Cont'd)

### TENEMENTS

#### **Western Australian Lithium and Gold Tenements**

At March 31, 2018 the Company held 13 Exploration Licences, 3 Exploration Licences applications and options over two granted tenements covering a total area of 1,328 km<sup>2</sup>.

At July 25, 2018 the Company held 16 Exploration Licences and 1 Exploration Licence application.

#### **s111 A Request**

On May 24, 2017, MLI was informed by the Department of Mines, Industry Regulation and Safety ("DMIRS") that the Minister of Mines and Petroleum was requested to exercise his power under section 111A of the Mining Act 1978 (WA) and refuse MLI's applications for exploration licences in the public interest ("s111A Request"). MLI's applications relate to Pilbara gold and lithium tenements.

On October 23, 2017 DMIRS advised the Company, that the Minister, following careful consideration of the submissions and the responsive comments provided by the Company, that he considers that it is not in the public interest to refuse the applications for exploration licence made by MLI.

#### **Melville Gold and Yalgoo Lithium Project**

The Company entered into a deed of settlement under which it was to acquire 15% of Yalgoo Exploration Pty Ltd which owns two granted exploration licences (E59/2077 and E59/2140), covering an area of 191 km<sup>2</sup> (47,161 acres).

On November 16, 2017 MLI agreed to be paid a further \$200,000 under the deed of settlement in lieu of obtaining for its 15% of the issued capital of Yalgoo Exploration.

#### **Western Australian Iron Ore, Nickel and Cobalt Tenements**

At March 31, 2018 the Company held and/or managed mineral tenure totalling 15 Mining Leases covering a total area of approximately 62 km<sup>2</sup>, comprising the Lake Giles Iron Ore Projects.

During the year end March 31, 2018, Company's applied for an exploration licence covering a total of 644 km<sup>2</sup>, comprising the Treppo Grande Project.

Since March 31, 2018 the Company's applied for and additional two exploration licences covering a total of 420 km<sup>2</sup>.

#### **Forfeiture Applications**

On March 10, 2017, the Company's wholly owned subsidiary, Macarthur Iron Ore Pty Ltd ("MIO") was served with applications for forfeiture by Black Range Mining Pty Ltd ("BRM") against each of 15 iron ore tenements ("Forfeiture Applications"). BRM claims that MIO has failed to comply with the expenditure conditions in relation to each of the 15 tenements that comprise the Iron Ore Projects.

BRM agreed to withdraw the Forfeiture Applications and were subsequently withdrawn.

#### **Nevada Brine Tenements**

At March 31, 2018 the Company held 210 claims for the Reynolds Springs Project for a total area of approximately 4,200 acres (17 km<sup>2</sup>).

During the year end March 31, 2018, the Company forfeited the 615 claims at its Stonewall Project in Nevada.

Discussion on Operations (Cont'd)

**MINERAL TENURE**

As at July 25, 2018 the Company holds or has interests in the following tenure in Western Australia:

Tenement Number	Area <sup>(1)</sup>		Application/Grant Date	Expiry Date	Holder	Project
E46/1114	40	SB	9-Nov-17	9-Nov-22	MLi	Pilbara Project
E46/1115	21	SB	9-Nov-17	9-Nov-22	MLi	Pilbara Project
E45/4693	15	SB	21-Nov-17	20-Nov-22	MLi	Pilbara Project
E45/4702	41	SB	20-Nov-17	19-Nov-22	MLi	Pilbara Project
E45/4708	27	SB	21-Nov-17	20-Nov-22	MLi	Pilbara Project
E45/4709	22	SB	21-Nov-17	20-Nov-22	MLi	Pilbara Project
E45/4710	22	SB	20-Nov-17	19-Nov-22	MLi	Pilbara Project
E45/4711	40	SB	20-Nov-17	19-Nov-22	MLi	Pilbara Project
E45/4732	43	SB	21-Nov-17	20-Nov-22	MLi	Pilbara Project
E45/4735	5	SB	21-Nov-17	20-Nov-22	MLi	Pilbara Project
E45/4747	2	SB	21-Nov-17	20-Nov-22	MLi	Pilbara Project
E45/4779	40	SB	16-Jan-18	15-Jan-23	MLi	Pilbara Project
E45/4824	66	SB	5-Dec-17	4-Dec-22	MLi	Pilbara Project
E45/4848	1	SB	14-Dec-2017	13-Dec-22	MLi	Pilbara Project
E45/4903	12	SB	3-Jan-18	2-Jan-23	MLi	Pilbara Project
E46/1210	16	SB	5-Oct-17	Under Application	MLi	Pilbara Project
E45/4764	4	SB	10-Aug-17	9-Aug-22	MLi	Pilbara Project
E45/4685	11	SB	12-Jan-17	11-Jan-22	MLi	Pilbara Project
M30/0206	188	HA	2-Jul-07	1-Jul-28	MIO	Lake Giles Project
M30/0207	171	HA	2-Jul-07	1-Jul-28	MIO	Lake Giles Project
M30/0213	258	HA	13-Jun-11	12-Jun-32	MIO	Lake Giles Project
M30/0214	260	HA	13-Jun-11	12-Jun-32	MIO	Lake Giles Project
M30/0215	521	HA	13-Jun-11	12-Jun-32	MIO	Lake Giles Project
M30/0216	55	HA	13-Jun-11	12-Jun-32	MIO	Lake Giles Project
M30/0217	114	HA	13-Jun-11	12-Jun-32	MIO	Lake Giles Project
M30/0227	504	HA	13-Jun-11	12-Jun-32	MIO	Lake Giles Project
M30/0228	362	HA	2-Jul-07	1-Jul-28	MIO	Lake Giles Project
M30/0229	204	HA	2-Jul-07	1-Jul-28	MIO	Lake Giles Project
M30/0248	585	HA	22-Feb-12	21-Feb-33	MIO	Lake Giles Project
M30/0249	1206	HA	22-Feb-12	21-Feb-33	MIO	Lake Giles Project
M30/0250	102	HA	5-Mar-13	4-Mar-34	MIO	Lake Giles Project
M30/0251	1246	HA	27-Nov-12	26-Nov-33	MIO	Lake Giles Project
M30/0252	478	HA	27-May-13	26-May-34	MIO	Lake Giles Project
E77/2521	23	SB	15-Feb-18	Under Application	EIOEC	Treppo Grande
E77/2542	12	SB	24-Apr-18	Under Application	EIOEC	Johnston Range
E77/2543	3	SB	24-Apr-18	Under Application	EIOEC	Jackson

<sup>(1)</sup> 1 sub-block (SB) = approx.3.2km<sup>2</sup> in the Pilbara. 3km<sup>2</sup> at Yalgoo and 2.8 km<sup>2</sup> at Ravensthorpe



## Corporate Update

### (i) Legal Proceedings

#### **Chan, Chan and Kwok ("FSDC Directors") 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 and the FSDC Directors cannot continue its action without first applying for leave of the Court. 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.

### (ii) MLI v. Mining and Metallurgy Process Solutions Pty Ltd ("MMPS")

The Company settled its proceedings in the Supreme Court of Western Australia against MMPS regarding the first right of refusal granted to MLI in respect of the shares in Yalgoo Exploration under the Mineral Rights Deed<sup>5</sup> between MLI and Yalgoo Exploration ("MMPS Proceedings"). MMPS owns 100% of Yalgoo Exploration.

The MMPS Proceedings, 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 by November 30, 2017. MLI will also receive 5% of gross sale proceeds for lithium rights, if Yalgoo Exploration's rights to lithium are sold within 2 years.

### (iii) Australian Securities Exchange Initial Public Offering of Australian Lithium and Iron Ore Projects

On March 3, 2017, the prospectus was lodged with Australian Securities and Investment Commission ("ASIC") in relation to Macarthur Australia Limited's ("Macarthur Australia") Australian Securities Exchange ("ASX") Initial Public Offering ("IPO"). The IPO was for the issue of up to 50 million shares in Macarthur Australia at an issue price of \$0.20 per share to raise up to \$10 million.

The minimum raise was for 25 million shares for \$5 million. Lodgement of the prospectus with ASIC and ASX for listing Macarthur Australia on the ASX followed the successful oversubscribed seed capital raising for \$1.5 million. On July 5, 2017, Macarthur Australia withdrew its prospectus for ASX IPO due to poor market conditions.

### (iv) Non-brokered Private Placement July 2017 and Reacquisition of Macarthur Australia

On July 7, 2017 the Company announced a non-brokered private placement (the "Offering") of up to 50,000,000 units (each, a "Unit") at a price of C\$0.05 per Unit for a total consideration of C\$2.5 million. Each Unit is comprised of one common share in the capital of the Company and one whole warrant to acquire a common share at an exercise price of C\$0.06 per Common Share exercisable until February 16, 2018.

On July 26, 2017, the Company closed Tranche 1 of the Offering, having received subscriptions for 34,907,782 Units for total consideration of C\$1,745,389 from Macarthur Australia seed investors and some applicants for the withdrawn ASX IPO.

On August 21 and August 24, 2017, the Company closed Tranche 2 of the Offering, having issued a further 1,746,376 Units and 830,110 shares for a total of C\$137,125 under the Offering.

On September 12, 2017 the Company closed Tranche 3 of the Offering, having received subscriptions for C\$226,591 for 4,491,139 Units.

---

<sup>5</sup> Refer to the Company's news releases dated August 15, 2016 and October 12, 2016.

## Corporate Update (Cont'd)

Under Tranches 1, 2 and 3 the Company issued 41,145,297 Units and 830,110 shares for total subscriptions of approximately \$2,107,072.

The Macarthur Australia Limited seed investors have all subscribed in the Offering, in consideration for the shares they hold in Macarthur Australia to Macarthur Minerals. The Company now holds 100% interest in Macarthur Australia.

### **(v) Board Changes and Executive Consultancy Agreements**

On October 11, 2017 Mr Joe Phillips was appointed as an executive director to the Board and on October 24, 2017 was appointed as Joint CEO.

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

On February 5, 2018, Mr David Taplin resigned as Joint-CEO and Director and Mr Earl Evans was appointed as Non-Executive Director.

The Board is now comprised of Mr Cameron McCall as Executive Chairman, Mr Joe Phillips as CEO and Director, Mr David Lenigas as Independent Director, Mr Earl Evans as Independent Director and Mr Alan Phillips as Non-Executive Director

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

### **(vi) Rights Offering**

On October 23, 2017 the Company announced that it will be offering rights ("Rights") to holders of its common shares ("Common Shares"), on the basis of one right for each common share held (the "Rights Offering"). Six (6) Rights entitled the holder to subscribe for 1 unit at a subscription price of C\$0.06 per unit ("Unit"). The Rights Offering closed on December 12, 2017, where by Macarthur Minerals issued 31,712,730 Units for gross proceeds of C\$1,902,764.

Each whole Unit consisted 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.

In connection with the Rights Offering, the Company entered into a standby guarantee agreement for the full Rights Offering of approximately C\$1.9 million with Orbit Drilling Pty Ltd. At close, Orbit Drilling Pty Ltd acquired an aggregate of 7,335,274 Units.

The net proceeds of the Rights Offering will be used 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.

### **(vii) Warrants**

During the period end December 31, 2017, 72,858,027 warrants were issued, in connection with the 2017 Private Placement and Rights Offering and 22,892,317 warrants were exercised raising CAD\$1,307,678.

## Corporate Update (Cont'd)

### (viii) Share Based Compensation

On November 28, 2017, pursuant to the Company's Share Compensation Plan ("Plan"), the Company granted a total of 2,352,942 Bonus Shares to Cameron McCall and Joe 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 were issued.

On November 28, 2017, Cameron McCall and Joe Phillips were also issued 4,705,882 restricted share units ("RSUs") at a deemed price of C\$0.075 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.

On January 24, 2018 pursuant to the Plan, the Company granted 2,000,000 options to a consultant at C\$0.065 per option. The options vest immediately and expire three years from the date of grant.

On February 20, 2018 pursuant to the Plan, the Company granted an aggregate of 4,300,000 stock options to acquire common shares of the Company pursuant to the Plans, of which 4,000,000 were granted to directors of the Company, and the remaining options granted to employees and consultants. The Options have an exercise price of C\$0.055, vest immediately and expire three years from the date of grant.

On February 20, 2018 the Company also granted an aggregate of 800,000 restricted share units ("RSUs") pursuant to the Plans, of which 500,000 were granted to directors of the Company, and the remaining options granted to employees and consultants. The RSUs vest in the event that the closing share price of the Company's shares on the TSX Venture Exchange is greater than C\$0.20 for 20 consecutive trading days.

On February 20, 2018 the Company also granted a total of 1,500,000 bonus shares ("Bonus Shares") to Mr Evans, Non-Executive Director. The Bonus Shares have a deemed price of C\$0.06 per share and were issued pursuant to the Plan.

On February 26, 2018 the Company granted 2,000,000 options to a consultant at C\$0.065 per option. The options vest immediately and expire three years from the date of grant.

## Results of Operations and Financial Condition

*(All amounts in Australian dollars)*

### Selected Financial Information

The following table sets forth selected financial information of the Company for, and as at the end of, each of the last three financial years up to and including March 31, 2018. This financial information is derived from the Audited Annual Financial Statements of the Company. The Company prepares financial information according to IFRS and all information is reported in Australian dollars.

<b>Australian \$</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Other income (expenses)	<b>901,020</b>	(194,081)	469,882
Net profit (loss) for the year	<b>(3,389,034)</b>	(3,874,581)	(58,608,070)
Net profit (loss) per share	<b>(0.02)</b>	(0.03)	(0.81)
Total Assets	<b>7,769,595</b>	7,337,001	6,516,758
Total Long-term financial liabilities	<b>13,786</b>	10,857	170,035

The Company has not recognized any revenue or incurred any loss from discontinued operations or extraordinary items since becoming a reporting issuer.

During the last 3 financial years, the Company has reported operating net losses. The most significant factor affecting operating losses during the last 3 financial years is continuing administrative expenses, which includes personnel fees, professional fees, office and general expenses and share-based compensation.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations and Financial Condition (Cont'd)

### Exploration and Evaluation Expenditures

Capitalized exploration and evaluation costs, for the Lithium Projects are as follows:

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Capitalized expenses	204,026	-
Impairment of Exploration and Evaluation Assets	-	-

Capitalized exploration and evaluation costs, for the Iron Ore Projects are as follows:

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Capitalized expenses	-	-

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

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

All other exploration and evaluation expenditure is expensed as incurred. Exploration and evaluation expenditure previously capitalised but which no longer satisfies the above policy is impaired and expensed to the Statement of Loss and Other Comprehensive Loss.

At March 31, 2018 the Company held 100% of the outstanding and issued share capital of Macarthur Australia (refer to Reacquisition of Macarthur Australia in Corporate Update). Macarthur Australia's wholly owned subsidiaries MIO and MLI hold assets which include the Iron Ore Projects and lithium exploration projects, respectively. Macarthur Minerals also holds 100% of Macarthur Lithium Nevada Limited ("MLiNV"), which holds lithium exploration projects in Nevada (full details of which are set out in the Discussion on Operations).

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

In the current year, global market conditions have improved however given ongoing uncertainty, carrying value has been maintained at \$6,000,000. Exploration expenditure of \$777,861 incurred during the year ended 31 March, 2018 was expensed to bring the value of the Iron Ore exploration and evaluation assets down to the \$6,000,000 valuation.

During the year ended March 31, 2018, the Company capitalised \$204,026 in additions on Lithium Projects which it holds tenements for. Costs incurred on other Lithium projects in the current year totalling \$440,951 have been expensed, as the tenements are still under application.

## Results of Operations and Financial Condition (Cont'd)

### Administrative Expenses

Administrative expenses are expenses not directly related to the Exploration and Evaluation assets and are expensed immediately.

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Administration Expenses	4,290,054	3,680,500
Impairment expense	-	-

For the year ended March 31, 2018 the Company expended \$4,290,054 on administrative expenses compared with administrative expenses of \$3,680,500 for the corresponding year ended March 31, 2017.

### Income/(Other Expenses)

Income normally comprises interest income earned on the Company's liquid financial instruments.

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Interest Income	9,043	3,142
Other Income (Cost Recoveries)	530,000	98,321
Net Other Income	-	1,816
Change in fair value of warrant liability	361,977	(297,360)

For the year ended March 31, 2018 the Company earned interest income of \$9,043. Compared to the corresponding year ended March 31, 2017 interest income increased by \$5,901 due to interest earned on an increased cash balance.

Interest income is dependent upon interest rates and funds raised by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

For the year ended March 31, 2018 the Company recognized other income of \$530,000, of which \$300,000 related to settlement from MMPS legal case (see Discussion on Operations), and \$230,000 related to option fee income for Panorama Gold Project (see Discussion on Operations).

The Company recognized an income of \$361,977 (March 31, 2017 - \$297,360) from changes in fair value of the warrant liability in the consolidated statement of loss and comprehensive loss. Refer to Note 16 of the Audited Annual Financial Statements for the year ended March 31, 2018.

### Income Taxes

Future tax assets have not been recognized in the financial statements as the directors believe it has not yet become probable that they will be recovered and utilized.

### Net Losses

The net loss for the year reflects the administrative costs of the Company, including share-based compensation expense relating to employee and consultant share options.

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Net loss	3,389,034	3,874,581

The net loss for the year ended March 31, 2018 was \$3,389,034 compared with \$3,874,581 for the corresponding year ended March 31, 2017.

## Results of Operations and Financial Condition (Cont'd)

### Change in Financial Position

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Cash and cash equivalents	1,370,288	807,229
Exploration and Evaluation assets I <sup>[1]</sup>	6,204,026	6,000,000
Plant and Equipment	48,873	79,204
Total Assets	7,769,595	7,337,001
Accounts Payable and Accrued Liabilities	443,762	616,200
Total Liabilities	640,522	1,168,652
Net Assets	7,129,073	6,168,349
Net Working Capital <sup>[2]</sup>	1,036,446	608,465

<sup>[1]</sup> Comprised of \$6,000,000 relating to Iron Ore Projects, and \$204,026 relating to Lithium Projects.

<sup>[2]</sup> Excludes warrant liability of March 31, 2018 – \$146,486 and March 31, 2017 - \$508,463.

At March 31, 2018 the Company had net assets of \$7,129,073 compared to \$6,168,349 at March 31, 2017. The increase is due to equity raising during the year.

The Company's cash and cash equivalents balance was \$1,370,288 at March 31, 2018 which was an increase of \$563,059 from the March 31, 2017 balance. Refer below for the year's cash flow movement.

Plant and equipment was \$48,873 at March 31, 2018.

The Company's net working capital at March 31, 2018 was \$1,036,446 compared with net working capital of \$608,465 at March 31, 2017. The increase in the net working capital over the year is due to equity raising activities during the year.

### Year to Date Cash Flows

Australian \$	Year Ended March 31, 2018	Year Ended March 31, 2017
Operating Activities	(2,885,722)	(3,370,381)
Investing Activities	(142,731)	(4,688)
Financing Activities	3,591,512	3,914,457
Total cash movement	563,059	539,388

Cash outflow from operating activities during the year ended March 31, 2018 was \$2,885,722 compared with \$3,370,381 for the prior corresponding year. The decreased cash outflow was mainly due higher other income incurred during the year.

Cash outflow from investing activities during the year was \$142,731 compared with \$4,688 in the prior year. The outflow in both comparative years related primarily to exploration activities. The increase in cash outflow relates to the Company's increased exploration activity on its projects.

Cash inflow from financing activities during the year was \$3,591,512 compared with cash inflow of \$3,914,457 for the prior year. The inflow in the year ended March 31, 2018 relates to gross funds received from equity raising, including private placements and exercised options and warrants.

## Results of Fourth Quarter

### Exploration and Evaluation Expenses

Australian \$	Quarter Ended March 31, 2018	Quarter Ended March 31, 2017
Exploration and Evaluation costs	204,026	-

Exploration and evaluation costs for the quarter ended March 31, 2018 was \$204,026 due to exploration and evaluation expenditure for the lithium projects being capitalized during the quarter, due to tenements being granted. Refer to Note 12 of the Audited Annual Financial Statements for the year ended March 31, 2018.

## Results of Fourth Quarter (Cont'd)

### Administrative Expenses

Australian \$	Quarter Ended March 31, 2018	Quarter Ended March 31, 2017
Administration expenses <sup>[1]</sup>	1,037,527	1,483,798

<sup>[1]</sup> Excludes impairment expense of \$777,861 for Iron Ore Projects and \$267,349 for Stonewall Project

For the quarter ended March 31, 2018 the Company incurred administrative expenses of \$1,037,527 compared to \$1,483,798 for the quarter ended March 31, 2017.

The largest elements of administrative expenses for the quarter ended March 31, 2018 were shared based compensation and personnel fees.

### Income

Income is normally comprised of interest income. For the quarter ended March 31, 2018 the Company earned interest income of \$6,391. Compared to the corresponding quarter ended March 31, 2017 interest income increased by \$3,249 due to interest earned on an increased cash and cash equivalents balance.

Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

### Net Losses

The net loss for the quarter ended March 31, 2018 was \$2,222,832 compared with the net loss for the corresponding quarter ended March 31, 2017 of \$2,007,581. The increase in net loss for the quarter ended March 31, 2018 was mainly due to impairment expense incurred during the quarter.

### Summary of Quarterly Information

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with March 31, 2018. This financial information is derived from the Annual Audited Financial Statements of the Company.

	Jun 30, 2016 \$	Sept 30, 2016 \$	Dec 31, 2016 \$	Mar 31, 2017 \$	Jun 30, 2017 \$	Sept 30, 2017 \$	Dec 31, 2017 \$	Mar 31, 2018 \$
Interest Income	733	1,102	585	722	1,635	711	306	6,391
Net profit/(loss)	(627,951)	(826,729)	(412,620)	(1,379,330)	(123,326)	(634,741)	(408,135)	(2,222,832)
Net profit/(loss) per share	(0.01)	(0.01)	(0.003)	(0.01)	(0.001)	(0.003)	(0.002)	(0.012)

The Company has not recognized any revenue or incurred any loss from discontinued operations since becoming a reporting issuer.

During the last 8 quarters, the Company has consistently reported net losses. The most significant factor affecting quarterly losses is continuing administrative expenses.

Income is predominantly derived from interest income. Other income receivables include option fee income.

### Liquidity and Capital Resources

At March 31, 2018, the Company has net working capital of \$1,033,446.

The Company's has no external borrowings.

Over the next 4 quarters (12 months), the Company anticipates its cash expenditure requirements will remain stable as the Company continues exploration and evaluation activities. Upon project financing being raised, expenditure will significantly increase.

## Related Party Transactions

Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this MD&A. There were no transactions between the Company and related parties in the wholly owned Group during the year ended March 31, 2018 other than remuneration for key management personnel for which details are disclosed below. The terms and conditions of those transactions were no more favorable than those that it is reasonable to expect that an entity would have adopted if dealing on an arm's length basis.

### Key Management Personnel

The following persons were key management personnel of the Company during the year ended March 31, 2018.

#### *Non-Executive Directors*

Alan Phillips, Non-Executive Director

David Lenigas, Non-Executive Director

Earl Evans, Non-Executive Director (appointed 5 February, 2018)

#### *Executive Directors*

Cameron McCall, Executive Chairman (appointed as Executive 17 October, 2017)

Joe Phillips, CEO and Director (appointed 11 October, 2017)

David Taplin, President, CEO and Director (resigned 5 February, 2018)

### Details of Remuneration

For details on the remuneration of each key management personnel of the Company refer to Note 22 of the Audited Annual Financial Statements for the year ended March 31, 2018.

### 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 International Accounting Standard ("IAS") 24. Where transactions are entered into with those entities the terms and conditions are no more favorable 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.

## Commitments

### Exploration expenditures

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures are set out in Note 21 to the Audited Annual Financial Statements for the year ended March 31, 2018.

Apart from the above, the Company has no other material commitments at the balance sheet date.

## Off-Balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing, hedging or research and development services with the Company.



## Risks and Uncertainties

### GENERAL

The Company is an Australian company listed on the TSX-V and engaged in the exploration and evaluation of mineral properties in Australia and in the United States.

The recoverability of the Mineral Resources and Mineral Reserves are dependent upon the ability of the Company to obtain the necessary financing to continue exploration and evaluation of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company.

These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, infrastructure, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

The amount of the Company's administrative expenditures is related to the level of financing and exploration and evaluation activities that are being conducted, which in turn may depend on the Company's recent exploration and evaluation experience and prospects, as well as the general market conditions relating to the availability of funding for exploration and evaluation stage resource companies. Consequently, the Company does not acquire properties or conduct exploration and evaluation work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

The Directors of the Company will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavor to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for the same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

### RISKS RELATING TO THE BUSINESS OF THE COMPANY

#### Going Concern (Trends)

The Company's financial success is dependent upon the discovery of commercial Mineral Resources on its projects which could be economically viable to develop. Such development could take several years to complete and the resulting income, if any, is difficult to determine at this time. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

#### Going Concern (Funding)

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

## Risks and Uncertainties (Cont'd)

### Reliance on Key Personnel (Management and Directors)

The Company's development to date has largely depended, and in the future will continue to depend on the efforts of key management. Loss of any of these people could have a material adverse effect on the Company and its business, and therefore the trading price of its shares. In this sense the Company has been, and continues to be, particularly reliant on the following directors and officers:

- Cameron McCall – Executive Chairman
- Joe Phillips – CEO and Director
- Alan Phillips – Non-Executive Director
- David Lenigas – Non-Executive Director
- Earl Evans – Non-Executive Director

The Company does not maintain key person insurance on any of its management.

### Risk of the General Market and Economic Conditions

Changes in the general economic climate in which Macarthur Minerals operates may adversely affect its financial performance, its exploration and evaluation activities, and its ability to fund those activities. Factors that may contribute to that economic climate include changes in global and/or domestic economic conditions, the general level of economic activity, movements in interest rates and inflation, currency exchange rates and other economic factors.

The price of commodities, and level of activity within the mining industry will also be of particular relevance to Macarthur Minerals. Neither Macarthur Minerals, nor the directors, warrant the future performance of the Company or any return on an investment in Macarthur Minerals.

### Competitive Conditions Risk

The resource industry can be intensively competitive, and a number of other hematite, magnetite gold, and lithium deposits have already been developed in Australia. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests, access to infrastructure as well as for the recruitment and retention of qualified employees and contractors.

The Company may be unable to acquire additional attractive mining properties on terms it considers to be acceptable. The inability of the Company to acquire attractive mining properties would result in difficulties in it obtaining future financing and profitable operations.

The Company competes with many other companies that have substantially greater financial resources than the Company and our ability to compete is dependent on being able to raise additional funds as and when required.

### Risk that the Company has a Limited Operating History

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the projects come into production.

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at March 31, 2018 the Company's deficit was \$94,901,383.

### Risk of Conflict of Interest

Certain officers and directors of the Company may be officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time.

Conflicts of interest affecting the directors and officers of Macarthur Minerals will be governed by Macarthur Minerals' "Code of Conduct", the Constitution of Macarthur, the provisions of the *Corporations Act 2001* (C'th) and other applicable laws and relevant stock exchange policies and requirements.

The directors are required by law, to act honestly and in good faith with a view to the best interests of the Company.

## Risks and Uncertainties (Cont'd)

In the event that such a conflict of interest arises at a meeting of the directors, a director affected by the conflict must disclose the nature and extent of their interest and abstain from voting for or against matters concerning the matter in respect of which the conflict arises.

### Insurance Risk

Macarthur Minerals' operations are subject to all of the risks and hazards typically associated with the exploration and evaluation of minerals. Macarthur Minerals intends to maintain insurance that is within ranges of coverage that believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that Macarthur Minerals will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Macarthur Minerals. Insurance of all risks associated with exploration and evaluation is not always available and where available the costs may be prohibitive.

### Risk of Terrorist Attack or Other Sustained Armed Conflicts

Terrorist activities, anti-terrorist efforts or other armed conflict involving Canada, United States or Australia or their interests abroad may adversely affect the Canadian, United States, Australian and global economies. If events of this nature occur and persist, the associated political instability and societal disruption could reduce overall demand for commodities potentially putting downward pressure on prevailing commodity prices and adversely affect the Company's activities.

## RISK FACTORS RELATING TO FINANCE

### Liquidity Risk (Solvency Risk)

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a rigorous planning and budgeting process to help determine the funds required to meet its operating and growth objectives. The Company prepares cash forecasts and maintains cash balances to meet short and long term cash requirements.

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and evaluation. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company may need to raise funds by the issuance of shares or dispose of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and evaluation of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising its required financing.

Macarthur Minerals' ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to Macarthur Minerals on reasonable terms or at all. Failure to obtain appropriate financing on a timely basis or reasonable terms may result in a loss of business opportunity and excessive funding costs. If Macarthur Minerals raises additional funds through the issue of equity securities, this may result in dilution to the existing shareholders and/or a change of control of Macarthur Minerals.

The Company has a requirement to raise further capital. The Company has not made any commitments for significant capital expenditures. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned exploration programs.

## Risks and Uncertainties (Cont'd)

### Commodity Price Risk

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic, financial and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs.

The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted. As the Company has not yet reached the mining stage, its exposure to price risk does not impact on the financial statements however price risk is a critical assumption for the Company's reported Scoping Studies and Preliminary Feasibility Study for the MIO Projects ("Project Studies"). In addition, the oversupplied iron ore markets and depressed iron ore prices has severely constrained the Company's ability to fund further development of its MIO Projects.

### Credit Risk

Credit risk is the potential loss through non-performance by counterparties of financial obligations. The Company's primary exposure to credit risk is on its cash and cash equivalents and taxes receivable. The Company limits its exposure to credit risk by maintaining its financial liquid assets with high-credit quality financial institutions. Receivables are primarily interest receivable and goods and services tax due from the Australian Taxation Office.

### Risk Related to the Economics of Developing Mineral Properties

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract minerals and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection.

Depending on the price of minerals produced, the Company may determine that it is impractical to commence commercial production.

### Currency Risk

The Company's revenues and expenses will be incurred in Australian dollars and US dollars, though its financings may be completed in Canadian dollars. Although the Company has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the Australian dollar. This could adversely affect the Company's financial position and operating results.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents are highly liquid and earn interest at market rates in short term fixed term deposits and variable chequing accounts. Due to the short term nature of these financial instruments, fluctuations in market interest rates do not have a significant impact on the fair values of these financial instruments.

### Risk of Unforeseen Expenses

While Macarthur Minerals is currently not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of Macarthur Minerals may be adversely affected.

## Risks and Uncertainties (Cont'd)

### **RISK FACTORS RELATING TO THE SECURITIES OF THE COMPANY**

#### **Risk of Share Price and Market Volatility**

The market price of shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Canadian, United States and Australian resources sector, Canadian, United States and Australian listed entities and exploration companies in particular. During the period ended March 31, 2018, the closing price per share of the Company fluctuated from a low of CAD\$0.045 to a high of CAD\$0.12.

There are a number of factors (both national and international) that may affect the share market price and neither Macarthur Minerals nor its directors have control over those factors. There can be no assurance that continual fluctuations in price will not occur.

Factors that could affect the trading price that are unrelated to Macarthur Mineral's performance include domestic and global commodity prices and economic outlook, fiscal and monetary policies, currency movements, and market perceptions of the attractiveness of particular industries. The shares carry no guarantee in respect of profitability, dividends, return on capital, price or degree of liquidity with which they trade on the TSX-V.

#### **Shares Reserved for Issuance: Dilution Risk**

Capital raisings to meet funding and property commitments will result in dilution to the Company's shareholders. It is likely any additional capital required by the Company, as described above, will be raised through the issuance of additional equity securities which will result in dilution to the Company's existing shareholders. Further, the Company, from time to time, is required to issue shares to earn its interests in properties. Such property share issuances will also result in dilution to the Company's existing shareholders.

As at March 31, 2018, there were 27,707,009 stock options, 5,505,882 RSUs and 31,712,730 warrants outstanding.

#### **Share Liquidity Risk**

Shareholders of the Company may be unable to sell significant quantities of the Company's shares into the public trading markets without a significant reduction in the price of their shares, if any at all. The majority of the Company's shares are held with institutional holders, which means that there is a usually low trading volume. The Company's market maker has the role of ensuring there is a buyer/seller if liquidity is too low. The Company may need to take action to continue to meet the listing requirements of the TSX-V or achieve listing on any other public listing exchange

#### **Dividends**

The Company currently does not pay dividends. Payment of dividends on the Company's shares is within the discretion of the Company's board and will depend upon the Company's future earnings, its capital requirements, financial condition, and other relevant factors. The Company does not currently intend to declare any dividends for the foreseeable future.

### **RISK FACTORS RELATING TO THE COMPANY'S PROPERTY INTERESTS**

#### **Title Risk**

Macarthur Minerals cannot guarantee that one or more of its titles within the projects will not be challenged. Title insurance is generally not available for mineral properties and Macarthur Minerals may not be able to ensure that it has obtained a secure claim to individual mineral properties or exploration rights and as a result the Company's ability to develop the projects may be constrained. The projects may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Macarthur Minerals may not have conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Macarthur Minerals being unable to operate on all or part of the projects as permitted or being unable to enforce its rights with respect to all or part of the projects.

## Risks and Uncertainties (Cont'd)

In addition, Macarthur Minerals' interests in the projects are subject to various conditions, obligations and regulations imposed by the Australian and State Government Departments. If the necessary approvals are refused, Macarthur Minerals will suffer a loss of the opportunity to undertake further exploration, or evaluation, of the tenement. Macarthur Minerals currently knows of no reason to believe that current applications will not be approved, granted or renewed.

Lack of funding to satisfy contractual expenditure obligations under any option, joint venture or farm in agreements ("Tenement Acquisition Agreements") to which the Company is a party, may result in termination of the Company's property interests in such agreements. The Company may also be unable to meet its share of costs incurred under any Tenement Acquisition Agreements and the Company may have the tenement interests subject to such agreements reduced as a result or even face termination of such agreements. In order to secure ownership of these properties, additional financing will be required. Failure of the Company to make the requisite payments in the prescribed time periods will result in the Company losing its entire interest in the subject property and the Company will no longer be able to conduct certain aspects of its business as described in this MD&A.

The Company may not have sufficient funds to: make the minimum expenditures to maintain its properties in good standing under United States, Canadian and Australian law; and make the minimum expenditures to earn its interest in tenements. In such event, in respect of any of the properties, the Company may seek to enter into a joint venture or sell the subject property or elect to terminate its option.

Where possible the Company will work with tenement and landowners to obtain required rights of access but unless such rights are obtained, or if there is a dispute, the Company's operations may be adversely affected or delayed.

Macarthur Minerals' project areas may contain sites of cultural significance, which would need to be avoided when carrying out field programs and potential project development.

### **Environmental Factors and Protection Requirements**

The Company is currently engaged in exploration and evaluation activities with limited environmental impact and actively engages with government departments to ensure open communication and accurate assessment of environmental approvals. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property.

Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. Limited environmental incidents may be covered under existing insurance policies. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

### **Risk related to Infrastructure and Development**

There are numerous activities that need to be completed in order to successfully commence production of minerals from the projects, including, without limitation, negotiating final terms of export capacity, negotiating rail and road haulage contracts, optimizing the mine plan, locating an adequate supply of fresh and saline water (for road and dust suppression), acquisition of the right to establish a rail siding, negotiating contracts for the supply of power, for the sale of minerals and for shipping, updating, renewing and obtaining, as required, all necessary permits including, without limitation, mining and environmental permits, local government road haulage approvals and handling any other infrastructure issues.

## Risks and Uncertainties (Cont'd)

There is no certainty that the Company will be able to successfully negotiate these contracts, put these matters in place and secure these necessary resources. Most of these activities require significant lead times and the Company will be required to manage and advance these activities concurrently in order to commence production. It is not unusual in developing a resources project to experience unexpected problems and delays in infrastructure delivery and project development. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, and will have a material adverse effect on the Company's business, prospects, financial performance and future results of operations.

### Estimates of Mineral Reserves and Resources – MIO Projects

The Company's Iron Ore Projects cover mineralization and natural material of intrinsic economic interest which have been identified and estimated through exploration and sampling. Mineral Resource estimates are defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. A Mineral Resource estimate is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable.

The phrase "reasonable prospects for economic extraction" implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. These assumptions are presented explicitly in both public and technical reports.

Given the passage of time since the Mineral Reserve estimate was made and the continued volatility in the commodities markets, a revised analysis would need to be conducted to confirm whether the Mineral Reserve is still the economically mineable part of the Indicated Mineral Resource as demonstrated by the Project Studies.

Mineral Reserves are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. Although the reporting of a "Mineral Reserve" indicates that there are reasonable expectations of all governmental approvals being received, it does not signify that extraction facilities are in place or operative or that all governmental approvals have been received.

### Risk of Reliance on and Relevance of Project Studies – MIO Projects

The Company's Project Studies are evaluations of potential development of a project at a given time taking many factors into account. No assurance can be given that the process, methodology or plan of development included in a Project Study will be progressed and included in further studies. Project Studies are based on existing resource estimates and market conditions and consequently, market fluctuations, varied logistics or production costs or recovery rates may render the results of existing Project Studies uneconomic and may ultimately result in a future study being very different.

The Company's ability to rely on results from Project Studies would be affected due to the time based nature of the studies which may adversely affect the Company as it may need to repeat certain aspects of the Project Studies with new results and current market conditions.

### Risk of Restrictive Access to the Projects

Macarthur Minerals' projects are located in areas which can be difficult to access at times. During this period, costs associated with the Company carrying on its business may significantly increase and exceed the amount allocated in the Company's budget, and in certain circumstances may prevent the Company from being able to conduct its drilling or significant operations on the relevant lands.

In addition, natural events, such as cyclones, floods, and fire, which are beyond the control of Macarthur, could prevent access to its tenements or offices or otherwise affect the Company's ability to undertake planned exploration or evaluation or development (and potentially production) and, as a result, could have a material adverse effect on Macarthur Minerals.

### Risk of Accuracy of Exploration Maps and Diagrams

Macarthur Minerals has commissioned and produced numerous diagrams and maps to help identify and describe the tenements and the targets sought by Macarthur Minerals on those tenements. Maps and diagrams should only be considered an indication of the current intention in relation to targets and potential areas for exploration and drilling, which may change.

## Risks and Uncertainties (Cont'd)

### **RISK FACTORS RELATING TO MINING GENERALLY**

#### **Mineral Exploration and Evaluation Risk**

The projects are in the exploration and evaluation stage. Evaluation of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and evaluation involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and evaluation activities will result in the discovery and development of a body of commercial minerals on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

#### **Operating Hazards and Risks**

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, evaluation, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labor disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are some of the risks involved in the operation of mines and the conduct of exploration programs.

The mining industry is subject to occupational health and safety laws and regulations which change from time to time and may result in increased compliance costs or the potential for liability and even personal liability for management and directors. It is Macarthur Minerals' intention to mitigate this risk by operating to the highest occupational health and safety standards.

Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

#### **Risk of Availability of Labour**

Macarthur Minerals will require skilled labour workers and engineers in order to operate its activities. Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

The Company may experience a skills shortage. Due to the high demand for skilled and unskilled labour, there is a growing expectation of higher wages. Macarthur Minerals strives to employ the best people however, this can come at a high price or may delay operations should it not be able to attain and retain those people.

### **RISK FACTORS RELATING TO GOVERNMENT**

#### **Risk of Increased Government Policy and Imposition of Tax**

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and government policies in Australia, may have an adverse effect on the operations and financial performance of Macarthur Minerals and, ultimately, the market price of its securities.

In addition to the normal level of income tax imposed on all industries, Macarthur Minerals may be required to pay government royalties, indirect taxes, GST and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.



## Risks and Uncertainties (Cont'd)

### **Risk of Greater Governmental Regulation**

Exploration, evaluation, development and operations on the Company's properties are affected to varying degrees by government regulations relating to such matters as: (i) environmental protection, health, safety and labor; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) access to and use of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

Failure to obtain licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration or future development work, which may result in it losing its interest in the subject property.

As the Company's projects advance to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labor standards, environmental protection, mine safety and other matters. In addition, new laws or regulations, governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

### **RISK FACTORS RELATING TO THE COMPANY'S LEGAL OBLIGATIONS**

#### **Contractual risk**

Macarthur Minerals is a party to various contracts. Whilst Macarthur Minerals will have various contractual rights in the event of non-compliance by a contracting party, no assurance can be given that all contracts to which Macarthur Minerals is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, Macarthur Minerals will be successful in enforcing compliance and recovering any loss in full.

All industries, including the mining industry, are subject to legal claims that are with and without merit.

The Company is currently involved in legal proceedings. It's unlikely that the final outcome of these proceedings will have a material and adverse effect on the Company's financial condition or results of operations; however, defence and settlement costs can be substantial, even for claims that are without merit.

Due to the inherent uncertainty of the litigation process and dealings with regulatory bodies, there is no assurance that any legal or regulatory proceeding will be resolved in a manner that will not have a material and adverse effect on the Company's future cash flow, results of operations or financial condition.

The Company maintains Directors and Officers Liability insurance. The Company has provided an indemnity for each director and officer to the maximum extent permitted by law, against any liability for legal costs incurred in respect of liability incurred by them, as or by virtue of their holding office as and acting in the capacity of, an officer of the Company, except where the liability arises out of conduct involving lack of good faith or in breach of the law.

#### **Jurisdiction Risk**

All of the Company's assets are presently located in Australia and the United States and the Company may contract with international parties from time to time. It may be difficult or impossible to enforce judgments obtained in overseas courts predicated upon the civil liability provisions of the securities laws of those countries.

#### **Accounting Policies**

Accounting policies, including new accounting standards and interpretations, followed by the Company are set out in Note 2 to the Audited Annual Financial Statements for the year ended March 31, 2018.

## Risks and Uncertainties (Cont'd)

### Critical Accounting Estimates

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

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

(i) Exploration and Evaluation Expenditure

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

(ii) Share-based payment transactions

The Company measures the costs of equity-settled transactions with directors, officers, employees and consultants by reference to the fair values of the equity instrument. The fair value of equity-settled transactions is determined using the Black-Scholes options-pricing model as measured on the grant date. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate for market based vesting conditions. During the reporting period the amount of \$112,063 has been shown as share-based compensation expenditure in the statement of loss and comprehensive loss.

(ii) *Deferred tax assets*

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

(iii) *Going concern*

As set out in Note 2(b) in the Audited Annual Financial Statements for the year ended March 31, 2018, the Financial Report has been prepared on a going concern basis.

### Financial Instruments

The Company's principal financial instruments are comprised of cash, short term deposits and payables which approximate their fair market value due to the short-term nature of these instruments. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and foreign currency risk. Refer to the Risks and Uncertainties section above and Note 3 to the Audited Annual Financial Statements for the year ended March 31, 2018.

### Disclosure Controls and Procedures

Although the Company is listed on the TSX-V, it continues to maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. The Company has designed the Company's disclosure controls and procedures, to provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

The Company's CEO oversees on an annual basis the evaluation of the effectiveness of the Company's disclosure controls and procedures as at March 31, 2018 and concluded that they are effective and provide reasonable assurance that material information relating to the Company was made known to them and reported as required.

## Internal Controls Over Financial Reporting ("ICFR")

The CEO and CFO are responsible for the design of ICFR, or for causing them to be designed under their supervision for evaluating the effectiveness of such internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of external financial statements in accordance with IFRS. Regardless of how well an internal control system is designed and operated, it can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements resulting from error or fraud due to the inherent limitations of any internal control system.

Although the Company is listed on the TSX-V, the CEO and CFO continues to be responsible for the design of ICFR, or for causing them to be designed under their supervision for evaluating the effectiveness of such internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of external financial statements in accordance with IFRS. Regardless of how well an internal control system is designed and operated, it can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements resulting from error or fraud due to the inherent limitations of any internal control system.

There were no significant changes that occurred during the year ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The Company has not in any way limited the design of the ICFR and there were no material weaknesses related to its design as at March 31, 2018.

The CEO and CFO oversaw all material transactions and related accounting records. The Audit Committee of the Company, with management, reviews the financial statements of the Company, on a quarterly and annual basis. The external auditor reviews on a quarterly basis and audits annually the Company's financial statements and disclosures.

While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financial reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

## Outstanding Share Data as of July 25, 2018:

Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorized Common shares (No par value)</b>	<b>Issued</b>
Common	No par value	Unlimited	242,301,414

As at July 25, 2018 there were 25,427,009 stock options, 5,505,882 RSUs and 31,712,730 warrants outstanding.

## Other Information

Additional disclosures pertaining to the Company, including its most recent financial statements, management information circular, material change reports, press releases and other information, are available on the SEDAR website at or on the Company's website at [www.macarthurminerals.com](http://www.macarthurminerals.com). Readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

## Competent Person's Statement

David Williams, a member of the Australian Institute of Geoscientists, is a full-time employee of CSA Global Pty Ltd and is a Qualified Person as defined in National Instrument 43-101. Mr Williams has reviewed and approved the technical information in relation to the Ularring Hematite and Moonshine Magnetite Iron Ore Projects (excluding any corporate matters) contained in this MD&A and has consented to the public filing of the MD&A.

Andrew Hawker, a member of the Australian Institute of Geoscientists, is a full-time employee of Hawker Geological Services Pty Ltd and is a Qualified Person as defined in National Instrument 43-101. Mr Hawker has reviewed and approved the technical information in relation to Western Australian Gold Projects, Western Australian Lithium Projects, the Treppo Grande Iron Ore Project and Nickel and Cobalt Projects contained in this MD&A and has consented to the public filing of the MD&A.

Randy Henkle, a Registered Member of the Society of Mining and Exploration and a Professional Geologist licensed in British Columbia, Canada, is a Qualified Person as defined in National Instrument 43-101. Mr Henkle has reviewed and approved the technical information in relation to Nevada Brine Lithium Project contained in this MD&A and has consented to the public filing of the MD&A.

### By order of the Board

*"Cameron McCall"*

Cameron McCall

Executive Chairman

*"Earl Evans"*

Earl Evans

Independent Director