BlackEarth Minerals NL

BLACKEARTH MINERALS NL

ABN 66 610 168 191

FINANCIAL REPORT

FOR THE PERIOD FROM 15 MARCH 2016 (DATE OF INCORPORATION) TO 30 JUNE 2017

CONTENTS PAGE

CORPORATE DIRECTORY

DIRECTORS

Thomas Revy
Managing Director
Appointed 15 August 2016

Phillip Hearse
Chairman
Appointed 13 April 2017

George Bauk
Non-Executive Director
Appointed 15 March 2016

Barry Woodhouse
Director
Appointed 15 March 2016
Resigned 13 April 2017

Adrian Griffin
Director
Appointed 15 March 2016
Resigned 13 April 2017

COMPANY SECRETARY

Barry Woodhouse
Appointed 15 March 2016

REGISTERED OFFICE

Level 1
675 Murray Street
West Perth WA 6005

T: +61 8 6145 0289
F: +61 8 9475 0847
E: info@blackearthminerals.com.au
W: www.blackearthminerals.com.au

AUDITORS

William Buck Audit (WA) Pty Ltd
Level 3
15 Labouchere Road
South Perth WA 6151

SHARE REGISTRY

Automic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000

T: +61 8 9324 2099
F: +61 2 8583 3040

DIRECTORS' REPORT

The Directors present their report on BlackEarth Minerals NL ("BEM" or the "Company") and its controlled entity (the "Consolidated entity") for the period from 15 March 2016 (date of incorporation) to 30 June 2017.

BOARD OF DIRECTORS

The names and details of the Consolidated entity's directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Phillip Hearse	Non-Executive Chairman (appointed 13 April 2017)
Thomas Revy	Managing Director (appointed 15 August 2016)
George Bauk	Non-Executive Director (appointed 15 March 2016)
Barry Woodhouse	Director (appointed 15 March 2016, resigned 13 April 2017)
Adrian Griffin	Director (appointed 15 March 2016, resigned 13 April 2017)

INFORMATION ON DIRECTORS

Phillip Hearse **Non-Executive Chairman (appointed 13 April 2017)**

Qualifications
MBA, BSc (Metallurgy), FAusIMM

Experience
Mr Hearse is one of Australia's most respected mining professionals with 40 years' experience in diverse and challenging projects around the world. His extensive career has taken him from operational and technical support roles at Broken Hill, Bougainville Copper, Queensland Nickel (QNI) and Gove Alumina to senior executive and managerial positions. Phil founded and managed Normet Pty Ltd, one of Australia's major metallurgical and risk assessment companies for 18 years. He also held the key role of Director Advisory with GRD Minproc Ltd (now Amec Foster Wheeler) from 2001 to 2005. Over the last 10 years, he has held significant roles in the development of a number of projects globally including numerous graphite projects located in both Australia and East Africa.

Other current directorships in listed entities
None

Thomas Revy **Managing Director (appointed 15 August 2016)**

Qualifications
BAppSc (Metallurgy), GradDipBus, MAusIMM

Experience
With more than 30 years' experience within the resources industry Mr Revy is considered a corporate and project development specialist, with an extensive international network in the mining sector. Holding senior operational and corporate positions within reputable organisations including GRD Minproc, WorleyParsons and Ferrum Crescent, Mr Revy was most recently appointed as Managing Director of BlackEarth Minerals NL overseeing the development and listing of BEM on the Australian Securities Exchange.

Other current directorships in listed entities
Chairman – Empire Resources Limited

George Bauk **Non-Executive Director (appointed 15 March 2016)**

Qualifications
MBA, BBus

Experience
Mr Bauk has more than 25 years' mining industry experience including particular expertise in critical metals. Regarded for his strategic management, business planning, establishment of high-performing teams and capital-raising skills, he has held senior operational and corporate positions with WMC Resources, Arafura Resources and Indago Resources (formerly Western Metals). Since 2010, Mr Bauk has also been Managing Director and CEO of Northern Minerals Limited, overseeing that company's heavy rare earth project moving to production in northern Australia.

Other current directorships in listed entities
Chairman – Lithium Australia NL
Managing Director – Northern Minerals Limited

Barry Woodhouse **(Director, appointed 15 March 2016, resigned 13 April 2017)**

Qualifications
BCom, BLaws, CPA, FCIS, FGIA

Experience

Mr Woodhouse is a CPA and a Fellow of Governance Institute of Australia and has almost 30 years' experience in the junior mineral exploration, mineral production, mining services and manufacturing sectors in both private and public companies in Australian and foreign jurisdictions. Mr Woodhouse has held roles including CFO, Company Secretary, Director and Chairman.

Other current directorships in listed entities
None

Adrian Griffin **(Director, appointed 15 March 2016, resigned 13 April 2017)**

Qualifications
Bsc(Honours),GSA,MAusIMM

Experience
Mr Griffin has extensive experience in the resource sector accumulated over 35 years. He has held directorships in a number of private and listed resource companies and has been responsible for operating large integrated mining and processing facilities including the Bulong nickel-cobalt operation in the late 1990s. Mr Griffin has substantial experience in the mining industry in South Africa and in particular was founder and technical director of Ferrum Crescent Ltd, a developer of iron ore in that country. Mr Griffin is currently a director of Northern Minerals Limited, Parkway Minerals NL, and Reedy Lagoon Corporation Limited.

Other current directorships in listed entities
Managing Director – Lithium Australia NL
Non-executive Director – Northern Minerals Ltd
Chairman – Parkway Minerals NL
Non-executive Director – Reedy Lagoon Corporation Ltd

COMPANY SECRETARY

Barry Woodhouse (Appointed 15 March 2016)

REVIEW OF OPERATIONS

BlackEarth Minerals NL was incorporated on 15 March 2016 and changed its name from Graphite Australia NL on 24 January 2017.

The Company initially focused on a portfolio of graphite assets in Western Australia and on 21 February 2017, the Company entered into a Share Sale and Purchase Agreement (the "agreement") to acquire the share capital of Madagascar Graphite Ltd. Madagascar Graphite Ltd hold the exploration rights to Capricorn Metals Ltd (ASX:CMM) Madagascan graphite assets. These included 4 exploration licences in Maniry and 5 exploration licences in Ianapera. Completion of the agreement is subject to successful IPO.

During 2016/17 the Company undertook due diligence on a number of graphite opportunities in order to expand its project portfolio.

At 30 June 2017, BlackEarth Minerals NL had the following assets in Western Australia:

<u>**Donnelly River**</u> – 2 granted exploration licences in close proximity to historic graphite workings from the early 1900's.
<u>**Greenhills**</u> - 4 granted exploration licences.
<u>**Northern Gully**</u> – 1 granted exploration licence with known graphite occurrences, associated with the Lady Sampson Mine.

These projects were reviewed during the period in order to compile exploration plans, for execution post IPO.

BlackEarth Minerals NL is completing all necessary technical, legal, financial and regulatory requirements ahead of an IPO in 2017.

The Company has assembled a Board and Management group that have the necessary corporate, project development and graphite related technical skills and experience to deliver value for shareholders.

During the month of February 2017, the Company raised $545,000 by way of share placement as seed capital.

RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated entity for the period ended 30 June 2017 was $304,076.

No dividend has been paid during or is recommended for the financial period ended 30 June 2017.

FINANCIAL POSITION

The Consolidated entity's working capital surplus, being current assets less current liabilities was $260,013 at 30 June 2017.

In the Directors' opinion, there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable. As at 30 June 2017, the Consolidated entity received financial support from Lithium Australia NL and will continue to receive such support for a period of at least 12 months from the date of the approval of such financial statements so as to allow the Consolidated entity to meet its obligations as they fall due.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Consolidated entity during the period from 15 March 2016 to 30 June 2017 was:

	Board Meetings	
	Number held and entitled to attend	Number attended
Phillip Hearse	4	4
Thomas Revy	13	11
George Bauk	14	12
Barry Woodhouse (resigned 13 April 2017)	10	10
Adrian Griffin (resigned 13 April 2017)	10	10

ENVIRONMENTAL ISSUES

The Consolidated entity's operations are subject to State and Federal laws and regulation concerning the environment. Details of the Consolidated entity's performance in relation to environmental regulation are as follows:

The Consolidated entity's exploration activities are subject to the various state and federal statutes relating to mining and environmental protection. The Board believes that the Consolidated entity has adequate systems in place for the management of its environmental requirements. The Consolidated entity aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Consolidated entity are not aware of any breach of environmental legislation for the financial year under review.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated entity or intervene in any proceedings to which the Consolidated entity is a party for the purpose of taking responsibility on behalf of the Consolidated entity for all or any part of those proceedings.

SHARE OPTIONS

At the date of this report, the unissued ordinary shares of BlackEarth Minerals NL under option are as follows:

Option Series	Grant Date	Grant Date Fair Value	Date of Expiry	Exercise Price	Number under Option	Fair Value
Unlisted Series 1	22 June 2017	$0.01	22 June 2020	$0.30	750,000	$190
Unlisted Series 2	22 June 2017	$0.01	22 June 2020	$0.30	2,000,000	$101
					2,750,000	**$291**

Performance Hurdles/Restrictions

Option Series	Number of options	Hurdle
Unlisted Series 1	750,000	1. No restriction or hurdles need to be met
Unlisted Series 2	2,000,000	1. One-year anniversary from IPO date
		2. 2012 JORC Resources of 8mt @8% with a minimum grade 6% (total tonnage 640,000t)
		3. Reach $25m Market Cap
	2,750,000	

No new options have been issued subsequent to 30 June 2017.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Consolidated entity has not yet paid any premiums to insure Directors and Officers of the Consolidated entity.

REMUNERATION REPORT

The report outlines the remuneration arrangements in place for Directors and Key Management Personnel of BlackEarth Minerals NL in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Consolidated entity, directly or indirectly.

Remuneration Policy

The board policy is to remunerate directors, officers and employees at market rates for time, commitment and responsibilities. The Board determines payment to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Consolidated entity.

The Consolidated entity's aim is to remunerate at a level that will attract and retain high-calibre directors, officers and employees. Consolidated entity officers and directors are remunerated to a level consistent with the size of the Consolidated entity.

The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a Black-Scholes pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

There is currently no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Details of Remuneration for Period ended 30 June 2017

The remuneration for each director and of the executive officer of the Consolidated entity during the period was as follows:

Directors and Executive Officers' Emoluments

	Short Term Benefits			Post Employment		Equity	Other	Total
	Salary, Fees & Superannuation	Cash Bonus	Non-Monetary	Superannuation	Retirement Benefits	Options[6]	Benefit	$
Phillip Hearse – Non Executive Chairman[1]								
2017	-	-	-	-	-	190	-	190
Thomas Revy – Managing Director[2]								
2017	73,875	-	-	-	-	76	-	73,951
George Bauk – Non Executive Chairman[3]								
2017	-	-	-	-	-	-	-	-
Barry Woodhouse –Director and Company Secretary[4]								
2017	-	-	-	-	-	25	-	25
Adrian Griffin –Director[5]								
2017	-	-	-	-	-	-	-	-

[1] Phillip Hearse was appointed as Non-Executive Chairman 13 April 2017.

[2] Thomas Revy was appointed as Managing Director 15 August 2016.

[3] George Bauk was appointed as Non-Executive Director 15 March 2016.

[4] Barry Woodhouse was appointed as Director 15 March 2016 and resigned 13 April 2017. Barry Woodhouse was appointed as Company Secretary on 15 March 2016.

[5] Adrian Griffin was appointed as Director 15 March 2016 and resigned 13 April 2017.

[6] For further detail, refer to note 23.

Directors' interests in shares and options

The number of listed and unlisted options held by each KMP of the entity during the financial period is as follows:

	Balance 15/03/2016	Granted as Compensation	Options Exercised/ Expired	Balance 30/06/2017	Total Vested 30/06/2017	Total Exercisable 30/06/2017	Total Unexercisable 30/06/2017
P Hearse	-	750,000	-	750,000	-	-	750,000
T Revy	-	1,500,000	-	1,500,000	-	-	1,500,000
B Woodhouse	-	500,000	-	500,000	-	-	500,000
	-	**2,750,000**	-	**2,750,000**	-	-	**2,750,000**

The number of ordinary shares held by each KMP of the entity during the financial period is as follows:

	Balance 15/03/2016	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2017
P Hearse	-	-	-	1,000,000	1,000,000
T Revy	-	-	-	2,000,000	2,000,000
G Bauk	-	-	-	500,000	500,000
B Woodhouse[1]	-	-	-	100,000	100,000
A Griffin[2]	-	-	-	2,000,000	2,000,000
	-	-	-	**5,600,000**	**5,600,000**

[1] Barry Woodhouse was appointed as Director 15 March 2016 and resigned 13 April 2017. Barry Woodhouse was appointed as Company Secretary on 15 March 2016.

[2] Adrian Griffin was appointed as Director 15 March 2016 and resigned 13 April 2017.

The number of partly paid shares held by each KMP of the entity during the financial year is as follows:

	Balance 15/03/2016	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2017
P Hearse	-	-	-	1,000,000	1,000,000
T Revy	-	-	-	2,000,000	2,000,000
G Bauk	-	-	-	500,000	500,000
B Woodhouse[1]	-	-	-	100,000	100,000
A Griffin[2]	-	-	-	2,000,000	2,000,000
	-	-	-	**5,600,000**	**5,600,000**

[1] Barry Woodhouse was appointed as Director 15 March 2016 and resigned 13 April 2017. Barry Woodhouse was appointed as Company Secretary on 15 March 2016.

[2] Adrian Griffin was appointed as Director 15 March 2016 and resigned 13 April 2017.

Options Issued as Part of Remuneration

During the period ended 30 June 2017, the following share based payment options arrangements were in existence with KMP:

Option Series	Number Granted	Grant Date	Grant Date Fair Value	Expiry Date	Exercise Price	Vesting Date
Unlisted Series 1 Table A	750,000	22/06/2017	$0.01	22/06/2020	$0.30	22/06/2018
Unlisted Series 2 Table B	2,000,000	22/06/2017	$0.01	22/06/2020	$0.30	22/06/2019
	2,750,000					

There are no further service or performance criteria other than as listed above that need to be met in relation to unlisted options granted before the beneficial interest vests in the recipient.

Table A Series 1 - During the period, the following KMP became entitled to options with a fair value of $0.01 per unit.

Series 1 Table A	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
P Hearse	750,000	-	0%	0%
	750,000			

These options cannot be exercised prior to the vesting date. The vesting date has not been met at reporting date.

Table B Series 2 - During the period, the following KMP became entitled to options with a fair value of $0.01 per unit.

Series 2 Table B	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
T Revy	1,500,000	-	0%	0%
B Woodhouse	500,000	-	0%	0%
	2,000,000			

SUBSEQUENT EVENTS

(a) On 11 July 2017, the Consolidated entity sought and obtained shareholder approval for the cancellation of 19,000,000 ordinary shares and 9,000,000 partly paid shares.

(b) On 17 July 2017, the Consolidated entity issued 1,000,000 ordinary fully paid shares to Lithium Australia for the purchase of tenements.

(c) On 17 July 2017, the Consolidated entity issued 1,000,000 partly paid shares (at $0.0001 paid per share and $0.2499 unpaid per share) to Greyhound Investments Pty Ltd.

(d) On 21 July 2017, the Company and Capricorn Metals Ltd agreed for an extension of the end date of the agreement dated 21 February 2017, to 30 November 2017. For further information please refer to note 18.

(e) The Company also has the following tenements under application or renewal:
Yalbra – 1 exploration licence pending
Maniry – 2 exploration licences pending

Other than as listed above, there have not been any other material events subsequent to the end of the reporting date and the date of this report that have not been included in this financial report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (WA) Pty Ltd, to provide the directors of the Consolidated entity with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the period ended 30 June 2017.

This report has been made in accordance with a resolution of the Board of Directors.

Thomas Revy
Managing Director

Dated at Perth this 17th day of August 2017

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BLACKEARTH MINERALS NL

I declare that, to the best of my knowledge and belief during the period ended 30 June 2017 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director
Dated this 17th day of August, 2017

CHARTERED ACCOUNTANTS & ADVISORS
Level 3, 15 Labouchere Road
South Perth WA 6151
PO Box 748
South Perth WA 6951
Telephone: +61 8 6436 2888
williambuck.com

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Period Ended 30 June 2017

	Notes	Period From 15 March 2016 to 30 June 2017 $
Continuing Operations		
Other Revenue	5 (a)	813
Administration costs		(261,368)
Exploration and evaluation costs written off		(41,606)
Depreciation and amortisation		(662)
Financing costs		(2)
Other expenses	5 (b)	(1,250)
Loss before income tax		(304,076)
Income tax expense	6	-
Loss after income tax from continuing operations		(304,076)
Other comprehensive income, net of income tax		-
Total comprehensive income for the period		(304,076)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	30 June 2017 $
Current Assets		
Cash and cash equivalents	7	340,188
Trade and other receivables	8	27
Total Current Assets		340,215
Non Current Assets		
Other assets	9	75,000
Property, plant and equipment	10	1,803
Total Non Current Assets		76,803
TOTAL ASSETS		417,018
Current Liabilities		
Trade and other payables	11	80,202
Total Current Liabilities		80,202
TOTAL LIABILITIES		80,202
NET ASSETS		**336,816**
Equity		
Issued capital	12	640,601
Reserves	13	291
Accumulated losses		(304,076)
TOTAL EQUITY		**336,816**

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Period Ended 30 June 2017

	Issued capital	Share Based Payment Reserve	Accumulated losses	Total
	$	$	$	$
Balance at 15 March 2016	-	-	-	-
Loss for the period	-	-	(304,076)	(304,076)
Other comprehensive income for the period, net of income tax	-	-	-	-
Total comprehensive loss for the period	-	-	(304,076)	(304,076)
Issue of shares	660,151	-	-	660,151
Capital raising costs	(19,550)	-	-	(19,550)
Issue of options	-	291	-	291
Balance at 30 June 2017	**640,601**	**291**	**(304,076)**	**(336,816)**

The above statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period Ended 30 June 2017

	Note	Period from 15 March 2016 to 30 June 2017 $
Cash Flows from Operating Activities		
Payments to suppliers and employees		(191,552)
Payments for exploration and evaluation		(40,420)
Interest received		813
Net cash used in operating activities	14	(231,159)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment		(2,465)
Payment for acquisition of subsidiary		(75,000)
Net cash used in investing activities		(77,465)
Cash Flows from Financing Activities		
Proceeds from issue of shares		658,902
Payment for capital raising costs		(10,089)
Net cash generated by financing activities		648,812
Net increase in cash held		340,188
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	7	340,188

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2017

These consolidated financial statements and notes represent those of BlackEarth Minerals NL and its controlled entity (the "Consolidated entity"). BlackEarth Minerals NL is a no liability company, incorporated and domiciled in Australia.

The Consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial statements for the period ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 17 August 2017.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report has been prepared on an accruals basis and is based on historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(i) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

As at 30 June 2017, the Consolidated entity had cash assets of $340,188 and working capital surplus of $260,013.

A major shareholder of the Consolidated entity, Lithium Australia NL, which has sufficient financial capability has provided a letter of support indicating that it will provide the required financial support to the Consolidated entity as and when required to ensure the Consolidated entity has sufficient funds to continue trading and to pay its debts as and when they fall due.

Based on these factors, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

(ii) New Accounting Standards for Application in Future Periods

Application of new and revised Accounting Standards
New, revised or amending Accounting Standards and Interpretations adopted
The Consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated entity during the financial period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the reporting period ended 30 June 2017. The Consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated entity, are set out below.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Consolidated entity.

(b) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial Instruments

Financial instruments in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Consolidated entity determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) *Financial assets at fair value through profit or loss*
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) *Held-to-maturity investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) *Available-for-sale investments*
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(v) *Financial Liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment
At each reporting date, the Consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit or loss.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(e) Impairment of Assets

At each reporting date, the Consolidated entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(f) Property, plant and equipment

IT equipment and other equipment
IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Consolidated entity's management. IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a diminishing value basis to write down the cost less estimated residual value of IT equipment and other equipment.

The following useful lives are applied:

- IT equipment: 2-5 years
- Other equipment: 3-12 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Taxation

The Consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(i) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated entity prior to the end of the financial year that are unpaid and arise when the Consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(j) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(k) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated entity.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key Estimates - Impairment

The Consolidated entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Estimates – Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Consolidated entity as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Consolidated entity's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(l) Fair Value of Assets and Liabilities

The Consolidated entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Consolidated entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques
In the absence of an active market for an identical asset or liability, the Consolidated entity selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Consolidated entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Consolidated entity are consistent with one or more of the following valuation approaches:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Consolidated entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.
The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Consolidated entity would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Consolidated entity recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

2. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

	2017
	$
Other related party transactions	
Consulting Fees – Lithium Australia NL	11,085

There were no other related party transactions other than transactions disclosed in Note 2.

3. REMUNERATION OF AUDITORS

	2017 $
Audit of the financial statements	8,500
	8,500

The auditor of BlackEarth Minerals NL is William Buck Audit (WA) Pty Ltd.

4. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of the Consolidated entity key management personnel in office at any time during the financial period are:

Key Management Person	Position
Phillip Hearse	Non-Executive Chairman (appointed 13 April 2017)
Thomas Revy	Managing Director (appointed 15 August 2016)
George Bauk	Non-Executive Director (appointed 15 March 2016)
Barry Woodhouse	Director (appointed 15 March 2016, resigned 13 April 2017)
Adrian Griffin	Director (appointed 15 March 2016, resigned 13 April 2017)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The totals of remuneration paid to Key Management Personnel of the Consolidated entity during the year is as follows:

	2017 $
Short-term benefits	73,875
Share based payments	291
Post-employment benefits	-
	74,166

5. LOSS FROM ORDINARY ACTIVITIES

		2017 $
(a)	**Other revenue**	
	Interest received	813
	Total other revenue from ordinary activities	813
(b)	**Other expense**	
	Bonus partly paid shares issued to fully paid ordinary shareholders	1,250
	Total other expense from ordinary activities	1,250

6. INCOME TAX EXPENSE

Current tax	-
Deferred tax	-

2017

		$
(a)	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:	
	Loss before tax	(304,076)
	Prima facie tax (benefit) on loss from ordinary activities before income tax at 27.5%	(83,621)
	Add/(Less) tax effect of:	
	Non-deductible expenses	425
	Interest accrual and other proceed	29,345
	Deferred tax asset not brought to account	53,851
	Income tax attributable to entity	-

No income tax is payable by the Consolidated entity. The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses and exploration deductions until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

7. CASH AND CASH EQUIVALENTS

Cash at bank	340,188
	340,188

8. TRADE AND OTHER RECEIVABLES

Withholding tax	27
	27

9. OTHER ASSETS

Non-refundable deposit	75,000
	75,000

$75,000 non-refundable deposit paid in terms of agreement entered into on 21 February 2017 to acquire the share capital of Madagascar Graphite Ltd. Refer to note 18.

10. PROPERTY, PLANT AND EQUIPMENT

IT and Other Equipment	
Balance at 15 March 2016	-
Additions	2,465
Depreciation	(662)
Balance at 30 June 2017	1,803

11. TRADE AND OTHER PAYABLES

Trade payables	80,202
	80,202

12. ISSUED CAPITAL

(a) Issued and paid up capital

	Number	30 June 2017 $
Share capital		
Ordinary Shares		
Fully paid of no par value	46,500,000	658,901

(b) Movement in ordinary shares on issue

	Number	$
Other equity securities		
Partly-paid contributing shares	22,500,000	1,250
Capital raising costs		(19,550)
Total contributed equity	**69,000,000**	**640,601**

Partly Paid ordinary shares carry one vote per share but do not carry a right to dividends.

13. RESERVES

Options	291
	291

14. CASH FLOW INFORMATION

	2017 $
Reconciliation of cash flows from operating activities with loss after income tax	
Loss after income tax	(304,076)
Adjustments for non-cash income and expense items:	
Options fair value amortisation	291
Bonus partly paid share issue	1,250
Depreciation	662
Withholding tax	(27)
Changes in assets and liabilities:	
(Increase)/decrease in receivables	-
(Decrease)/increase in accounts payable and accruals	70,741
Net cash outflows from Operating Activities	**(231,159)**

15. SEGMENT INFORMATION

(a) **Description of segments**

For management purposes, the consolidated entity has two segments which are exploration activities relating to minerals within Australia and subsequent to listing, exploration activities relating to minerals in Madagascar.

Refer below for details on assets, liabilities, revenues and expenses monitored by the Board.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the reporting period ended 30 June 2017 is as follows:

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Consolidated entity has tenements in Western Australia. However, the Board, on a functional perspective, has identified that there are two reportable segments, being exploration of minerals in Australia and Madagascar subsequent to listing.

16. OPERATING SEGMENTS

(i) Segment revenues and results

30 June 2017

	Australia	Madagascar	Total
	$	$	$
Revenue	-	-	-
Loss	(41,606)	-	(41,606)
Total segment loss	**(41,606)**	**-**	**(41,606)**

	Total
Reconciliation of segment result to Consolidated entity net loss	$
i) Unallocated items	
- Interest revenue	813
- Other	(263,283)
Loss from continuing operations	**(304,076)**

(ii) Segment Assets

30 June 2017

	Australia	Madagascar	Total
	$	$	$
Segment Assets	-	-	-
Unallocated assets:			
- Cash and cash equivalents			340,188
- Other Assets			76,830
Total Consolidated Entity Assets			**417,018**

(iii) Segment Liabilities

31 December 2016

	Australia	Madagascar	Total
	$	$	$
Segment Liabilities			
Unallocated Liabilities:			
- Trade and other payables			80,202
Total Consolidated Entity Liabilities			**80,202**

17. SUBSEQUENT EVENTS

(f) On 11 July 2017, the Consolidated entity sought and obtained shareholder approval for the cancellation of 19,000,000 ordinary shares and 9,000,000 partly paid shares.

(g) On 17 July 2017, the Consolidated entity issued 1,000,000 ordinary fully paid shares to Lithium Australia for the purchase of tenements.

(h) On 17 July 2017, the Consolidated entity issued 1,000,000 partly paid shares (at $0.0001 paid per share and $0.2499 unpaid per share) to Greyhound Investments Pty Ltd.

(i) On 21 July 2017, the Company and Capricorn Metals Ltd agreed for an extension of the end date of the agreement dated 21 February 2017, to 30 November 2017. For further information please refer to note 18.

(j) The Company also has the following tenements under application or renewal:
<u>Yalbra</u> – 1 exploration licence pending
<u>Maniry</u> – 2 exploration licences pending

Other than as listed above, there have not been any other material events subsequent to the end of the reporting date and the date of this report that have not been included in this financial report.

18. CONTINGENT ASSETS AND LIABILITIES

Upon successful IPO, the Consolidated entity will acquire the share capital of Madagascar Graphite Ltd for which the following consideration will become due and payable:
(i) A cash payment of $75,000; and
(ii) The issue of 2,000,000 BlackEarth Minerals shares at a deemed issue price of $0.20 per share; and
(iii) Within ten (10) business days, and subject always to, BlackEarth Minerals NL in its sole and absolute discretion notifying Capricorn Metals Ltd that it has made a decision to mine within eight (8) years after completion of sale agreement, a cash payment to Capricorn Metals and/or its nominee(s) of $1,000,000.

Other than the above, the Consolidated entity has no contingent assets or liabilities outstanding at the end of the period.

19. COMMITMENTS

(a) **Exploration Expenditure**
The Consolidated entity has certain obligations with respect to tenements and minimum expenditure requirements in Australia, as follows:

	2017 $
Within 1 year	138,000
1 to 2 years	138,000
Total	276,000

(b) **Asset acquisition**
Other than the Madagascan graphite asset purchase disclosed under note 17, the consolidated entity has no commitments for asset acquisitions at 30 June 2017.

20. FINANCIAL INSTRUMENTS

The Consolidated entity has minimal exposure to various risks from the use of financial instruments.
The Consolidated entity's financial instruments consist mainly of cash at bank and loan from related party.
The carrying amount of financial assets and financial liabilities recorded in the financial statements is considered to approximate their fair values.

21. CONTROLLED ENTITY

BlackEarth Minerals NL is the ultimate parent entity of the consolidated group.

The following was a controlled entity at the period end date and has been included in the consolidated financial statements. All shares held are ordinary shares.

Name	Country of Incorporation	Percentage Interest Held 2017
BlackEarth Australia Pty Ltd (i)	Australia	100%

(i) On 09 May 2017, the Company registered BlackEarth Australia Pty Ltd, a company incorporated in Australia. BlackEarth Australia had no assets or liabilities at the date of incorporation and is dormant as at reporting date.

22. PARENT ENTITY INFORMATION

	Parent 2017 $
Assets	
Current assets	340,883
Non-current assets	76,804
Total Assets	**417,687**
Liabilities	
Current liabilities	80,202
Total Liabilities	**80,202**
Equity	
Issued capital	640,601
Reserves	291
Accumulated losses	(303,407)
Total Equity	**337,485**
Loss for the period	(303,407)
Other comprehensive income	-
Total comprehensive loss for the period	**(303,407)**

23. SHARE BASED PAYMENTS

The following share-based payment arrangements were in existence during the current reporting periods:

Option Series	Grant Date	Grant Date Fair Value	Expiry Date	Exercise Price	Vesting Date
Unlisted Series 1 Table A	22/06/2017	$0.01	22/06/2020	$0.30	22/06/2018
Unlisted Series 2 Table B	22/06/2017	$0.01	22/06/2020	$0.30	22/06/2019

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Fair value of share options granted during the period
The weighted average fair value of the share options granted during the period is $0.01. Options were priced using a Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility has been based on an evaluation of the historical volatility of the share price of similar companies operating in the mining and exploration industry, particularly over the historical period commensurate with the expected term

Inputs into the model

	Option Series	
	Series 1	Series 2
Grant date share price	$0.05	$0.05
Exercise price	$0.30	$0.30
Expected volatility	90.41%	90.41%
Option life	3 years	3 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	1.66%	1.66%

There has been no movement in share options during the period. All outstanding options are unexercisable at the end of the financial period.

DIRECTORS' DECLARATION

The directors of BlackEarth Minerals NL declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 including compliance with accounting standards and:

    (a) comply with International Financial Reporting Standards as disclosed in note1(a); and
    (b) give a true and fair view of the Consolidated entity's financial position as at 30 June 2017 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the period ended on that date; and

2. At the date of this statement there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to S.295(5) of the Corporations Act 2001.

Thomas Revy
Managing Director

Dated at Perth this 17th day of August 2017

William Buck

BlackEarth Minerals NL

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BlackEarth Minerals NL (the Company and its subsidiary (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

CHARTERED ACCOUNTANTS
& ADVISORS

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888
williambuck.com

BlackEarth Minerals NL

Independent auditor's report to members

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the period ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

BlackEarth Minerals NL

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BlackEarth Minerals NL

Independent auditor's report to members

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director
Dated this 17th day of August, 2017