



BlackEarth
Minerals NL

BLACKEARTH MINERALS NL

ABN 66 610 168 191

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

CONTENTS PAGE

CORPORATE DIRECTORY	1
CHAIRMAN’S LETTER	2
DIRECTORS’ REPORT	3
AUDITORS INDEPENDENCE DECLARATION	32
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	33
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	34
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	35
CONSOLIDATED STATEMENT OF CASH FLOWS	36
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	37
DIRECTORS’ DECLARATION.....	55
INDEPENDENT AUDITOR’S REPORT.....	56
ADDITIONAL ASX INFORMATION	61

CORPORATE DIRECTORY

DIRECTORS

Thomas Revy
Managing Director

Phillip Hearse
Non-Executive Chairman

George Bauk
Non-Executive Director

COMPANY SECRETARY

Simon Storm

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

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3
216 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

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

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

NON- EXECUTIVE CHAIRMAN'S LETTER

Dear Fellow Shareholders,

I am pleased to present the 2019 Annual Report for BlackEarth Minerals NL (ASX:BEM), as we continue to advance a thorough understanding of the geology, mineralogy & metallurgy of our graphite projects in southern Madagascar. Based on work performed to date, we have shown that through simple mining and processing, our project will produce high value, high demand, coarse flake product, which is predominantly not in competition with Chinese production. The current Project study outcomes highlight that the Maniry Project is a robust and financially attractive graphite project by global standards, with the outlook for large flake high quality graphite remaining positive for the next 10-15 years.

18 months has now passed since BlackEarth Minerals NL listed on the ASX, and within that short period, we have achieved some significant milestones, ahead of what was previously envisaged, as we have transitioned from graphite explorer to developer with the completion of the Scoping Study.

These milestones include the completion of:

- Detailed mineralogy for the Company's Razafy graphite prospect in southern Madagascar;
- The definition of a JORC Indicated and Inferred Resource for Razafy, comprising 11.2Mt @ 7.10% Total Graphitic Carbon (TGC);
- Defining an Exploration Target of 260-380Mt at 6-8%TGC for Razafy;
- Definitive metallurgical test work on sample composites from the Razafy Resource;
- An Inferred Resource for Haja, comprising of 9.0Mt @ 5.79% TGC;
- A positive Scoping Study for the Maniry Graphite Project, with a project life of 10 Years and a pre-tax NPV10% of US\$ 103M; and
- High-grade graphite trenching results at the Company's second project, Ianapera and definition of an exploration target.

We consider that achieving these important milestones lays the platform for the next stages of project development in line with our fast track development strategy.

Madagascar is a highly positive mining jurisdiction with 100+ years of graphite history, recent mining transactions and developments, and the ability to finance projects. The Board remain confident that the majority of our current resource is positioned on a 40-year mining lease, and our tenement position is assured, with significant expansion potential existing for the Company, within our declared exploration target.

I would like to thank you, our Shareholders, for your support over these past 18 months of BEM's development. The support of our Shareholders is key to our company's success. I would also like to thank our management team and support personnel, both in Perth and in Madagascar, consultants and contractors, and the Board for its dedication to BEM during its initial listing and exploration activities. We look forward to an exciting 2020 Financial Year, as we continue to fast track the development of our Maniry Graphite Project.



Phillip Hearse
Non-Executive Chairman

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 01 July 2018 to 30 June 2019.

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
Thomas Revy	Managing Director
George Bauk	Non-Executive Director

INFORMATION ON DIRECTORS

Phillip Hearse Non-Executive Chairman

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 (Amec Foster Wheeler now Wood) 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

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 (resigned 23 April 2018)

DIRECTORS' REPORT (Continued)

George Bauk Non-Executive Director

Qualifications

MBA, BBus, GAICD, FCPA

Experience

Mr Bauk has more than 28 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

COMPANY SECRETARY

Simon Storm (Appointed 27 March 2019)

Qualifications

BCom, BCompt (Hons) FGIA, CA

Experience

Mr Storm is a Chartered Accountant with more than 30 years of Australian and international experience in the accounting profession and commerce. He commenced his career with Deloitte Haskins & Sells in Africa then London before joining Price Waterhouse in Perth. During the past 17 years he has held various senior finance and company secretarial roles with listed and unlisted entities in the resources, agribusiness, banking, construction, telecommunications, property development and funds management industries. He currently holds officer roles in various ASX listed companies, including West African Resources Ltd (Non-executive Director and Company Secretary), Empire Resources Ltd (Company Secretary) and acts as CFO and Company Secretary for three other unlisted companies.

Barry Woodhouse (Resigned 27 March 2019)

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.

REVIEW OF OPERATIONS

BlackEarth Minerals NL (ASX:BEM) ("BlackEarth", the "Company") was incorporated on 15 March 2016 and listed on the Australian Securities Exchange ("ASX") on 19 January 2018. Over the 2018/19 Financial Year ("Financial Year"), the Company has taken significant steps as part of its strategy to fast track the development of its 100% owned Graphite Projects in Southern Madagascar through achieving the following milestones:-

1. The definition of a JORC Indicated and Inferred Resource for Razafy comprising 11.2Mt @ 7.10% Total Graphitic Carbon (TGC) and continued production of high grade graphite results from this project;
2. Developed an Exploration Target of 260-380Mt at 6-8%TGC for Razafy;
3. Completed definitive metallurgical test work on sample composites from the Razafy Resource;
4. Completed an Inferred Resource for Haja, comprising of 9.0Mt @ 5.79% TGC;
5. Completed a positive Scoping Study for the Maniry Graphite Project with a project life of 10 Years and a pre-tax NPV10% of US\$ 103M;
6. Reported high-grade graphite trenching results at the Ianapera Graphite Project and defined an Exploration Target
7. Appointed Australia Minerals & Resources as strategic offtake advisors; and
8. Test results delivered high value expandable graphite specifications

1. First Madagascar Drilling Program leads to Maiden Resource of 11.2mt at 7.1% TGC and continued High Grade Results from Razafy

As disclosed in an ASX release on 14 August 2018, the Company announced an updated maiden JORC compliant mineral resource estimation for the Razafy Graphite Deposit ("Razafy"). Razafy contains an Indicated and Inferred Resource, comprising of **11.2Mt @ 7.10% Total Graphitic Carbon ("TGC")**, which is summarised below in Table 1. The vast majority of the resource has been classified with a high degree of confidence with an 'Indicated' classification, with the remainder classified as 'Inferred'.

Classification	Tonnes (Mt)	TGC Grade (%)	Contained Tonnes (t)
Razafy Indicated	8.0	7.22	577,600
Razafy Inferred	3.2	6.80	217,600
Total Resources	11.2	7.10	795,200

Table 1 – Mineral Resource Estimates for Maniry Project

*Note: The Mineral Resource is reported at a 6% TGC cut-off grade
The Mineral Resource was estimated within constraining wireframe solids defined at a nominal 3% TGC cut-off grade*

This Razafy Resource estimate is the culmination of the Company's 74 hole, 5,371m diamond drilling program, which was completed earlier in the year and formed the foundation of scoping study activities, which was progressed in parallel with the resource estimation process.

During the Financial Year, exceptional assay results were received from Trench MNT041 and MNT041a, which were excavated at the **Razafy NW** Prospect (along strike, north west of the current Razafy delineated and estimated resource) as summarised below and illustrated in Figure 1:

- **56.0m @ 9.89% TGC, inc. 48.0m @ 10.22%, inc. 2m @ 19.20% and 6.0m @ 15.10% (MNT041)**
- **36.0m @ 8.07% TGC inc. 12.0m @ 13.32% inc. 6.0m @ 19.43% (MNT041a)**

Encouraging trench results were also obtained along strike, but this time south east of the current Razafy delineated Resource, as summarised below and illustrated in Figure 2:

- **52.0m @ 7.03% inc. 2.0m @ 10.30% and 2.0m @ 10.20% (MNT026)**
- **39.0m @ 6.96% inc. 2.0m @ 10.90% (MNT034)**
- **16.0m @ 8.35% inc. 6.0m @ 12.93% (MNT039)**

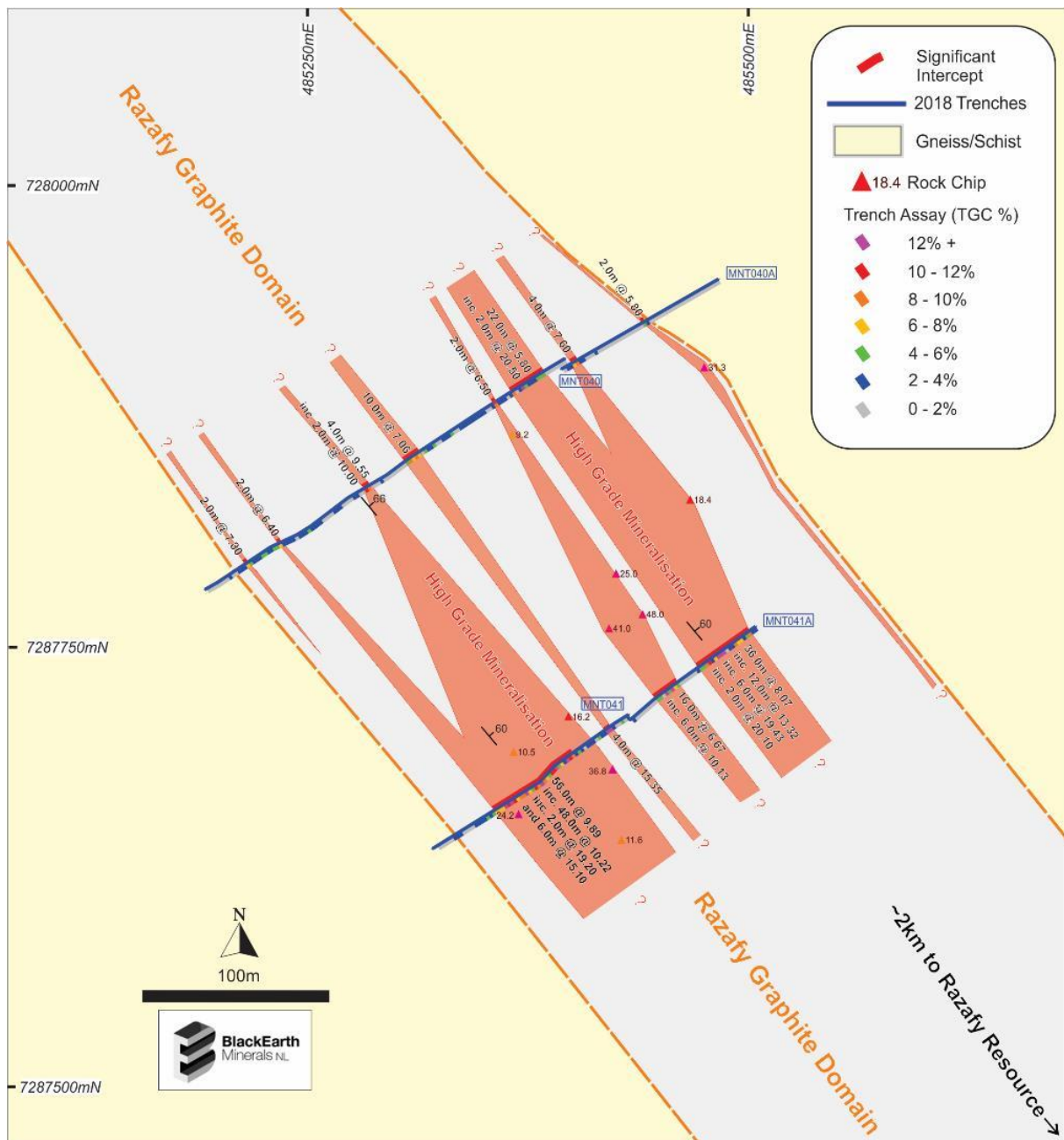


Figure 1 – Maniry Graphite Project – Razafy NW Prospect – Trenching Results

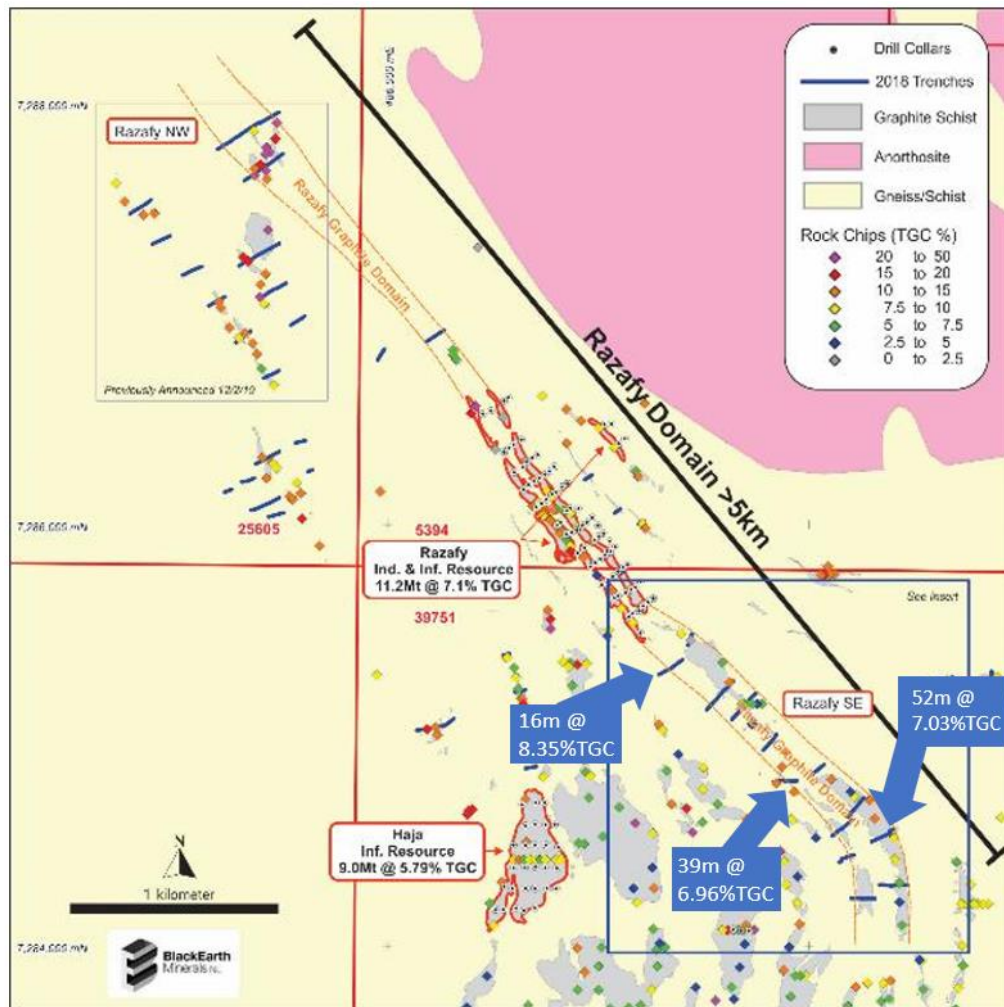


Figure 2 – Maniry Graphite Project – Razafy SW 2018 Trenching Program Significant Results

Mineralisation has now been proven within the Razafy Domain for >5km, although at this early stage, the strike and downdip extent and subsequent size of the Razafy graphite domain are not known. It is noteworthy that historical trenching across the currently delineated and estimated Razafy lenses have proved to provide a fairly reliable indication of the thickness and grade of graphite once exploration drilling proceeded. With this in mind, BlackEarth believes, with drilling, these significant along strike trench results, especially north of the current resource, have the potential to be converted into a significant resource, which would add high-grade resource tonnes to BlackEarth's current mineral inventory and improve the economics of the initial stages of a mining operation. The northern strike is currently the main focus of more systematic exploration efforts for BlackEarth within the Razafy domain

With the assay results received from the trenching program at Maniry, the Company has already achieved the

2. Developed an Exploration Target of 260-380Mt at 6-8%TGC

The Razafy Resource is recognised as part of a much larger mineralised graphite system that has been defined by extensive and detailed programs of exploration including geological mapping, rock chip sampling, trenching, drilling and airborne geophysical surveys (magnetics and VTEM). The Company is utilising these extensive, quality datasets to confirm the resource potential of the Maniry graphite system with the aim of demonstrating its potential and significantly increase the current Mineral Resource of the Project through additional drilling and associated activities.

From the information currently available, the Maniry Project represents an Exploration Target of between 260Mt to 380Mt at a grade ranging from 6% to 8% Total Graphitic Carbon (TGC) including the currently estimated Mineral Resource.

Cautionary Statement: The Exploration Targets reported herein are not JORC compliant Mineral Resources. The potential quantity and grade of the Exploration Targets are conceptual in nature. There has been insufficient

DIRECTORS' REPORT (Continued)

exploration to determine a Mineral Resource and there is no certainty that further exploration work will result in the determination of a Mineral Resource.

Applied Estimate Methodologies

The following assumptions were applied to estimating the Exploration Target (see Table 2):

- 166 major graphite occurrences were identified and the area captured by Micromine modelling software.
- A volume was calculated by applying a depth extent of 80m.
- Tonnes were calculated by applying an average specific gravity (SG) of 2.25 as per the work completed for the Razafy Resource estimation.
- Tonnage ranges were created by applying confidence factors ranging from 12% to 36% depending on the data available.

Grade ranges were created by applying downgrading factors from 12% to 15% to the estimated average grade of all available assay data (drilling, trenching and rock chip sampling) and mapping observations.

Domain	No. of Lens	Area (m ²)	Depth (m)	Volume (m ³)	SG	Ore Tonnes (t)	Grade Ranges	Tonnage Ranges
Haja	18	900,971	80	72,077,680	2.25	162,174,780	6-7%	140-180 Mt
Ivan	10	306,752	80	24,540,160	2.25	55,215,360	6-7%	35-75 Mt
Razafy	138	585,009	80	46,800,720	2.25	105,301,620	7-8%	85-125 Mt
TOTALS	166	1,792,732		143,418,560		322,691,760	6-8%	260-380 Mt

Table 2 – Exploration targets for the Maniry graphite domains and supporting assumptions

Domain Description

The Maniry Project has been broken down into three regional domains of graphite mineralisation (Figure 3) which are briefly described as follows:

- **The Razafy Domain** is a large-scale fold on the north and eastern margins of the Maniry area. The domain is characterised by multiple high-grade lenses such as the recently defined Razafy and Razafy East Lenses. The Exploration Target for this domain, including the existing drilled and estimated Razafy Mineral Resource, is between 85Mt and 125Mt with grades ranging from 7% to 8% TGC.
- **The Ivan Domain** is located centrally at Maniry. The Domain is characterised by large scale, outcropping graphitic schist containing localised folding that appears to have provided localised areas of high-grade mineralisation within the broader lens. The Exploration Target for this domain is between 35Mt to 75Mt with grade ranging from 6% to 7% TGC.
- **The Haja Domain** is characterised by a large-scale fold of the graphitic schist on the western side of the Maniry Project. The domain contains the Haja lens in the interpreted fold nose position, theoretically a position for higher grade mineralisation. This prospect was systematically drill tested, with a JORC compliant resource estimation due in Q4 2018. The Exploration Target for this domain, including the currently estimated Haja lens, is between 140Mt to 180Mt with grade ranging from 6% to 7% TGC.

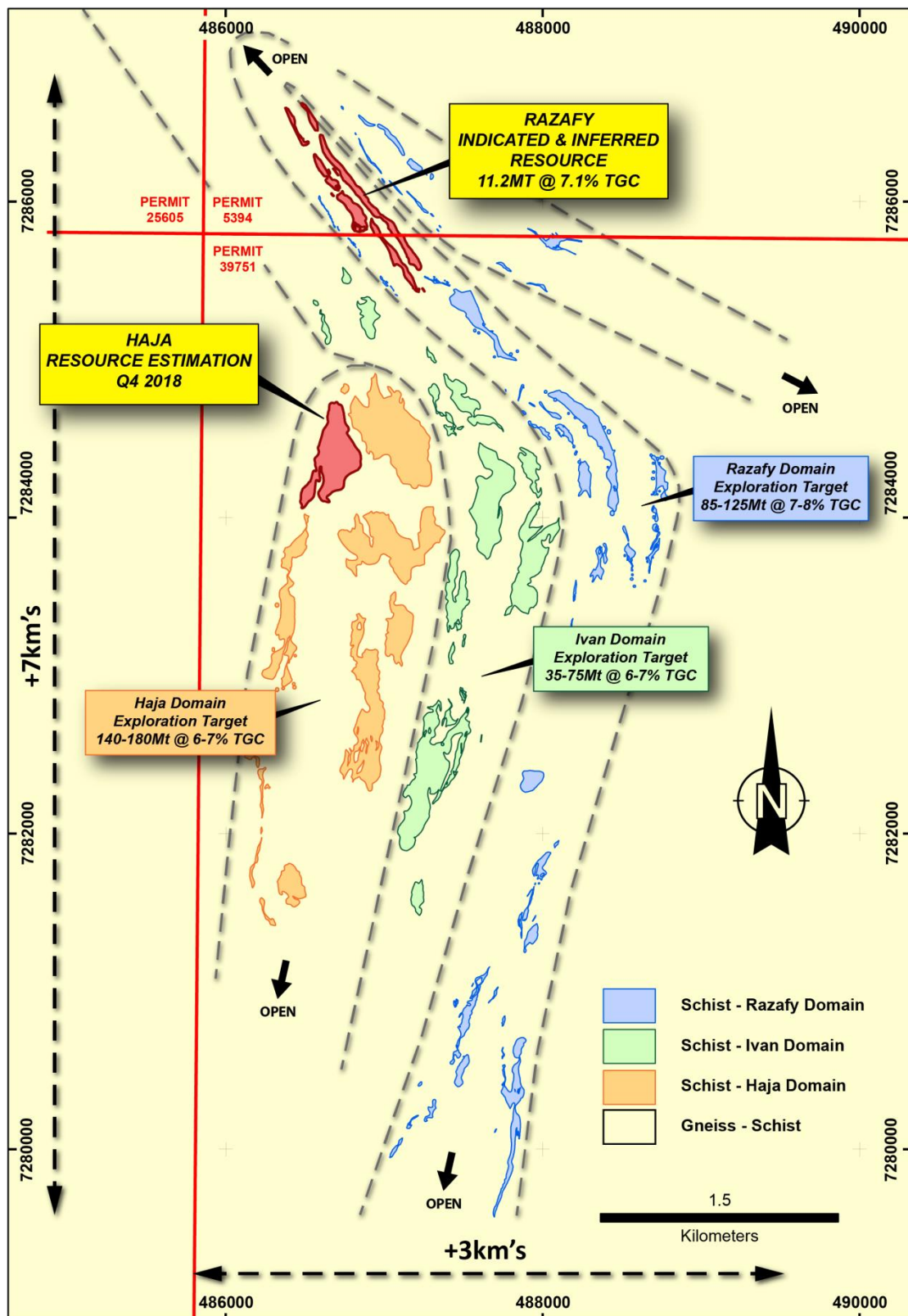


Figure 3 Maniry Project – Resources and Exploration Targets

3. Definitive Metallurgical Testwork

On 12 December 2018, following the successful Razafy drilling program, the Company announced that definitive metallurgical test work had confirmed high grade, large flake concentrate. The head grade of the master composite achieved 9.0% Total Graphitic Carbon (TGC), and the results obtained from the initial flotation tests indicated the potential to produce high grade concentrates, in excess of 96% TGC.

According to London based Benchmark Mineral Intelligence data, graphite concentrates at this level can attract US\$100-200 premiums over comparable flake size of 90-95%TGC material. The initial test work was performed on diamond drill core samples as part of the 800kg bulk drill core sent to ALS Perth laboratories, after recent completion of a Razafy drilling program; reported on extensively since listing.



Figure 4 - Razafy +500µm graphite concentrate

During the financial year, BlackEarth received a mineralogical report undertaken by Townend Mineralogy Laboratory ("Townend"), on 19 samples taken from the Company's Razafy graphite prospect.

The detailed report, which was consistent with findings from an earlier preliminary mineralogical report, confirmed that, within the drill core:

- Very large flakes (> 500 micron) occurred frequently within the two drilled and tested lenses currently making up the Razafy prospect. Significant flakes existed in excess of 850 microns, which attracts a premium price in the expandable graphite market;
- The lack of deleterious minerals inside the flakes also suggested the potential for high purity graphite production, which is used in higher value end products (eg Li-ion batteries); and
- The 2 Razafy lenses contained largely weathered graphite and are consistent in mineralogy laterally and at depth.

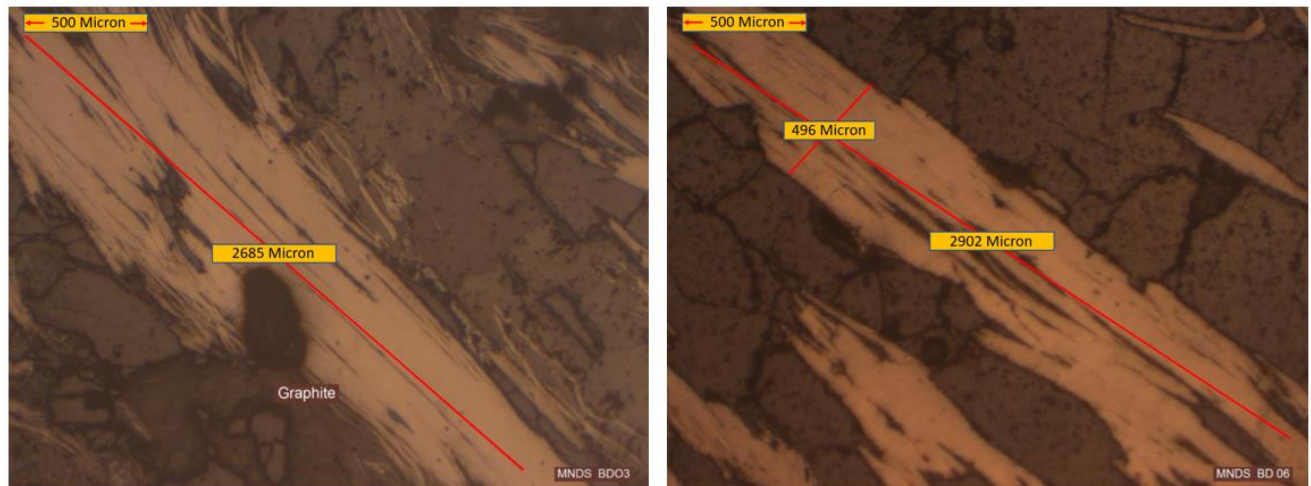


Figure 5 a & b: Photomicrographs of 2 Razafy samples reviewed by Townend

Figure 5a (left) has been taken from hole MNDD034 (12-14 metres) and Figure 5b (right) taken from hole MNDD019 (17-19 metres).

The typical concentrate size distribution as shown in Table 3 below for the 800kg bulk composite sample taken from the Razafy Resource.

Flake Size	(microns)	Master Composite	
		Mass (%)	TGC (%)
Super Jumbo	> 500	2.8	95.8
Jumbo	300 – 500	17.3	96.1
Large	180 – 300	29.8	95.6
Medium	150 – 180	9.1	95.0
Small	-150+75	23.6	96.8
Fine	< 75	17.4	96.1

Table 3 Graphite Concentrate Size Distribution – Razafy

Preliminary metallurgical testwork was completed in December 2018 by ALS Global Laboratory (Perth, WA) on a 25kg core sample taken from diamond drillholes MND0093, MND0094 and MND0095, drilled by BlackEarth in 2018 at the Haja Resource. (Table 4)

Flake Size Category	Particle Size Microns (µm)	Composite 93		Composite 94		Composite 95	
		Distribution (weight%)	Graphitic Carbon Grade (%)	Distribution (weight%)	Graphitic Carbon Grade (%)	Distribution (weight%)	Graphitic Carbon Grade (%)
Jumbo	≥ 300	2.5	97.6	11.4	98.4	7.2	98.2
Large	180 to 300	12.7	97.9	26.5	97.3	19.3	97.2
Medium	150 to 180	7.3	97.6	10.0	96.6	8.8	96.4
Small	75 to 150	31.9	97.2	29.8	96.1	32.0	95.1
Fine	<75	45.5	89.6	22.3	91.0	32.6	88.2
All Categories		100.0	93.9	100.0	95.6	100.0	93.6

Note: Total graphitic carbon grades determined by the Nc425 LOI method from ALS Global Laboratory, Perth

Table 4– Haja Graphite Flake Size Distribution & Grade



Figure 6- Metallurgical test work undertaken at ALS in Perth

4. Completed an Inferred Resource for Haja

In December 2018, BlackEarth announced the maiden Haja Inferred JORC Resource ("Haja Resource"), which comprised **9.0Mt @ 5.79% TGC** at a 5% TGC cut-off grade.

The Haja Resource report for several TGC cut-off grades is summarised in Table 5 below. The Haja Resource has been classified as 'Inferred' and is located 800m to the west of the Razafy Resource in a highly prospective area.

Cut-off Grade TGC	Tonnage (Mt)	Total Graphitic Carbon Grade (%)	Contained Graphite (t)
6.0%	2.5	6.68	167,000
5.5%	5.2	6.18	321,400
5.0%	9.0	5.79	521,100

Note: The Mineral Resource was estimated within constraining wireframe solids defined at a nominal 1.5% TGC cut-off grade

Table 5 – Haja Mineral Inferred Resource Estimate

This Haja Mineral Resource Estimate consolidates the Company's Maniry Project resource base, adding a substantial resource to the adjacent high grade Razafy Graphite deposit.

5. Completion of a positive Scoping Study

In late January 2019, the Company announced the outcomes on the scoping study for the Maniry Graphite Project, which covers a total of 142 km² in southern Madagascar. The Company has now transitioned from graphite explorer to developer with the completion of the Scoping Study.

Highlights

- **Pre-tax NPV of USD103m and 42% IRR**
- **Payback period from first ore is 2.7 years (Phase 1)**
- **Majority of Resource sits within a 40 year granted Mining Licence**
- **Project Life of 10 years based on Indicated Resources only**
- **Start-up capital estimated at a low USD\$41M (Phase 1)**
- **Phase 2 expansion (doubling output) USD\$29M planned to commence production Year 4**
- **Scoping study completed within 9 months from first drill results and 12 months since IPO**

The Scoping Study, completed by BatteryLimits in Perth, was based on extensive metallurgical testing, including variability work completed on the Company's Indicated Resource only. Also, of note, was that a significant proportion of the concentrate contains large and jumbo flakes (50%), which can attract premium pricing. The Study also highlighted a low mining strip ratio (LOM 0.9), which has a positive impact on mining costs and soft to medium ore hardness and low abrasion, which should also have a positive impact on mining and processing costs. The Indicated Resource of 8Mt at 7.22% total graphitic carbon (TGC) on which the Scoping Study was based, falls within the Project's substantial Exploration Target of 260-380Mt at 6-8% TGC, highlighting the enormous potential that the Company now has to build upon, and subsequently expand its Maniry Graphite Project, whilst maintaining a long mine life.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement for the Scoping Study results, and that all material assumptions and technical parameters underpinning the estimates of forecast financial information derived from the original production target, continue to apply and have not materially changed.

Financial metrics outlined in the study include those set out in Table 6.

Table 6

Financial Performance Summary		LOM
Project Life (processing)	(years)	10.0
Total LOM Net Revenue	(US\$ M, real)	629.5
Total LOM EBITDA	(US\$ M, real)	309.7
Total LOM Net Cash Flows Before Tax	(US\$ M, real)	222.3
Total LOM Net Cash Flows After Tax	(US\$ M, real)	177.8
NPV @ 10.0% - before tax	(US\$ M, real)	103.3
NPV @ 10.0% - after tax	(US\$ M, real)	78.4
IRR - before tax	(%, real)	41.9%
IRR - after tax	(%, real)	35.4%
Project Capital Expenditure - Stage 1 (Year 0)	(US\$ M, real)	41.0
Project Capital Expenditure - Stage 2 (Year 3)	(US\$ M, real)	28.7
Sustaining Capital Expenditure - (LOM)	(US\$ M, real)	16.6
Operating cost FOB (Port of Ehoala)	(US\$ /t, real)	593
Payback Period - before tax-from 1st ore Phase 1	(years)	2.7
Payback Period - before tax-from 1st ore Phase 2	(years)	3.7

The metallurgical results released to the market in December 2018 highlighted Maniry's favourable mineralogy and consequently resulted in the robust economics. These results, together with other work undertaken as part of the Scoping Study highlight the following advantages.

- Attractive return for the Maniry Project, which results in a short payback period in a well regarded jurisdiction;
- Advantage and value of the Company's granted 40 year mining lease 5394, on which the Indicated Resource largely sits;
- Justification for the planned expansion to be completed in Year 4, which will largely be funded from Phase 1; payback for Phases 1 & 2 = 3.7 years;
- Significant proportion of large and jumbo flakes (50%) in the concentrate which can attract high product premium pricing;
- Low mining strip ratio (LOM 0.9) which has a positive impact on mining costs; and
- Soft to medium ore hardness and low abrasion which should have a positive impact on mining and processing costs.

Sensitivity Analysis

A strong focus during the Feasibility Study for the Maniry Graphite Project will be maximising the basket price through further metallurgical test work, and further exploration to enhance feed grade, as an increase in feed grade from 6.3% to 7.3% results in a project NPV of US\$152m and an IRR of 55%

The project NPV and IRR in the case of a 7.3% feed grade is derived from the sensitivity analysis contained within the scoping study for the Maniry Graphite Project, as announced on 30 January 2019. Graphs from the Scoping Study showing the sensitivity analysis (plotting in red the position in the case of a 7.3% feed grade) are extracted below and depicted on Figures 7 and 8.

Sensitivity analysis indicates that the project is most sensitive to price and grade assumptions, followed by operating expenditure and capital expenditure assumptions, and is summarised in Figure 7 to Figure 10.

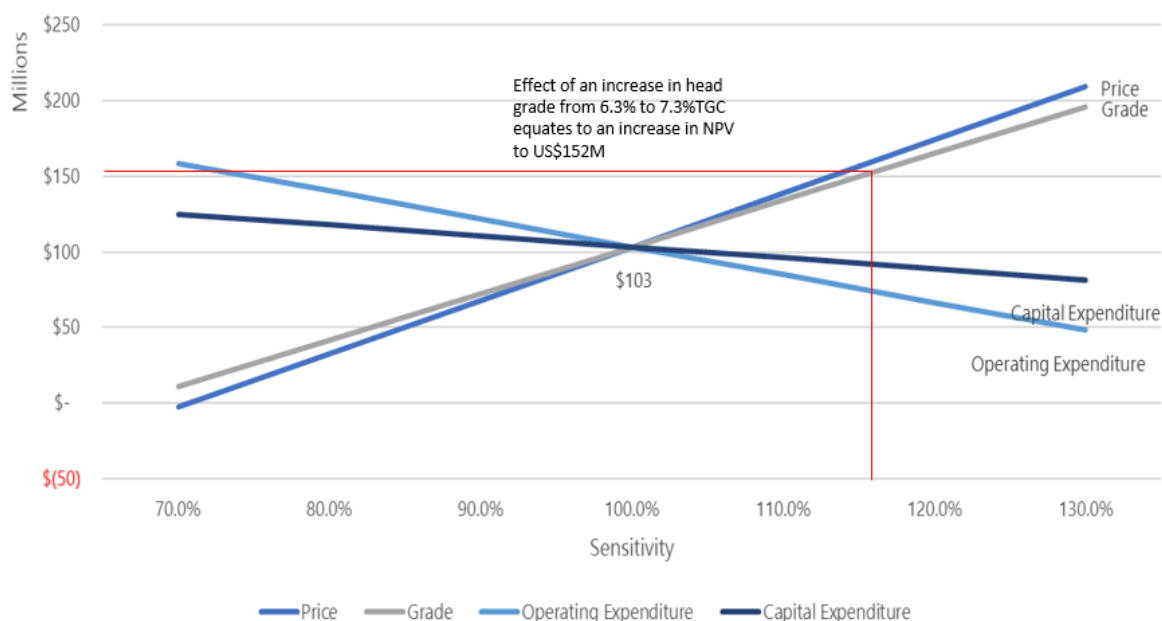


Figure 7 Sensitivity Analysis (NPV, before tax, real)

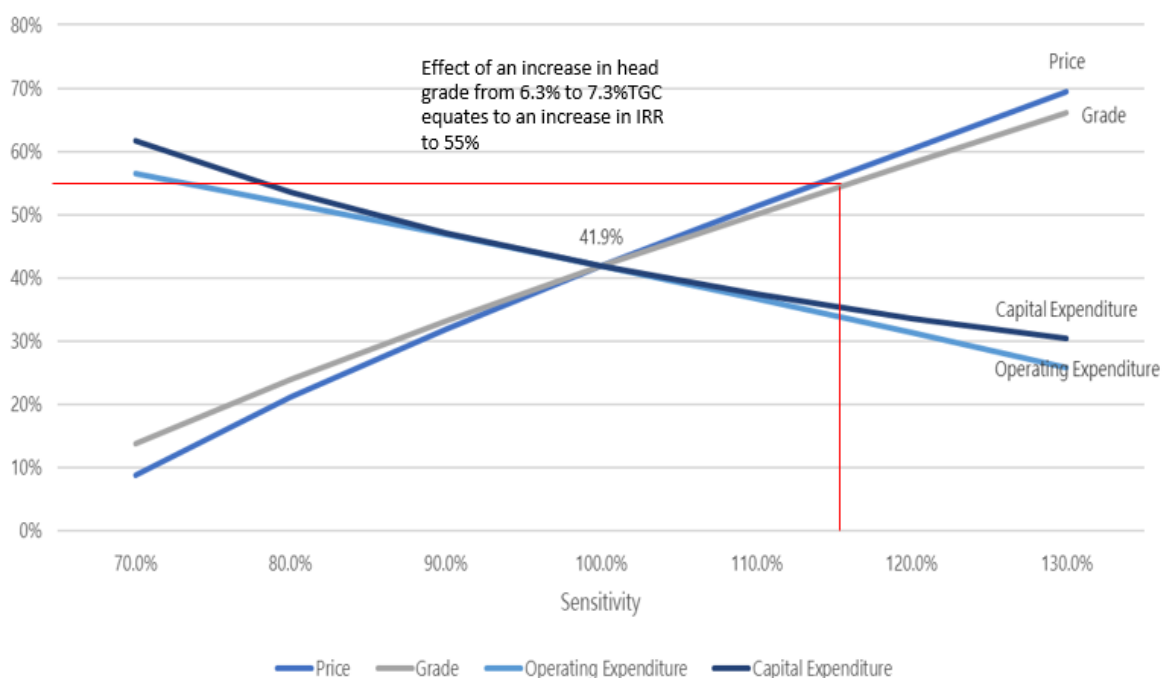


Figure 8 Sensitivity Analysis (IRR, before tax, real)

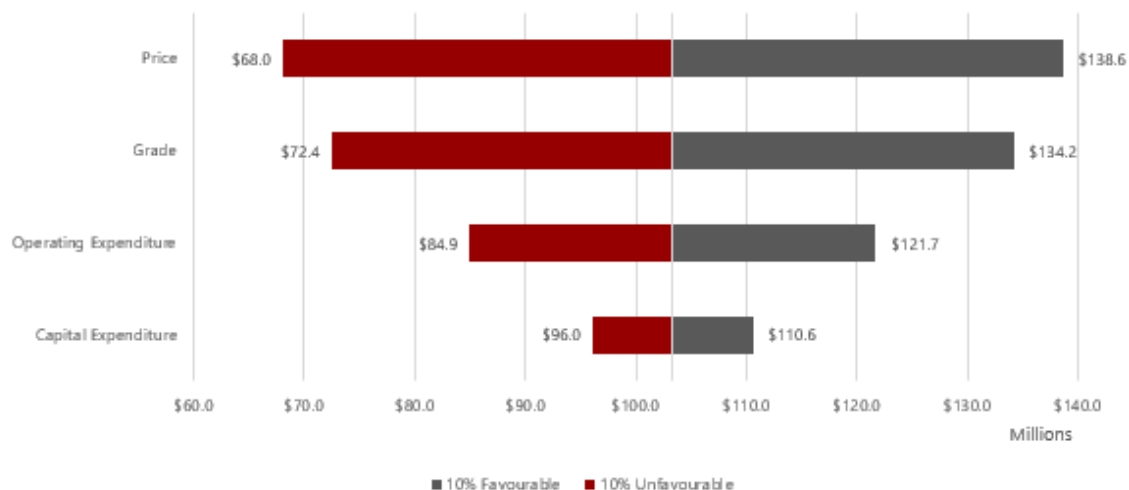


Figure 9 Sensitivity Analysis (NPV, before tax, real)

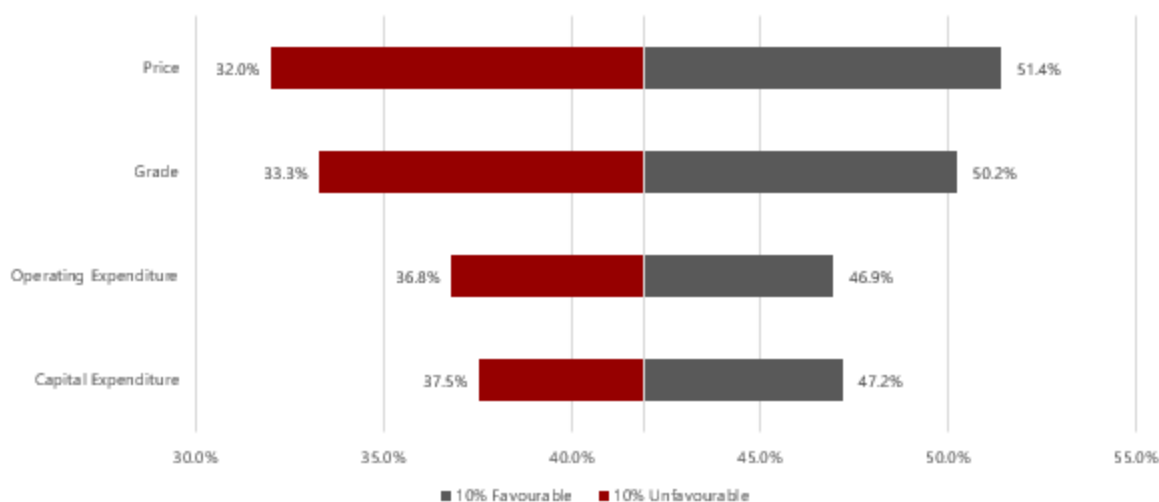


Figure 10 Sensitivity Analysis (IRR, before tax, real)

The financial analysis indicates that the project delivers good financial returns, with moderate capital expenditure requirements in the context of the relatively long project life of 10 years after first ore is processed. A relatively short payback period (before tax) of 2.7 years for Phase 1 and 3.7 years for Phases 1 & 2 after first ore processed mitigates financial risk relating to exposure to unfavourable outcomes in key variables such as long-term commodity prices. The Project can sustain significant unfavourable outcomes in key variables while still delivering positive financial returns.

6. High-grade graphite trenching results at Ianapera Graphite Project and Exploration Target defined

On 25 February 2019, the Company received the final assay results from the trenching program at the Ianapera Graphite Project in Southern Madagascar (Figure 12). In March 2019, BlackEarth also announced an Exploration Target for the Ianapera Graphite Project of between 20Mt to 34Mt at a grade ranging from 10% to 20% TGC. The Ianapera trenching program was completed in mid-December 2018, with 29 trenches excavated for 1,874.1 metres and 965 samples collected for analysis.

Ianapera Graphite Project - Trenching Results

Multiple intersections of high-grade mineralisation were obtained from the southern end of the conductive trend. Highlights included:

- **18.0m @ 22.06% TGC returned from trench IPT007**
 - Includes. 8.0m @ 32.70% TGC;
 - Includes. 2.0m @ 46.00% TGC
- **14.0m @ 10.36% TGC inc. 2.0m @ 23.90% (IPT009)**
- **18.0m @ 22.06% TGC inc. 8.0m @ 32.70% inc. 2.0m @ 46.00% (IPT007)**
- **14.0m @ 10.23% TGC (IPT016)**
- **14.0m @ 14.00% TGC inc. 4.0m @ 21.80% TGC (IPT026)**
- **14.0m @ 12.36% TGC inc. 24.30% TGC (IPT022)**



Figure 11 Trenching activities at Ianapera Graphite Project

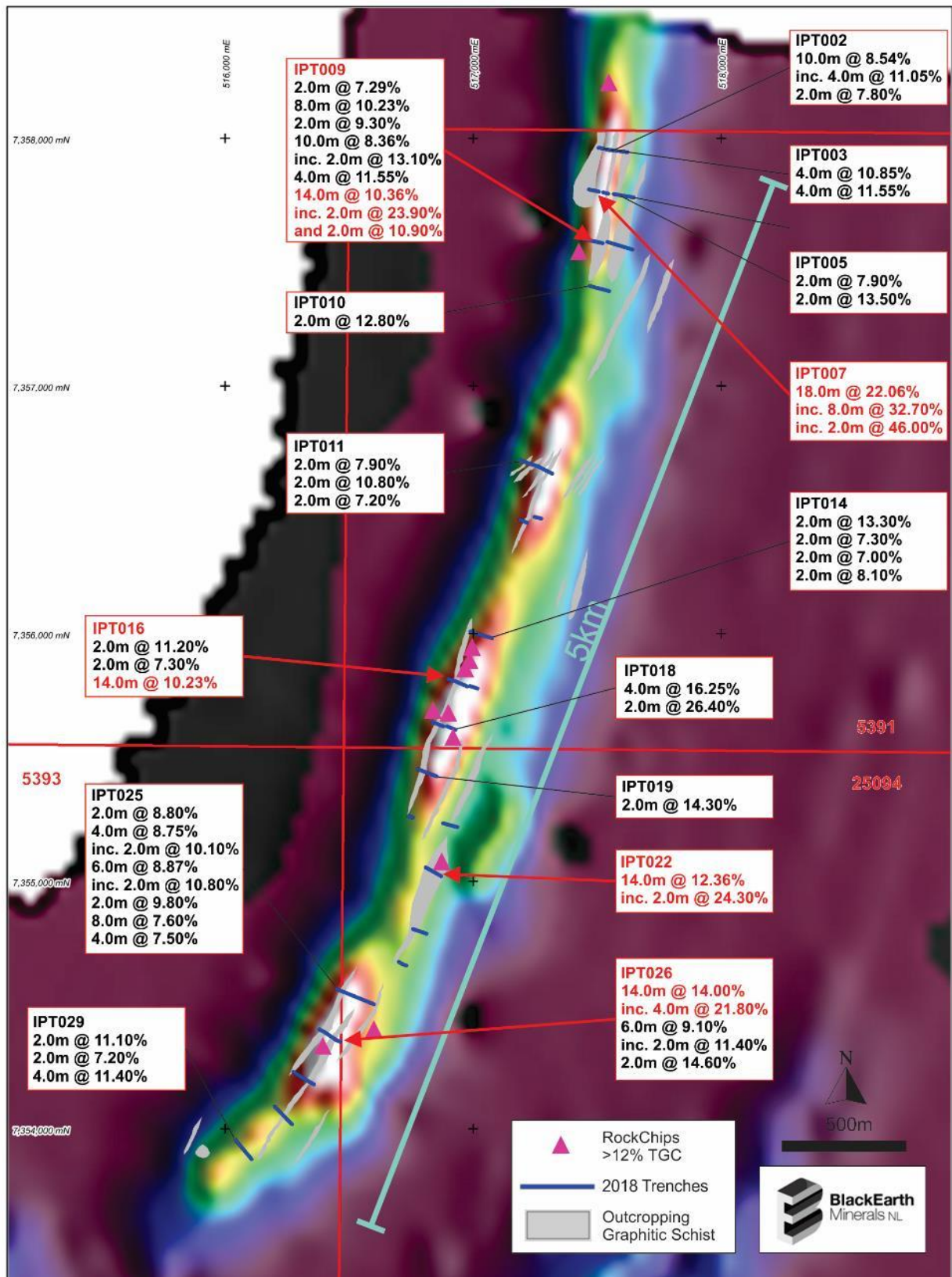


Figure 12 – Ianapera Graphite Project – 2018 Trenching Results – VTEM Imagery

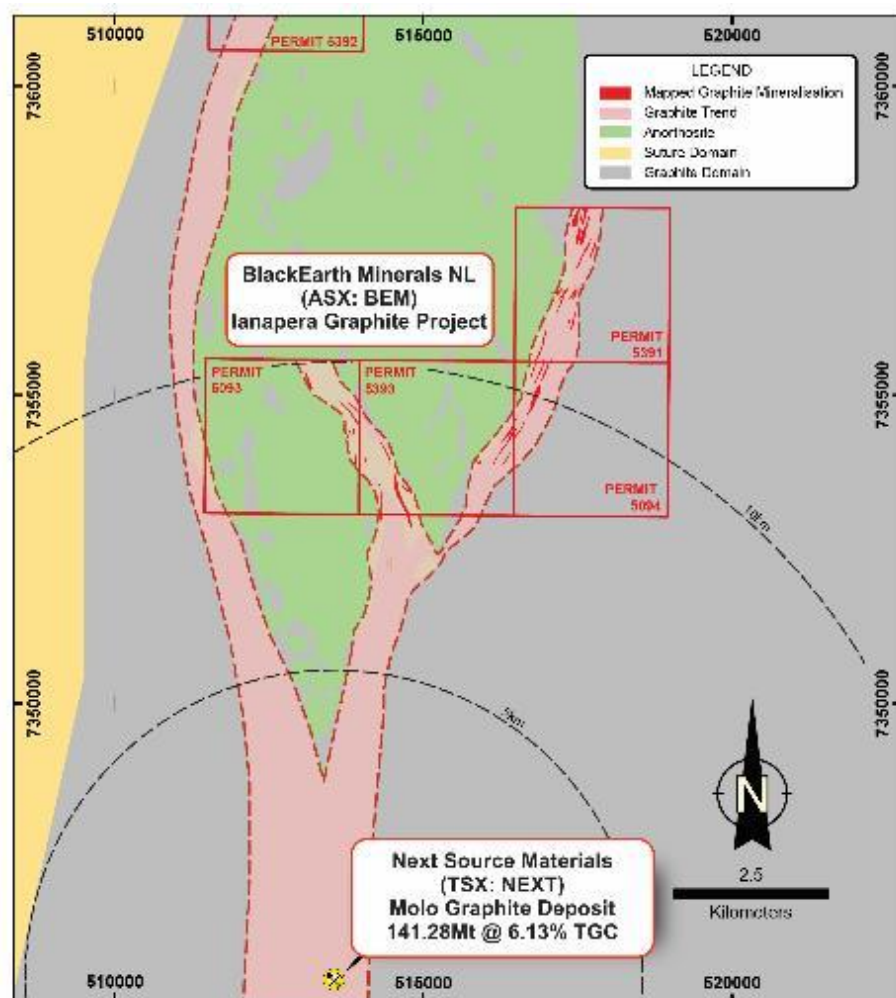
A continuous 5km long conductive trend outlines the interpreted zone of mineralisation at Ianapera. Within this extensive mineralised trend, there are four zones of higher conductivity that are clearly visible and are interpreted as likely zones of high-grade mineralisation. These intense anomalies were targeted during the trenching program. Numerous horizons of graphite mineralisation were identified and multiple high-grade rock-

DIRECTORS' REPORT (Continued)

chips were obtained along the conductive trend. The Company believes that a large graphite mineral system exists at Ianapera with the potential to host multiple high-grade graphite deposits.

The Ianapera Project is located 75km North of BlackEarth's Maniry Graphite Project, and significantly, within 10km of the NextSource Materials Inc's ("**NextSource**") (TSX: NEXT) 'World Class' Molo Graphite Deposit, containing an NI43-101 compliant total combined graphite resource of 141.28Mt @ 6.13% TGC, as shown in Figures 13, 14 & 15).

The Molo Graphite project is considered to be one of the largest, high quality flake graphite deposits in the world and NextSource has made significant progress in moving towards production, with the granting of a forty year Mining Permit, allowing NextSource to move toward the financing and building of the Molo project. The granting of this Mining Permit is also a highly significant signal from the newly elected Malagasy Government, and demonstrates the desire of the new government to engage with overseas resource companies and continue to promote Madagascar as a mining friendly jurisdiction.



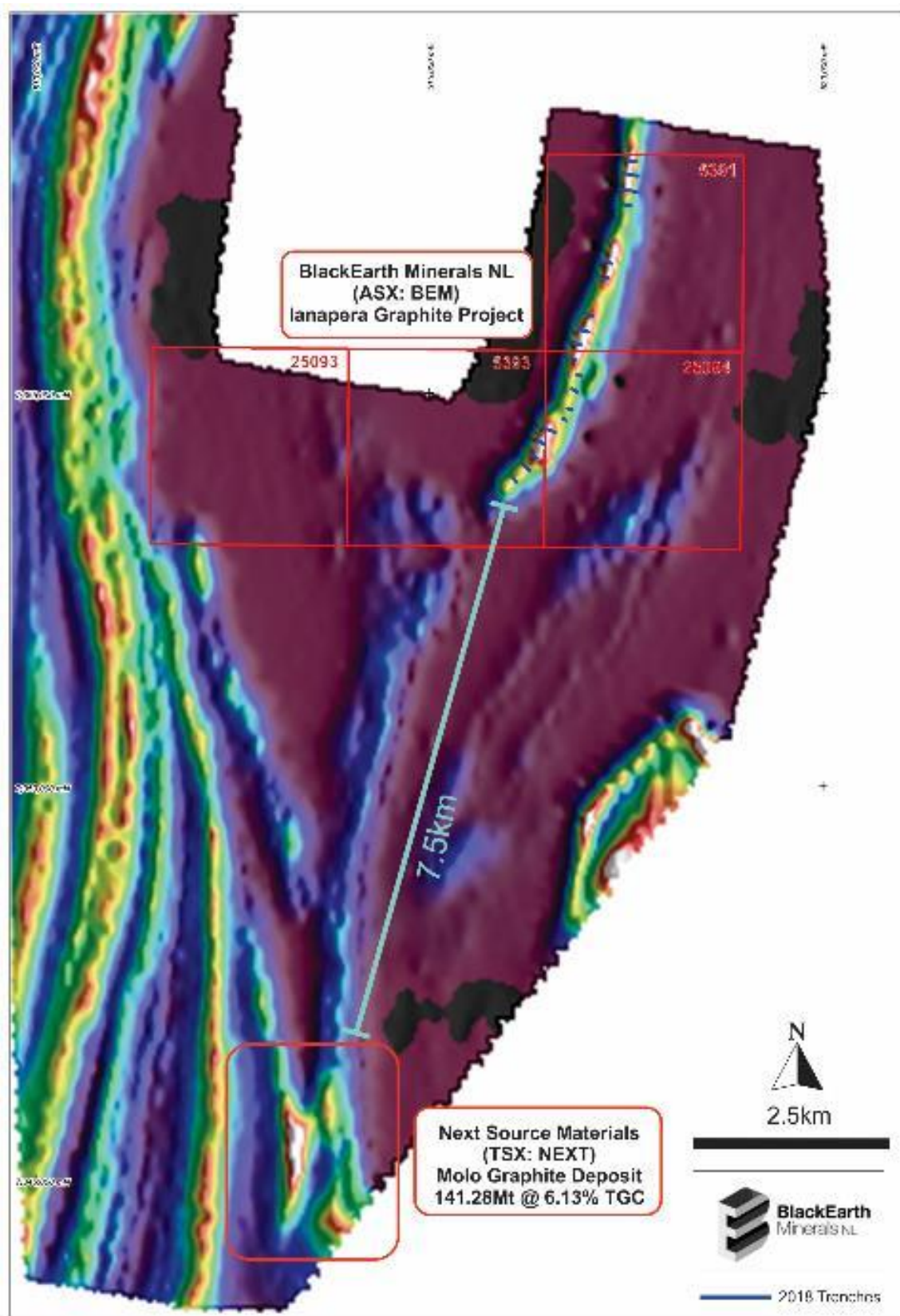


Figure 14 – Ampanihy Project and Molo Projects – Geology and Mineralisation VTEM Imagery

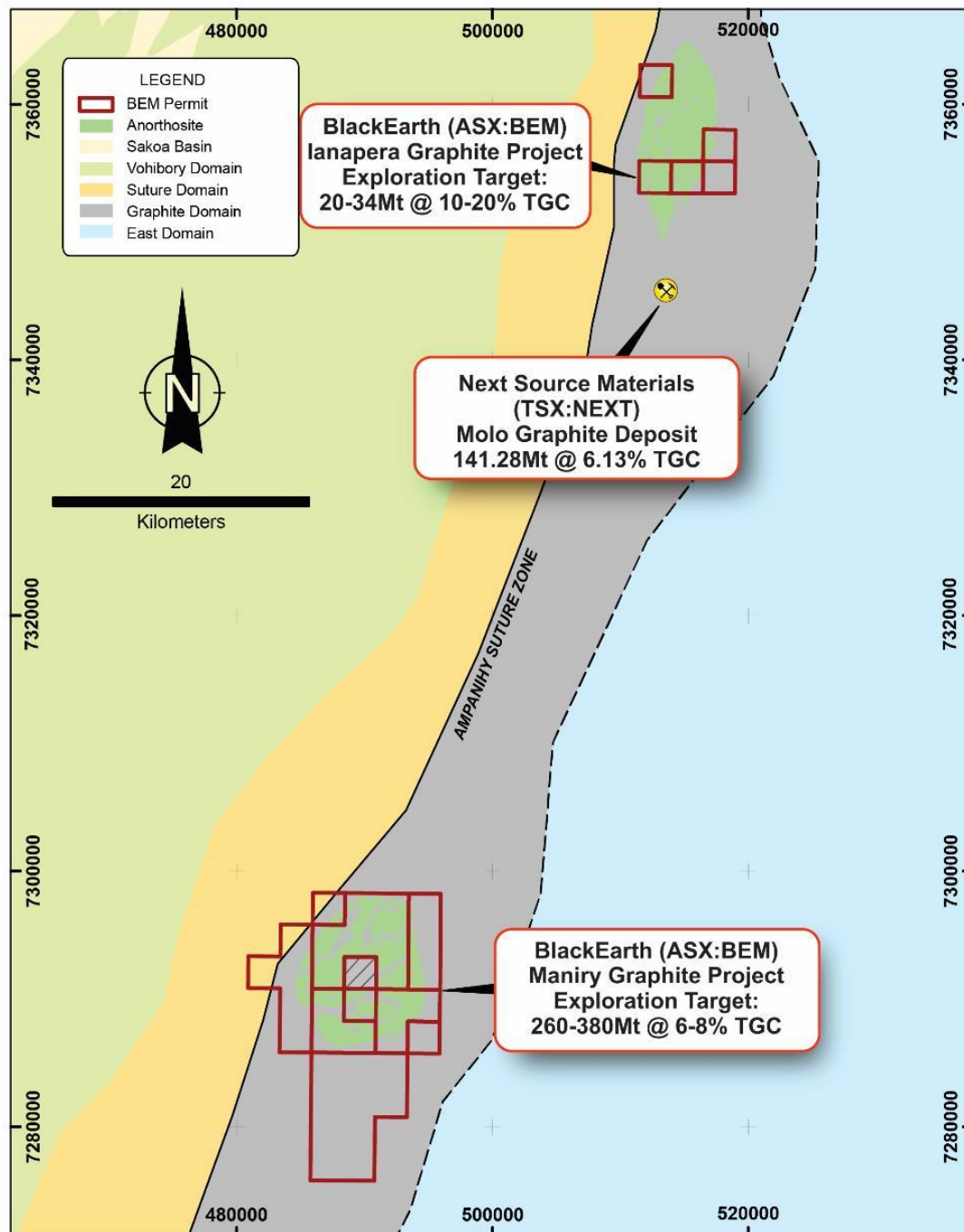


Figure 15 – Ampanihy Regional Geology and Graphite Projects

Ianapera Graphite Project - Exploration Target

The Ianapera Graphite Project can be briefly described as a series of parallel NNE trending graphite schists that vary in thickness between 2-50M and dip relatively steeply (60-70deg) to the NW. Significant mineralisation has now been consistently identified over 5km in strike, the footprint of which is outlined in VTEM/Conductivity imagery (Figure 14).

The Exploration Target for the Ianapera Graphite Project is between 20Mt to 34 Mt with grade ranging from 10% to 20% Total Graphitic Carbon (TGC).

Cautionary Statement. The Exploration Targets reported herein are not JORC compliant Mineral Resources. The potential quantity and grade of the Exploration Targets are conceptual in nature, there has been insufficient exploration to determine a Mineral Resource and there is no certainty that further exploration work will result

DIRECTORS' REPORT (Continued)

in the determination of a Mineral Resource.

Two scenarios due to varying lens morphology/shape have been provided:

Scenario	Length (m)	Depth (m)	Width (m)	SG	Grade Ranges	Total Tonnes
Scenario 1	5,000	60	30	2.25	10-20%	20,250,000
Scenario 2	5,000	60	50	2.25	10-20%	33,750,000

Table 7 – Ianapera Exploration Target

The Company's exploration team, in conjunction with BEM management, is currently reviewing an exploration program, and subject to available funds, anticipates that further exploration work, including drilling may be undertaken during 2019/20.

7. Appointment of Australia Minerals & Resources as strategic offtake advisors

On 1 May, the Company announced that it had entered into a Consultancy Agreement with Australia Mineral & Resources Pty Ltd ("AustMin"), to provide the Company with consultancy services in relation to offtake discussions/agreements, funding, product development and general collaboration for natural graphite, in relation to the Maniry project.

Founder and Chairman of AustMin, Eileen Hao, is a graphite specialist with significant experience working in industrial minerals, metals and applications, specialising on lithium-ion battery materials and graphite applications both in China and globally. Ms. Hao has held senior management roles and has provided technical and commercial consultancy services to leading international companies operating in the graphite industry, including Imerys, Superior Graphite (USA), Syrah Resources Limited (ASX:SYR) as well as acting as a Senior Consultant for Roskill Information Services.

Ms. Hao has been instrumental and successful in representing, establishing and securing offtake agreements and strategic partnerships for several other Australian companies. She holds a strong technical background which includes geology, chemistry and material engineering.

AustMin's scope of work includes:

- Positioning BEM in the Chinese market to build awareness of the Company by positioning the Maniry graphite project as a potential world-class supplier of high-quality natural graphite concentrate.
- Introducing BEM to the leading natural graphite companies operating in upstream and downstream industries.
- Facilitating and advising on contractual outcomes in relation to negotiations with Chinese parties, with the aim of entering mutually beneficial and legally binding agreements.

The contracting of Ms Eileen Hao was an important step for the Company in becoming a leading developer and supplier in the global graphite industry. With her substantial industry experience in providing consultancy services to leading global graphite companies, the Company is confident that Ms Hao will provide it with significant technical and commercial value in terms of positioning and utilising her contacts to promote the business in the Chinese market.

8. Test results deliver high value expandable graphite specifications

During the Financial Year, the Company received test report results on BlackEarth concentrate from the Maniry project. Testing was undertaken by German independent graphite specialist, NGS Trading and Consulting ("NGS") and these results would be used as part of the current offtake discussions/agreements, funding, product development and general collaboration discussions, in relation to the Maniry Graphite Project.

The objective of the initial test work program was to demonstrate the potential for high-demand product from the Company's Maniry Project.

Key outcomes from the NGS report stated:

DIRECTORS' REPORT (Continued)

- Based on the preliminary tests undertaken, the largest expansion volume achieved was 400 cm³/g which exceeded the industry benchmark rate of 250 cm³/g. The report states that “even larger expansion volumes should be possible”, from further systematic tests to determine optimal processing conditions
- Key attributes towards producing an attractive expandable product including moisture, portion of volatile matter, loss on ignition (LOI), carbon content and ash content were all deemed positive
- The lack of hard minerals in the concentrate indicate a relatively easy purification of the flake graphite for the production of graphite foil, lubricants, etc
- The absence or very low content of CaCO₃ is an indication that the BEM flake graphite is suitable for the application in the refractory industry and for many other applications
- The report also stated that “The flake graphite flotation concentrate is well suited for the preparation of expandable graphite. We could not find any restriction which would limit the application of this kind of flake graphite”.



Figure 16 - Photos of BEM product from NGS following expandability test work

The initial expandable test work results were extremely pleasing and potentially provide further high value markets for Maniry's concentrate. The Company has already commenced further and more detailed battery and expandability test work, which is currently being undertaken in Germany by Dorfner ANZAPLAN, which will be complete in several months. The product diversity is paramount to reducing future development and operational risk.

China is forecast to require a total of 40Mtpa of fire-retardant building materials per year and 5% of this product consists graphite, which equates to 2 million tonnes of high quality graphite per year being consumed by the Chinese construction industry alone. NGS's report on concentrate from BlackEarth's Maniry Graphite project demonstrates its suitability for the production of high demand expandable graphite, coupled with the recent appointment of Austmin as strategic graphite offtake advisors, strongly positions BlackEarth to become a leading global supplier of graphite.

DIRECTORS' REPORT (Continued)

Flake Size	(microns)	Mesh	Master Composite	
			Mass (%)	TGC (%)
Super Jumbo	>500	38	2.8	95.8
Jumbo	300 - 500	50 - 38	17.3	96.1
Large	180 - 300	80 - 50	29.8	95.6
Medium	150 - 180	100 - 80	9.1	95.0
Small	75 - 150	200 - 100	23.6	96.8
Fine	<75	-100	17.4	96.1

Table 8 – Concentrate Size and Grade Distribution the Maniry Graphite Project

COMMUNITY RELATIONS

BlackEarth continues its partnerships with the local communities in which it operates, to ensure positive and enduring impacts well into the future.

WESTERN AUSTRALIA TENEMENTS

The Company continues to review the following West Australian tenements:

Donnelly River – 2 granted exploration licences in close proximity to historic graphite workings from the early 1900's.

Greenhills - 4 granted exploration licences.

Northern Gully – 1 granted exploration licence with known graphite occurrences, associated with the Lady Sampson Mine.

Yalbra – 1 granted exploration licence

The Company plans on focusing its efforts during the remainder of FY2019/2020 on its Maniry and Ianapera graphite projects located in Madagascar.

CORPORATE

Placement

During the Financial Year, the Company issued 7,575,758 new fully paid ordinary shares at an issue price of \$0.066 per share (a 23% discount to the 5 day volume weighted average) to Australian institutional and professional investors, to raise minimum gross proceeds of \$500,000 before costs.

The new shares were issued within the Company's 15% placement capacity under ASX Listing Rule 7.1 and without disclosure under the Corporations Act. The Placement was not subject to shareholder approval and the new shares ranked equally with the Company's existing fully paid ordinary shares.

The funds raised by the Placement, together with the Company's existing funds, will be used to commence some or all of the work to progress the feasibility study for the Maniry Graphite Project (activities as outlined below) and for working capital purposes:

- Some further exploration activity;
- Additional bulk metallurgical test work and detailed concentrate product testing; and
- Independent social, community and environmental studies.

Share Purchase Plan

During March 2019 the Company successfully completed the Share Purchase Plan ("SPP") announced on 21 February 2019 and issued 15,278,195 ordinary shares at \$0.066.

The successful SPP and placement announced on 19 February 2019, increased the total amount raised to approximately \$1.5M. The funds will primarily be applied in a similar manner to those funds raised under the placement.

Competent Person's Statements

The information contained in this report that relates to Exploration Results and Mineral Resources has been compiled by Ms Annick Manfrino, a member of The Australian Institute of Geoscientists. Ms Manfrino is the Principal of Sigma Blue and Manager Geology of BlackEarth Minerals. Ms Manfrino has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that she is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Ms Manfrino consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the Exploration Target for the Maniry Graphite Project is extracted from the report entitled "Exploration Target Update" dated 14 August 2018 and is available to view on the Company's website www.blackearthminerals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to the Maiden Resource Estimation for Razafy at the Maniry Graphite Project is extracted from the report entitled "Update – Maiden Resource Estimation for Razafy at the Maniry Graphite Project" dated 14 August 2018 and is available to view on the Company's website (www.blackearthminerals.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to the Maiden Resource Estimation for Haja at the Maniry Graphite Project is extracted from the report entitled "Update – Maiden Resource Estimation for Haja at the Maniry Graphite Project" dated 27 December 2018 and is available to view on the Company's website (www.blackearthminerals.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this document that relates to metallurgical test work results is based on information compiled and reviewed by Mr David Pass, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Pass is an employee of BatteryLimits. Mr Pass has sufficient experience relevant to the mineralogy and type of deposit under consideration and the typical beneficiation thereof to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 Edition). Mr Pass consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

Scoping Study: Cautionary Statements

The Scoping Study, completed by BatteryLimits in Perth, was based on extensive metallurgical testing, including variability work, completed on the Company's Indicated Resource only. Full details are contained in the ASX Release dated 30 January 2019.

The Scoping Study had been undertaken in regards to providing the outcomes for the Maniry Graphite Project inclusive of a sensitivity analysis across a number of key parameters. The Scoping Study is a preliminary technical and economic study of the potential viability of the Maniry Graphite Project. It is based on low level technical and economic assessments that are not sufficient to support the estimation of ore reserves.

Further exploration and evaluation work and appropriate studies are required before BlackEarth will be in a position to estimate any ore reserves or to provide any assurance of an economic development case. The Scoping Study is based on the material assumptions outlined in the ASX announcement dated 30 January 2019. These include assumptions about the availability of funding. While BlackEarth considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.

To achieve the range of outcomes indicated in the Scoping Study, funding will be required for both the feasibility study and the capital required to implement phases 1 and 2 of the Project and are currently estimated to be in the range of USD\$40-70

DIRECTORS' REPORT (Continued)

million. Investors should note that there is no certainty that BlackEarth will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of BlackEarth's existing shares. It is also possible that BlackEarth could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the project. If it does, this could materially reduce BlackEarth's proportionate ownership of the project, which is currently 100%.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.

RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated entity for the period ended 30 June 2019 was \$3,078,300 (2018 : \$2,423,452).

No dividend has been paid during or is recommended for the financial period ended 30 June 2019.

FINANCIAL POSITION

The Consolidated entity's working capital surplus, being current assets less current liabilities was \$1,341,088 at 30 June 2019 (2018 : working capital surplus of \$2,792,664).

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.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Consolidated entity during the financial year ended 30 June 2019 was:

	Board Meetings	
	Number held and entitled to attend	Number attended
Phillip Hearse	7	6
Thomas Revy	7	7
George Bauk	7	7

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.

DIRECTORS' REPORT (Continued)

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	\$7,707
Unlisted Series 2	22 June 2017	\$0.01	22 June 2020	\$0.30	2,000,000	\$9,701
					2,750,000	\$17,408

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 2019.

PERFORMANCE RIGHTS

Unlisted performance rights on issue as at 30 June 2019 is as follows:

Rights Series	Issue Date	Number	Fair Value
Series 3	30 November 2018	2,000,000	\$180,000
Series 4	30 November 2018	4,000,000	\$41,978
Series 5	30 November 2018	4,000,000	\$8,399
Performance Rights Outstanding as at 30 June 2019		10,000,000	\$230,377

Performance Hurdles/Restrictions

Rights Series	Number of options	Hurdle
Series 3	2,000,000	Positive scoping study and decision to proceed to feasibility study
Series 4	4,000,000	Tenure update – grant of mining licence including all relevant approvals
Series 5	4,000,000	Positive feasibility study and financial investment decision
		10,000,000

No new performance rights have been issued subsequent to 30 June 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Consolidated entity has paid \$20,130 in premiums to insure Directors and Officers of the Consolidated entity.

REMUNERATION REPORT (Audited)

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 2019

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		Share Based Payments		Total
Salary, Fees & Superannuation		Other	Non-Monetary	Super-annuation	Retirement Benefits	Performance Rights ⁶	Options ⁶	\$
Phillip Hearse – Non Executive Chairman ¹								
2019	60,000	-	-	-	-	57,594	3,759	121,353
2018	27,137	-	-	-	-	-	3,759	30,896
Thomas Revy – Managing Director ²								
2019	250,000	-	-	23,750	-	115,188	3,944	392,882
2018	159,538	-	-	10,596	-	-	3,255	173,389
George Bauk – Non Executive Chairman ³								
2019	48,000	-	-	-	-	57,594	-	105,594
2018	21,680	-	-	-	-	-	-	21,680
Barry Woodhouse – Company Secretary ⁴								
2019	-	-	-	-	-	-	1,315	1,315
2018	10,800	-	-	-	-	-	1,085	11,885
Simon Storm - CFO & Company Secretary ⁵								
2019	11,193	-	-	-	-	-	-	11,193
2018	-	-	-	-	-	-	-	-

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 resigned as Company Secretary on 23 March 2019.

⁵ Simon Storm was appointed as CFO & Company Secretary on the 23rd March 2019

⁶ For further detail, refer to note 25

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Directors' interests in shares and options

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

	Balance 01/07/2018	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2019
P Hearse	1,000,000	-	-	227,272	1,227,272
T Revy	2,000,000	-	-	227,272	2,227,272
G Bauk	500,000	-	-	75,758	575,758
S Storm	-	-	-	151,515	151,515
B Woodhouse	100,000	-	-	223,788	323,788
	3,600,000	-	-	905,605	4,505,605

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

	Balance 01/07/2018	Received as Compensation	Options Exercised	Net change Other	Balance 30/06/2019
P Hearse	1,000,000	-	-	-	1,000,000
T Revy	2,000,000	-	-	-	2,000,000
G Bauk	500,000	-	-	-	500,000
B Woodhouse	100,000	-	-	-	100,000
	3,600,000	-	-	-	3,600,000

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

	Balance 01/07/2018	Granted as Compensation	Options Exercised/ Expired	Balance 30/06/2018	Total Vested 30/06/2019	Total Exercisable 30/06/2019	Total Unexercisable 30/06/2019
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

Options Issued as Part of Remuneration

During the period ended 30 June 2019, 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	22/06/2019
Unlisted Series 2 Table B	2,000,000	22/06/2017	\$0.01	22/06/2020	\$0.30	22/06/2020
	2,750,000					

There are no further service or performance criteria other than those listed on page 27, 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 were 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	750,000	100%	0%
	750,000	750,000		

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Table B Series 2 - During the period, the following KMP were 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	1,005,000	67%	0%
B Woodhouse	500,000	335,000	67%	0%
	2,000,000	1,340,000		

Performance Rights Issued as Part of Remuneration

During the period ended 30 June 2019, the following share-based payment options arrangements were in existence with KMP:

Rights Series	Number Granted	Grant Date	Grant Date Fair Value	Vesting Date	Fair Value
Series 3 Table A	2,000,000	30/11/2018	\$0.09	30/01/2019	\$180,000
Series 4 Table B	4,000,000	30/11/2018	\$0.09	30/11/2021	\$41,978
Series 5 Table C	4,000,000	30/11/2018	\$0.09	30/11/2023	\$8,399
	10,000,000				\$230,377

Table A Series 3 - During the period, the following KMP were entitled to performance rights with a fair value of \$0.09 per unit.

Series 3 Table A	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
P Hearse	500,000	500,000	100%	0%
T Revy	1,000,000	1,000,000	100%	0%
G Bauk	500,000	500,000	100%	0%
	2,000,000	2,000,000		

Table B Series 4 - During the period, the following KMP were entitled to options with a fair value of \$0.01 per unit.

Series 4 Table A	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
P Hearse	1,000,000	190,000	19%	0%
T Revy	2,000,000	380,000	19%	0%
G Bauk	1,000,000	190,000	19%	0%
	4,000,000	760,000		

Table C Series 5 - During the period, the following KMP were entitled to options with a fair value of \$0.01 per unit.

Series 5 Table C	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited
P Hearse	1,000,000	120,000	12%	0%
T Revy	2,000,000	240,000	12%	0%
G Bauk	1,000,000	120,000	12%	0%
	4,000,000	960,000		

			Transaction Value	
			2019	2018
			\$	\$
Battery Limits Pty Ltd	Consulting Services	(i)	136,558	-

Battery Limits Pty Ltd were appointed to carry out the management of the metallurgical test work and process design. Phil Hearse is a Director of Battery Limits Pty Ltd. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Other than the above, there were no other transactions with KMP.

SUBSEQUENT EVENTS

- a) On 29 August 2019, the Company issued 28,016,068 ordinary shares at 6 cents per share pursuant to placement for continued exploration on the Company's exploration assets in Madagascar and working capital.

Other than the 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, Bentley's Audit and Corporate (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 32 and forms part of this directors' report for the period ended 30 June 2019.

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



Thomas Revy
Managing Director

Dated at Perth this 29th August 2019

**Bentleys Audit & Corporate
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the audit of the financial statements of BlackEarth Minerals NL for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 29th day of August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Notes	30 June 2019 \$	30 June 2018 \$
Continuing Operations			
Other Revenue	5 (a)	202,029	128,322
Administration costs		(528,979)	(495,914)
Exploration and evaluation costs written off		(987,436)	(1,254,198)
Occupancy costs		(45,047)	(21,392)
Personnel and Consulting Costs		(1,385,978)	(461,048)
Share based payments	25	(239,394)	(8,099)
Depreciation and amortisation		(9,978)	(6,360)
Financing costs		-	(4)
Other expenses	5 (b)	(83,517)	(304,759)
Loss before income tax		(3,078,300)	(2,423,452)
Income tax expense	6	-	-
Loss after income tax from continuing operations		(3,078,300)	(2,423,452)
Other comprehensive income, net of income tax		(25,308)	23,370
Total comprehensive income for the period		(3,103,608)	(2,400,082)
Basic loss per share (cents per share)	15	4.58	5.42

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 2019**

		30 June 2019	30 June 2018
	Note	\$	\$
Current Assets			
Cash and cash equivalents	7	1,363,126	3,097,338
Trade and other receivables	8	256,594	189,198
Total Current Assets		1,619,720	3,286,536
Non Current Assets			
Mineral Exploration assets	9	783,772	783,772
Property, plant and equipment	10	19,178	24,992
Total Non Current Assets		802,950	808,764
TOTAL ASSETS		2,422,670	4,095,300
Current Liabilities			
Trade and other payables	11	254,445	486,032
Provisions	12	24,187	7,840
Total Current Liabilities		278,632	493,872
TOTAL LIABILITIES		278,632	493,872
NET ASSETS		2,144,038	3,601,428
Equity			
Issued capital	13	7,704,020	6,297,196
Reserves	14	245,846	31,760
Accumulated losses		(5,805,828)	(2,727,528)
TOTAL EQUITY		2,144,038	3,601,428

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Issued capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2017	640,601	291	-	(304,076)	336,816
Loss for the year	-	-	-	(2,423,452)	(2,423,452)
Other comprehensive income for the period, net of income tax	-	-	23,370	-	23,370
Total comprehensive loss for the year	-	-	23,370	(2,423,452)	(2,400,082)
Issue of shares	6,054,864	-	-	-	6,054,864
Capital raising costs	(398,269)	-	-	-	(398,269)
Issue of options	-	8,099	-	-	8,099
Balance at 30 June 2018	6,297,196	8,390	23,370	(2,727,528)	3,601,428

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

	Issued capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2018	6,297,196	8,390	23,370	(2,727,528)	3,601,428
Loss for the year	-	-	-	(3,078,300)	(3,078,300)
Other comprehensive income for the period, net of income tax	-	-	(25,308)	-	(25,308)
Total comprehensive loss for the year	-	-	(25,308)	(3,078,300)	(3,103,608)
Issue of shares	1,508,361	-	-	-	1,508,361
Capital raising costs	(101,537)	-	-	-	(101,537)
Amortisation of options and Performance Rights	-	239,394	-	-	239,394
Balance at 30 June 2019	7,704,020	247,784	(1,938)	(5,805,828)	2,144,038

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

CONSOLIDATED STATEMENT OF CASH FLOWS **For the Year Ended 30 June 2019**

		30 June 2019	30 June 2018
	Note	\$	\$
Cash Flows from Operating Activities			
Receipts from customers		80,891	-
Payments to suppliers and employees		(2,021,743)	(1,262,297)
Payments for exploration and evaluation		(1,225,871)	(950,701)
Interest received		14,589	12,533
Net cash used in operating activities	16	(3,152,134)	(2,200,465)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(4,165)	(29,549)
Payment for exploration assets		-	(81,877)
Payment for acquisition of subsidiary		-	-
Net cash used in investing activities		(4,165)	(111,426)
Cash Flows from Financing Activities			
Proceeds from issue of shares		1,508,361	5,453,400
Payment for capital raising costs		(101,537)	(407,729)
Net cash generated by financing activities		1,406,824	5,045,671
Net increase in cash held		(1,749,475)	2,733,780
Cash and cash equivalents at the beginning of the period		3,097,338	340,188
Effect of exchange rates on cash balances		15,263	23,370
Cash and cash equivalents at the end of the period	7	1,363,126	3,097,338

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 29th August 2019.

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 2019, the Consolidated entity had cash assets of \$1,363,126 (2018: \$3,097,338) and working capital surplus of \$1,341,088 (2018: \$2,792,664.)

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to below, the directors are satisfied that the going concern basis of preparation is appropriate given the:

- The Company has the ability to defer discretionary costs as and when required;
- As disclosed in Note 19, the Company has successfully raised \$1,680,964.08 via the issue of 28,016,068 ordinary shares on 29 August 2019.
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 9 Financial Instruments and related amending Standards

In the current year, the Consolidated entity has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however, there was no material impact on adoption of the standard.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Consolidated entity has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

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 2019. 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.

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 Consolidated entity will adopt this standard from 1 July 2019 but the Consolidated entity does not anticipate a material impact on adoption.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Financial Instruments*

Financial instruments are initially measured at fair value plus transaction costs, except where the instruments is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment. The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) *Financial assets at fair value through profit and loss or through other comprehensive Income*

Financial assets are classified at 'fair value through profit or loss' or 'fair value through other comprehensive Income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'fair Value through other comprehensive income'.

(ii) *Financial Liabilities*

The Consolidated Entity's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial Liabilities are recognised where the related obligations are either discharged, cancelled or expire. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

(i) 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.

(j) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Fair Value of Assets and Liabilities(continued)

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.

			Transaction Value	
			2019	2018
			\$	\$
Battery Limits Pty Ltd	Consulting Services	(i)	136,558	-

Battery Limits Pty Ltd were appointed to carry out the management of the metallurgical test work and process design. Phil Hearse is a Director of Battery Limits Pty Ltd. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

There were no other related party transactions other than transactions disclosed in Note 4.

3. REMUNERATION OF AUDITORS

	2019	2018
	\$	\$
Audit of the financial statements (William Buck Audit (WA) Pty Ltd)	-	12,900
Investigating accountants report (William Buck Consulting Pty Ltd)	-	5,940
Audit of the financial statements (Bentleys Audit & Corporate (WA) Pty Ltd)	21,465	13,000
	<u>21,465</u>	<u>31,840</u>

The auditor of BlackEarth Minerals NL is Bentleys Audit & Corporate (WA) Pty Ltd .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

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
Thomas Revy	Managing Director
George Bauk	Non-Executive Director
Barry Woodhouse	Company Secretary (Resigned 27 March 2019)
Simon Storm	Company Secretary

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:

	2019	2018
	\$	\$
Short-term benefits	369,193	219,155
Share based payments	239,394	8,099
Post-employment benefits	23,750	10,596
	<u>632,337</u>	<u>237,850</u>

5. LOSS FROM ORDINARY ACTIVITIES

	2019	2018
	\$	\$
(a) Other revenue		
Interest received	14,589	12,533
Forgiveness of loan	-	28,072
Recovery of expenses	64,210	22,386
Royalties	82,658	29,758
Foreign exchange differences	40,572	35,573
Total other revenue from ordinary activities	<u>202,029</u>	<u>128,322</u>

(b) Other expense	2019	2018
	\$	\$
Bonus partly paid shares issued to fully paid ordinary shareholders	-	1,463
Fines, penalties and donations	7,483	1,966
Provision for non-recoverability of VAT & Other debtors	76,034	301,330
Total other expense from ordinary activities	<u>83,517</u>	<u>304,759</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

6. INCOME TAX EXPENSE

	2019	2018
	\$	\$
Current Tax	-	-
Deferred tax	-	-
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before tax	(3,078,300)	(2,423,452)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 27.5% (2018:27.5%)	(846,533)	(666,449)
<i>Add/(Less) tax effect of:</i>		
Non-deductible expenses	338,613	417,078
Interest accrual and other proceed	(19,268)	14,494
Deferred tax asset not brought to account	527,188	234,877
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.

The Consolidated entity has deferred tax assets not brought to account and available for offset of deferred tax liabilities amount to \$815,916 (2018: \$288,728) the benefits of which will only be realised if the conditions for deductibility set out in Note 1(h) occur.

7. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash at bank	1,363,126	3,097,338
	1,363,126	3,097,338

8. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Withholding tax	-	27
GST Receivable	30,440	17,503
Other Debtors	226,154	171,668
	256,594	189,198

9. CAPITALISED EXPLORATION EXPENDITURE

	2019	2018
	\$	\$
Opening Balance	783,772	75,000
Additions:		
WA tenements	-	-
Madagascar Graphite	-	501,894
Closing Balance	783,772	783,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

10. PROPERTY, PLANT AND EQUIPMENT

2019			
IT and Other Equipment	Australia	Madagascar	Total
Balance at 1 July 2018	10,948	14,044	24,992
Additions	-	4,164	4,164
Depreciation	(4,367)	(5,611)	(9,978)
Balance at 30 June 2019	6,581	12,597	19,178
2018			
IT and Other Equipment	Australia	Madagascar	Total
Balance at 15 March 2016	1,803	-	1,803
Additions	12,305	17,244	29,549
Depreciation	(3,160)	(3,200)	(6,360)
Balance at 30 June 2018	10,948	14,044	24,992

11. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Trade payables	254,445	486,032
	254,445	486,032

12. PROVISIONS

	2019	2018
	\$	\$
Employees annual leave provision	24,187	7,840
	24,187	7,840

13. ISSUED CAPITAL

	30 June 2019	30 June 2018
	Number	Number
	\$	\$
Fully paid Ordinary Shares		
Opening Balance	60,785,500	46,500,000
Shares cancelled	-	(19,000,000)
Issue of shares in lieu of payment	-	1,000,000
Issue of shares	-	3,000,000
Issue of shares in lieu of payment	-	2,000,000
Issue of shares IPO	-	27,285,500
Issue of shares (i)	6,897,424	455,230
Issue of shares (ii)	678,334	44,770
Issue of shares (iii)	15,278,195	1,008,361
Transaction Costs	-	(101,537)
Closing Balance	83,639,453	60,785,500

- (i) 28 February 2019 6,897,424 shares issued pursuant to placement for continued exploration on the Company's exploration assets in Madagascar and working capital.
- (ii) 05 March 2019 678,334 shares issued pursuant to placement for continued exploration on the Company's exploration assets in Madagascar and working capital.
- (iii) 28 March 2019 15,278,195 shares issued pursuant to Share Purchase Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

13. ISSUED CAPITAL (continued)

	30 June 2019		30 June 2018	
	Number	\$	Number	\$
Partly-paid contribution shares – 25c				1,250
Opening Balance	28,142,750	2,814	22,500,000	-
Shares cancelled	-	-	(9,000,000)	-
Issue of shares	-	-	1,000,000	200
Issue of shares IPO	-	-	13,642,750	1,364
Closing Balance	28,142,750	2,814	28,142,750	2,814

14. RESERVES

	2019	2018
	\$	\$
Options	17,407	8,390
Performance Rights	230,377	-
Foreign Currency Translation Reserve	(1,938)	23,370
	245,846	31,760

15. LOSS PER SHARE

	(3,078,300)	(2,423,452)
Loss used in calculation of basic EPS		
	Number of Shares	Number of Shares
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	67,243,037	44,744,519

16. CASH FLOW INFORMATION

	2019	2018
	\$	\$
Reconciliation of cash flows from operating activities with loss after income tax		
Loss after income tax	(3,078,300)	(2,423,452)
Adjustments for non-cash income and expense items:		
Options & performance rights fair value amortisation	239,395	8,099
Bonus partly paid share issue	-	1,463
Depreciation	9,978	6,360
Provision for annual leave	16,347	-
Foreign currency adjustments	(40,572)	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(67,395)	(189,171)
(Decrease)/increase in accounts payable and accruals	(231,587)	396,236
Net cash outflows from Operating Activities	(3,152,134)	(2,200,465)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

17. 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 2019 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.

18. OPERATING SEGMENTS

(i) **Segment revenues and results**

30 June 2019

	Australia	Madagascar	Total
	\$	\$	\$
Revenue	-	82,658	82,658
Loss	(330,973)	(656,464)	(987,437)
Total segment loss	(330,973)	(573,806)	(904,779)

	Total
	\$
Reconciliation of segment result to Consolidated entity net loss	
i) Unallocated items	
- Interest revenue	
- Other	14,589
	(2,188,110)
Loss from continuing operations	(3,078,300)

30 June 2018

	Australia	Madagascar	Total
	\$	\$	\$
Revenue	-	29,758	29,758
Loss	(63,696)	(1,190,502)	(1,254,198)
Total segment loss	(63,696)	(1,160,744)	(1,224,440)

	Total
	\$
Reconciliation of segment result to Consolidated entity net loss	
i) Unallocated items	
- Interest revenue	12,533
- Other	(1,211,545)
Loss from continuing operations	(2,423,452)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

18. OPERATING SEGMENTS (continued)

(ii) Segment Assets

30 June 2019

	Australia	Madagascar	Total
	\$	\$	\$
Segment Assets	206,878	576,894	783,772
Unallocated assets:			
- Cash and cash equivalents			1,363,126
- Other Assets			275,772
Total Consolidated Entity Assets			2,422,670

30 June 2018

	Australia	Madagascar	Total
	\$	\$	\$
Segment Assets	206,878	576,894	783,772
Unallocated assets:			
- Cash and cash equivalents			3,097,338
- Other Assets			214,190
Total Consolidated Entity Assets			4,095,300

(iii) Segment Liabilities

30 June 2019

	Australia	Madagascar	Total
	\$	\$	\$
Segment Liabilities	-	-	-
Unallocated Liabilities:			
- Trade and other payables			278,632
Total Consolidated Entity Liabilities			278,632

30 June 2018

	Australia	Madagascar	Total
	\$	\$	\$
Segment Liabilities	-	-	-
Unallocated Liabilities:			
- Trade and other payables			493,872
Total Consolidated Entity Liabilities			493,872

19. SUBSEQUENT EVENTS

- a) On 29 August 2019, the Company issued 28,016,068 ordinary shares at 6 cents per share pursuant to placement for continued exploration on the Company's exploration assets in Madagascar and working capital.

Other than the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

20. CONTINGENT ASSETS AND LIABILITIES

Upon successful IPO, the Consolidated entity acquired the share capital of Madagascar Graphite Ltd for which the following consideration 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 decided 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.

The Consolidated entity discharged their obligations in terms of points (i) and (ii) Refer to note 9. Point (iii) remains a contingent liability.

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

21. COMMITMENTS

(a) Exploration Expenditure

The Consolidated entity has certain obligations with respect to tenements and minimum expenditure requirements in Australia, as follows:

	2019 \$	2018 \$
Within 12 months	138,000	218,000
12 Months or longer and not longer than 5 years	138,000	218,000
Longer than 5 years	-	-
Total	276,000	436,000

Madagascar has no minimum expenditure however annual fees of \$75,000 is due in March each year

(b) Asset acquisition

The Consolidated entity has no commitments for asset acquisitions at 30 June 2019.

22. FINANCIAL INSTRUMENTS

(a) Capital Management

The Consolidated Entity manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Capital management requires the maintenance of a strong cash balance to support ongoing exploration.

Given the nature of the business, the Consolidated Entity monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Company's approach to capital management during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

22. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments	2019 \$	2018 \$
Financial assets		
Cash and cash equivalents	1,363,126	3,097,338
Trade and other receivables (non-interest bearing)	256,594	189,198
	<u>1,619,720</u>	<u>3,286,536</u>
Financial liabilities		
Trade and other payables (non-interest bearing)	278,632	486,032
	<u>278,632</u>	<u>486,032</u>
Net financial assets/(liabilities)	<u>1,341,088</u>	<u>2,800,504</u>

The carrying values of the above financial instruments approximate their fair values.

(c) Financial risk management objectives

In common with all other businesses, the Consolidated Entity is exposed to risks that arise from its use of financial instruments. This note describes the Consolidated Entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Consolidated Entity's finance function. The Consolidated Entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Consolidated Entity where such impacts may be material. The Board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility.

(d) Market risk

Market risk for the Consolidated Entity arises from the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see (e) below).

(e) Interest rate risk management

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Consolidated Entity does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Consolidated Entity, no policies are in place to formally mitigate this risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end on the reporting period. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Consolidated Entity's loss for the year ended 30 June 2019 would decrease/increase by \$13,631 (2018: \$30,973).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

22. FINANCIAL INSTRUMENTS (continued)

(f) Foreign currency risk management

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Consolidated Entity does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Consolidated Entity, no policies are in place to formally mitigate this risk.

	2019 MGA	2018 MGA
Financial assets		
Cash and cash equivalents	74,929,045	158,417,227
Trade and other receivables (non-interest bearing)	440,918,214	312,560,893
	<u>515,847,259</u>	<u>470,978,120</u>
Financial liabilities		
Trade and other payables (non-interest bearing)	28,685,693	910,854,942
	<u>28,685,693</u>	<u>910,854,942</u>
Net financial assets/(liabilities)	487,161,566	(439,876,822)

The Consolidated Entity's exposure to foreign risk is mitigated by having comparable asset and liabilities in US dollars therefore a sensitivity analysis has not been performed. The Consolidated Entity enters into forward exchange contracts with its Australian bank from time to time to hedge against foreign exchange risk.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Consolidated Entity uses other publicly available financial information and its own trading records to rate its major customers. The Consolidated Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Consolidated Entity's short-, medium- and long-term funding and liquidity management requirements. The Consolidated Entity manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

	Contractual cash flows			Total contractual cash flows
	Less than 6 months	6-12 months	1-5 years	
	\$	\$	\$	\$
2019				
Financial Assets				
Cash and cash equivalent	1,363,126	-	-	1,363,126
Trade and other receivables	153,956	102,638	-	256,594
	<u>1,517,082</u>	<u>102,638</u>	<u>-</u>	<u>1,619,720</u>
Financial Liabilities				
Trade and other payables	167,179	111,453	-	278,632
	<u>167,179</u>	<u>111,453</u>	<u>-</u>	<u>278,632</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

22. FINANCIAL INSTRUMENTS (continued)

	Contractual cash flows			
	Less than 6 months	6-12 months	1-5 years	Total contractual cash flows
	\$	\$	\$	\$
2018				
Financial Assets				
Cash and cash equivalent	1,858,403	1,238,935	-	3,097,338
Trade and other receivables	113,519	75,679	-	189,198
	1,971,922	1,314,614	-	3,286,536
Financial Liabilities				
Trade and other payables	291,619	194,413	-	486,032
	291,619	194,413	-	486,032

23. 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 2019	Percentage Interest Held 2018
BlackEarth Australia Pty Ltd (i)	Australia	100%	100%
Madagascar Graphite Ltd	Mauritius	100%	100%
BlackEarth Minerals Madagascar	Madagascar	100%	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.

24. PARENT ENTITY INFORMATION

	Parent 2019 \$	Parent 2018 \$
Assets		
Current assets	1,392,768	3,095,664
Non-current assets	996,081	2,122,216
Total Assets	2,388,849	5,217,880
Liabilities		
Current liabilities	244,811	124,732
Total Liabilities	244,811	124,732
Equity		
Issued capital	7,704,020	6,297,196
Reserves	247,785	8,390
Accumulated losses	(5,807,767)	(1,212,438)
Total Equity	2,144,038	5,093,148
Loss for the period	(4,595,329)	(909,032)
Other comprehensive income	-	-
Total comprehensive loss for the period	(4,395,329)	(909,032)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019 (continued)

25. SHARE BASED PAYMENTS

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

Series	Balance at 30 June 2018	Share Based Payments	Balance 30 June 2019
	\$	\$	\$
Series 1	3,948	3,759	7,707
Series 2	4,442	5,259	9,701
Series 3	-	180,000	180,000
Series 4	-	41,978	41,978
Series 5	-	8,398	8,398
	<u>8,390</u>	<u>239,394</u>	<u>247,784</u>

Options

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	22/06/2019
Unlisted Series 2 Table B	22/06/2017	\$0.01	22/06/2020	\$0.30	22/06/2020

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.

Performance rights

Rights Series	Number Granted	Grant Date	Grant Date Fair Value	Vesting Date	Fair Value
Series 3	2,000,000	30/11/2018	\$0.09	30/01/2019	\$180,000
Series 4	4,000,000	30/11/2018	\$0.09	30/11/2021	\$41,978
Series 5	4,000,000	30/11/2018	\$0.09	30/11/2023	\$8,399
	<u>10,000,000</u>				<u>\$230,377</u>

Performance Hurdles/Restrictions

Rights Series	Number of options	Hurdle
Series 3	2,000,000	Positive scoping study and decision to proceed to feasibility study
Series 4	4,000,000	Tenure update – grant of mining licence including all relevant approvals
Series 5	4,000,000	Positive feasibility study and financial investment decision
	<u>10,000,000</u>	

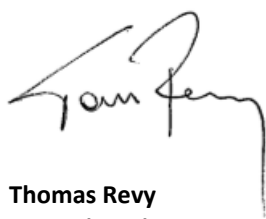
No new performance rights have been issued subsequent to 30 June 2019

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 2019 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 29th day of August 2019

Independent Auditor's Report

To the Members of BlackEarth Minerals NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BlackEarth Minerals NL and its subsidiaries, which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Consolidated Entity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bentleys Audit & Corporate
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Exploration and Evaluation Expenditure – \$783,772</p> <p>(Refer to Note 9)</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> – The significance of the balance to the Consolidated Entity's consolidated financial position. – The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset. – The assessment of impairment of exploration and evaluation expenditure being inherently difficult. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> – Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements. – For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; – We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6; – We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest. – We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> – the licenses for the right to explore expiring in the near future or are not expected to be renewed; – substantive expenditure for further exploration in the specific area is neither budgeted or planned

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> – decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and – data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale. <p>We assessed the appropriateness of the related disclosures in Note 9 to the financial statements.</p>
<p>Share Based Payments - \$239,394</p> <p>(Refer to Note 25)</p> <p>As disclosed in Note 25, the Group has various performance rights on issue to related parties which are subject to various performance and service conditions.</p> <p>These are subject to the measurement and recognition criteria of AASB 2 <i>Share-based payments</i>.</p> <p>We have identified this as a key audit matter as it involves significant assumptions made by Management in determining the probability of certain performance conditions being met and the significant amount of share based payments during the year.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> – Reconciliation of Performance Rights obtained; – Assessing the underlying terms and conditions of the Performance Shares and Rights on issue; – Ascertain whether Performance Shares and Rights have been valued correctly in accordance with AASB 2 based on the terms and conditions of the Performance Shares and Rights; – Assessed Management's assumptions made on the probabilities of the performance conditions being satisfied to ensure that they are reasonable; – We assessed the adequacy of the disclosures in Notes 25.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability 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 Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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.

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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 29th day of August 2019

ADDITIONAL ASX INFORMATION

1. CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found at <https://www.blackearthminerals.com.au/corporate-governance-and-directory/>

2. SUBSTANTIAL SHAREHOLDERS

<u>Holder Name</u>	<u>Number Held</u>	<u>% Held</u>
Lithium Australia NL	11,000,000	12.84%
Greyhound Investments Pty Ltd	6,310,000	6.07%

3. ISSUED CAPITAL

The issued capital of the company as at 19 August 2019 consists of :

<u>Quoted/Unquoted</u>	<u>Class</u>	<u>Number of Units</u>	<u>Number of Holders</u>
Quoted	Fully Paid Ordinary Shares	58,929,453	1,005
Unquoted	Escrow Fully Paid Ordinary Shares	26,710,000	18
Unquoted	Partly Paid Shares	20,432,750	671
Unquoted	Escrow Partly Paid Shares	7,710,000	7
Unquoted	\$0.30 Options	2,750,000	3
Unquoted	Performance Rights	8,000,000	3

4. VOTING RIGHTS

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Partly-paid ordinary shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has a pro rata vote for every equivalent fully paid ordinary share held.

5. HOLDERS HOLDING LESS THAN A MARKETABLE PARCEL

The number of holders holding less than a marketable parcel of the entity's main class of securities as at 19 August 2019 are as follows:

<u>Number of Holders</u>	<u>Number of units</u>
153	597,228

6. DISTRIBUTION OF SHAREHOLDERS

The distribution of shareholders as at 19 August 2019 are as follows:

<u>Distribution of equity securities</u>	<u>Fully Paid Ordinary Shares</u>	<u>Escrow Fully Paid Ordinary Shares</u>	<u>Partly Paid Ordinary Shares</u>	<u>Escrow Partly Paid Ordinary Shares</u>	<u>\$0.30 Options</u>
0-1,000	17	-	-	-	-
1,001 - 5,000	103	-	206	-	-
5,001 - 10,000	272	-	115	-	-
10,001 - 100,000	472	2	323	1	-
100,001 and over	141	16	27	6	3
TOTALS	1,005	18	671	7	3

7. 20 LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary shares as at 19 August 2019 are as follows:

Position	Holder Name	Holding	% Held
1	LITHIUM AUSTRALIA NL	11,000,000	12.84%
2	GREYHOUND INVESTMENTS PTY LTD <GREYHOUND INVESTMENTS A/C>	5,200,000	6.07%
3	THOMAS GEORGE REVY VALERIA MARIA REVY <REVCORP SUPER FUND A/C>	2,227,272	2.60%
4	CAPRICORN METALS LTD	2,000,000	2.34%
5	MR ADRIAN CHRISTOPHER GRIFFIN MS JOSEPHINE NORMAN <GLOBAL SUPER FUND A/C>	2,000,000	2.34%
6	JHY INVESTMENTS PTY LTD	1,320,000	1.54%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,312,117	1.53%
8	HORN RESOURCES PTY LTD	1,124,091	1.31%
9	THOMAS REVY	1,000,000	1.17%
10	JUAD PTY LTD <HAYES HEARSE SUPER FUND>	1,000,000	1.17%
11	MR RONALD LESLIE TAYLOR	927,272	1.08%
12	D W SARGEANT PTY LTD	913,601	1.07%
13	MR ZHENGYUN LI	740,000	0.86%
14	JUAD PTY LTD <HAYES HEARSE SUPER FUND A/C>	727,272	0.85%
15	MR DENIS LAWRENCE BLECHYNDEN	727,272	0.85%
16	JOHNBILL PTY LTD <BILL & JOHN SUPER FUND A/C>	727,272	0.85%
17	TOTODE PTY LTD <HINDMARSH INVESTMENT A/C>	575,758	0.67%
18	BANJO 65 PTY LTD <BANJO SUPER FUND A/C>	504,278	0.59%
19	MR MICHAEL GEORGE GIBSON	500,000	0.58%
20	TOTODE PTY LTD <HINDMARSH INVESTMENT A/C>	500,000	0.58%
		35,026,205	40.90%

8. COMPANY SECRETARY

The Company Secretary is Simon Storm.

9. REGISTERED OFFICE AND PRINCIPLE ADMINISTRATIVE OFFICE

Level 1, 675 Murray Street, West Perth, WA, 6005. Telephone number: 08 6145 0288

10. REGISTER OF SECURITIES

The register of securities is kept at Automic Registry Services, Level 2/267 St Georges Terrace, Perth, WA. 6000. Telephone number: 1300 288 664.

11. RESTRICTED SECURITIES OR SECURITIES SUBJECT TO VOLUNTARY ESCROW

The number and class of restricted securities is 26,710,000 fully paid ordinary shares and 7,710,000 Partly Paid Shares. The number and class of securities subject to voluntary escrow is nil.

12. UNQUOTED SECURITIES

The following persons hold 20% or more of the equity securities in an unquoted class:

Class	Holder	Number of units	% Held
Escrow Fully Paid Ordinary Shares	Lithium Australia NL	11,000,000	41.18
Escrow Partly Paid Shares	Thomas & Valeria Revy	2,000,000	25.94
Escrow Partly Paid Shares	Adrian Griffin & Josephine Norman	2,000,000	25.94
\$0.30 Options	Thomas Revy	1,500,000	54.55
\$0.30 Options	Philip Hearse	750,000	27.27

13. REVIEW OF OPERATIONS

A review of operations and activities for the reporting period that complies with Sections 299 and 299A are outlined in the Directors' report.

14. ON MARKET BUY BACKS

There is no current on market buy back of BlackEarth Minerals shares.

15. USE OF FUNDS

The entity used the cash and assets from 01 July 2018 to the time of this report in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

16. SCHEDULE OF MINERAL TENEMENTS

Location	Project	Tenement ID	Status	Anniversary Date	Holder/Applicant
Madagascar	Maniry	PE5394	Granted	19/11/42	Mada-Aust SARL
	Maniry	PR39750	Granted	20/9/18	Mada-Aust SARL
	Maniry	PR39751	Granted	20/9/18	Mada-Aust SARL
	Maniry	PR3432	Granted	20/9/18	Mada-Aust SARL
	Maniry	PR25605	Hold	17/6/11	Mada-Aust SARL
	Maniry	PR25606	Hold	17/6/11	Mada-Aust SARL
	Ianapera	PE5391	Granted	19/11/42	Mada-Aust SARL
	Ianapera	PE5392	Granted	19/11/42	Mada-Aust SARL
	Ianapera	PE5393	Granted	19/11/42	Mada-Aust SARL
	Ianapera	PE25093	Granted	17/1/47	Mada-Aust SARL
	Ianapera	PE25094	Granted	17/1/47	Mada-Aust SARL
WA	Nth Gully	E66/95	Granted	17/11/18	BEM Pty Ltd
	Greenhills	E70/4811	Granted	25/8/18	BEM Pty Ltd
	Greenhills	E70/4812	Granted	25/8/18	BEM Pty Ltd
	Greenhills	E70/4903	Granted	10/4/19	BEM
	Greenhills	E70/4906	Granted	3/5/19	BEM
	Donnelly R	E70/4824	Granted	21/9/18	BEM Pty Ltd
	Donnelly R	E70/4825	Granted	7/11/18	BEM Pty Ltd
	Donnelly R	E70/4972	Pending		BEM