



Blackstone Resources

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## Semi-annual Report 2018





# **Blackstone Resources AG**

**Interim Condensed Consolidated Financial Statements  
For the six months ended June 30, 2018 and 2017**

**(presented in Swiss francs)**

## **Highlights**

### **H1 2018**

- Continued research and development occurred within our intensive investment programme on sustainable technology metals, which includes lithium, cobalt, manganese and graphite.
- Continued progress was made on the gold milling plant in Peru, which is likely to generate near-term cashflow.
- Substantial geological works were carried out in Norway across three sites – covering approximately 50 square kilometres – for the development of rare earth and gold, where the company holds licences.
- We have an invested interest in the largest cobalt exploration company in North America, which added the Idaho-based Iron Creek properties to their portfolio in H1 2018. They have started a programme to drill over 30,000 metres to increase their cobalt resources.
- The price of tech metals fell moderately for lithium, cobalt and nickel.
- There was a natural price correction in our invested assets in publicly traded pure-play mineral investment interests.

### **H2 2018 – Outlook**

- We listed Blackstone Resources AG on the Six Swiss Exchange on 9 July 2018 with the symbol BLS. This represents a new chapter in the company's journey to fulfil its mission in exploring new investment interests in sustainable technology metals and battery metals.
- Additional geological works were carried out in Mongolia and an extensive drilling programme will be done.
- The company's trading division was established in August 2018 and a new Head of Trading was hired with a mandate to target and trade a substantial volume of metals.
- The initial construction of the gold milling plant in Peru was finalised and test production was initiated.
- In September 2018, a research and development programme was started for the production of the next generation of batteries that will be used in mobile phones and computers: it's believed that tech metals and new production techniques for flat and small batteries could save up to 70% in production costs.
- Blackstone Resources will undertake various private placements and convertible bond financing rounds in the second half of 2018.
- A number of new investments and acquisitions to further diversify the company's portfolio of sustainable technology metals and battery metals is planned.

### Peru

The construction of a gold milling plant in Peru has continued and passed several important milestones. This includes the completion of the processing plant, which is expected to go into production in the second half of 2018 after the receipt of the formal production permit. Initial production would start at 20 tonnes of ore per day, with a grade of 15 grams or more of gold per tonne. Once the main mill is fully operational, production will be increased gradually to 350 tonnes per day.

### Norway

Substantial geological works were carried out in Norway across three sites containing rare earths and gold out of 39 licences. The total area that these licences cover is over 50 square kilometres. Our London-based geological team organised three teams from the UK-based Cambourne School of Mines at the University of Exeter. A geological magnetic survey and over a month's worth of research by a team of eight has been carried out on the ground. Five hundred samples were collected and will be analysed during the programme. We expect to receive geological results in the second half of 2018.

### Canada

We have an invested interest in the largest cobalt exploration company in North America. This company has acquired a US investment interest which has added important Idaho-based Iron Creek properties to its portfolio. This includes mining patents, exploration claims and additional infrastructure. In addition, the 43-101 mineral resource estimate for the Iron Creek project indicates inferred mineral resources of 29.6 million tonnes with a grade of 0.11% cobalt equivalent. These resources contain 45 million pounds of cobalt and another 75 million pounds of copper. A 30,000 metres drilling programme is still on-going and will double the strike length for an updated resource estimate planned in 2019.

### New developments in battery tech production

Blackstone Resources AG has decided to start a research and development programme on new battery technology. The objective is to develop small and flat batteries for the mobile phone and laptop market. This technology would also have further potential applications across the broader battery market. Once fully operational, the company will start either its own production plant or it will partner up with other battery manufactures worldwide and receive a royalty stream. This has the potential to be a multi-billion-dollar market.

### Additional projects to come

Blackstone Resources is currently evaluating a number of additional projects to increase its interests in lithium and graphite resources. Results from these can be expected in the second half of 2018.

### Development of tech metal prices

Since the start of the year, the battery-metal rally has cooled. Prices of cobalt and lithium, alongside the broader battery metal mix, have fallen. This has naturally been priced into the publicly traded shares of our pure play mineral investment interests. Nevertheless, these metals are still supported by a huge structural trend – the emergence of the electric vehicle. We anticipate in the next 10 years that there will be an overall increase in demand in battery tech metals by as much as 10 times current levels. Demand will not be able to meet the supply and therefore we continue to anticipate a substantial long-term increase in the price of battery metals.



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## Unaudited interim consolidated statement of loss

For the six months ended June 30, 2018 and 2017

in CHF	Notes	2018	2017
<b>Operating expenses</b>			
General and administrative expenses	16	560'250	173'054
Other expenses		-	97'792
Personell expenses	10	209'437	996
Marketing expenses		37'555	84'974
Depreciation and amortization		41'499	26'042
License fee		-	50'815
<b>Total operating expenses</b>		<b>848'741</b>	<b>433'673</b>
<b>Non-operating income / (expenses)</b>			
Interest income		53'333	176
Other financial income		48'225	235'955
Unrealized revaluation gain / (loss)		-8'337'684	-
Interest expense		-216'185	-163'020
Loss on debt extinguishment		-346'907	-
Other financial expense		-61'314	-380'976
Share of profit / (loss) of an associate		-78'248	-11'855
<b>Total non-operating income / (expenses)</b>		<b>-8'938'780</b>	<b>-319'720</b>
<b>Loss before tax</b>		<b>-9'787'521</b>	<b>-753'393</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>-9'787'521</b>	<b>-753'393</b>
<b>Attributable to:</b>			
Equity holders of the parent		-9'761'207	-731'792
Non-controlling interest		-26'313	-21'601
<b>Loss per share attributable to the equity holders of the parent:</b>			
Basic		-0.23	-0.02
Diluted		-0.23	-0.02
<b>Weighted average number of shares outstanding:</b>			
Basic		41'559'006	42'362'522
Diluted		41'559'006	42'362'522

**Unaudited interim consolidated statement of comprehensive loss**

For the six months ended June 30, 2018 and 2017

in CHF	2018	2017
<b>Net loss for the period</b>	<b>-9'787'521</b>	<b>-753'393</b>
<b>Other comprehensive income:</b>		
Items that will not be reclassified to net income/ (loss):	-	-
Defined benefit plan actuarial gains / (losses)	-	-
<b>Net items not to be reclassified to net income / (loss)</b>	<b>-</b>	<b>-</b>
Items that will or may be reclassified to net income/ (loss):		
Foreign currency translation adjustment	15'148	-8'805
<b>Net items that will or maybe reclassified to net income / (loss)</b>	<b>15'148</b>	<b>-8'805</b>
<b>Total comprehensive loss</b>	<b>-9'772'373</b>	<b>-762'199</b>
<b>Attributable to:</b>		
Equity holders of the parent	-9'745'701	-740'662
Non-controlling interest	-26'672	-21'536



## Consolidated interim statement of financial position

As at June 30, 2018 and December 31, 2017

in CHF	Notes	Unaudited 2018	2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		932'830	3'720'169
Restricted cash		383'391	64'200
Trade and other receivables	5	502'283	503'610
Other financial assets	15	1'324'205	957'541
<b>Total current assets</b>		<b>3'142'709</b>	<b>5'245'520</b>
<b>Non-current assets</b>			
Exploration & evaluation assets	6	22'920'168	22'860'779
Investment in associate	7	27'225'999	27'347'650
Other financial assets	15	4'869'766	12'709'710
Advances and loans	8	1'980'719	1'002'868
<b>Total non-current assets</b>		<b>56'996'651</b>	<b>63'921'006</b>
<b>Total assets</b>		<b>60'139'360</b>	<b>69'166'526</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade and other payables		77'060	93'511
Accrued expenses		293'171	222'622
Borrowings	9	2'500'795	29'530'061
<b>Total current liabilities</b>		<b>2'871'027</b>	<b>29'846'194</b>
<b>Non-current liabilities</b>			
Derivative financial liability	9	346'907	-
Borrowings	9	37'771'051	3'770'383
<b>Total non-current liabilities</b>		<b>38'117'957</b>	<b>3'770'383</b>
<b>Total liabilities</b>		<b>40'988'984</b>	<b>33'616'577</b>
<b>Shareholders' equity</b>			
Issued capital	11	21'350'000	21'350'000
Share premium		21'738'642	21'644'340
Treasury shares	11	-6'836'327	-114'825
Retained deficit		-16'934'020	-7'172'813
Foreign currency translation adjustment		-88'132	-103'638
<b>Equity attributable to equity holders of the parent</b>		<b>19'230'164</b>	<b>35'603'065</b>
Non-controlling interest		-79'788	-53'116
<b>Total equity</b>		<b>19'150'376</b>	<b>35'549'949</b>
<b>Total liabilities and shareholders' equity</b>		<b>60'139'360</b>	<b>69'166'526</b>





## Unaudited interim consolidated statement of cash flows

For the six months ended June 30, 2018 and 2017

in CHF	Notes	2018	2017
<b>Operating activities</b>			
Net loss		-9'787'521	-753'393
<b>Non-cash adjustment to reconcile to net profit / (loss):</b>			
Depreciation and amortization	6	41'499	26'042
Impairment of E&E	6	-	71'491
Unrealized revaluation loss		8'337'684	-
Loss on debt extinguishment		346'907	-
Revaluation loss on investment of an associate		43'403	-
Write off account receivable		-	380'619
Interest income		-53'746	-
Interest expense		216'185	163'020
Income tax provision		15'625	62'625
Share of loss of an associate	7	78'248	11'855
Change in pension liability		-	-
Amortization of bond premium		-2'667	-2'584
Foreign currency difference		-17'209	424
<b>Total non-cash adjustments</b>		<b>9'005'929</b>	<b>713'492</b>
<b>Working capital adjustments:</b>			
Decrease (increase) in receivables		1'327	-999
Decrease (increase) in other current assets		-	-
Increase / (decrease) in trade and other accounts payables		-16'451	-218'114
Increase / (decrease) in other current liabilities		54'924	-210'442
<b>Total working capital adjustments</b>		<b>39'800</b>	<b>-429'555</b>
<b>Cash flow used in operating activities</b>		<b>-741'792</b>	<b>-469'456</b>
<b>Investing activities</b>			
Increase in E&E assets	6	-100'888	-92'364
Purchase of other financial assets	15	-864'404	-
Increase in restricted cash		-319'191	-64'200
Increase in loans and advances		-948'510	-64'010
<b>Cash flow used in investing activities</b>		<b>-2'232'993</b>	<b>-220'574</b>
<b>Financing activities</b>			
Repayment of borrowings		-50'000	-
Proceeds from borrowings		-	228'000
Proceeds from sale of treasury shares		222'300	462'473
<b>Cash flow from financing activities</b>		<b>172'300</b>	<b>690'473</b>
Net change in cash and cash equivalents		-2'802'485	443
Currency translation effect on cash and cash equivalents		15'146	-8'806
Cash and cash equivalents at the beginning of the year		3'720'169	227'776
<b>Cash and cash equivalents at the end of the period</b>		<b>932'830</b>	<b>219'413</b>
<b>Non-Cash Disclosures:</b>			
Non-cash repurchase of treasury shares		6'849'500	-
Issued note for treasury shares purchase (non-cash)		6'849'500	-
Issuance of derivative financial liability		346'907	-



## Unaudited interim consolidated statement of shareholders' equity

For the six months ended June 30, 2018 and 2017

in CHF, except per share amounts

	Attributable to equity holders of the parent								Total equity
	Number of shares	Issued capital	Share premium	Treasury shares	Retained deficit	Foreign currency translation adjustment	Total equity attributable to the parent	Non-controlling interest	
<b>As at January 1, 2018</b>	<b>42'700'000</b>	<b>21'350'000</b>	<b>21'644'340</b>	<b>-114'825</b>	<b>-7'172'813</b>	<b>-103'638</b>	<b>35'603'065</b>	<b>-53'116</b>	<b>35'549'949</b>
Loss for the period	-	-	-	-	-9'761'207	-	-9'761'207	-26'313	-9'787'521
Other comprehensive income / (loss)	-	-	-	-	-	15'506	15'506	-359	15'148
<b>Total comprehensive income / (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-9'761'207</b>	<b>15'506</b>	<b>-9'745'701</b>	<b>-26'672</b>	<b>-9'772'373</b>
Sale of treasury shares	-	-	94'302	127'998	-	-	222'300	-	222'300
Repurchase of treasury shares	-	-	-	-6'849'500	-	-	-6'849'500	-	-6'849'500
<b>As at June 30, 2018</b>	<b>42'700'000</b>	<b>21'350'000</b>	<b>21'738'642</b>	<b>-6'836'327</b>	<b>-16'934'020</b>	<b>-88'132</b>	<b>19'230'163</b>	<b>-79'788</b>	<b>19'150'376</b>
<b>As at January 1, 2017</b>	<b>42'700'000</b>	<b>21'350'000</b>	<b>12'132'942</b>	<b>-317'250</b>	<b>-11'026'278</b>	<b>-28'082</b>	<b>22'111'332</b>	<b>-33'174</b>	<b>22'078'158</b>
Loss for the period	-	-	-	-	-731'792	-	-731'792	-21'601	-753'393
Other comprehensive income / (loss)	-	-	-	-	-	-8'870	-8'870	64	-8'805
<b>Total comprehensive income / (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-731'792</b>	<b>-8'870</b>	<b>-740'662</b>	<b>-21'536</b>	<b>-762'199</b>
Sale of treasury shares	-	-	416'993	45'479	-	-	462'472	-	462'472
Repurchase of treasury shares	-	-	-	-30'631	-	-	-30'631	-	-30'631
<b>As at June 30, 2017</b>	<b>42'700'000</b>	<b>21'350'000</b>	<b>12'549'936</b>	<b>-302'402</b>	<b>-11'758'070</b>	<b>-36'952</b>	<b>21'802'511</b>	<b>-54'711</b>	<b>21'747'800</b>



## Unaudited Notes to the Consolidated Financial Statements

### 1. Nature and continuance of operations

Blackstone Resources AG (hereafter “the Company” or “Blackstone”) has its registered offices at Blegistrasse 5, CH 6340 Baar, Switzerland. The Company’s purpose consists of acquiring mining rights, concessions, licenses, mining technologies, developing and operating mining facilities.

The Company will grow its already existing interest in mineral deposits through the acquisition of further licenses in iron ore, molybdenum, copper, rare earth and gold.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

### 2. Significant accounting policies and basis of preparation

#### Basis of presentation and statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2017 annual report.

The preparation of interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Blackstone has applied the same accounting policies and methods of computation in its interim consolidated financial statements as its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for period beginning on (or after) January 1, 2018, and will be adopted in the 2018 annual financial statements.

The nature and impact of each new standard and interpretation adopted by the Company is detailed in note 4.

### 3. Significant accounting judgments and estimates

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements 2017.

### 4. Recently adopted accounting standards and accounting standards issued but not yet effective

The Company has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) January 1, 2018 and will be adopted in the 2018 annual financial statements. New standards impacting the Company that will be adopted in the annual financial statements for the year ended December 31, 2018 and which have given rise to changes in the Company’s accounting policies are:

- *IFRS 9 Financial Instruments*
- *IFRS 2 Share-based Payment*

#### *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. Adoption of this standard had no impact on the Company’s financial statements.

#### *IFRS 2 Share-based Payment*

On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for



withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018.

Other than the listed above, the following new standards or interpretations effective for the first time for periods beginning on or after January 1, 2018 that had no significant effect on the Company's financial statements.

- *IFRS 15 Revenue from Contracts with Customers*
- *IFRS 4 Insurance Contracts*
- *IAS 40 Investment Property*
- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

## 5. Trade and other receivables

The summarised financial information in respect of Blackstone's trade and other receivables is set out below.

<b>in CHF</b>	<b>As at 30.06.2018</b>	<b>As at 31.12.2017</b>
Trade receivables	83	3'610
Other receivables	2'200	-
Related party receivable <sup>1</sup>	500'000	500'000
<b>Total</b>	<b>502'283</b>	<b>503'610</b>

<sup>1</sup> Pursuant to a Share Purchase Agreement dated May 8, 2017 between Marcor Ltd. and Biological AG, whereby Marcor sold to Biological 500,000 shares of Multi Minerals Corp. at a share price of CHF 3.0 per Multi Minerals Corp. share. Mr. Ernst is the sole owner of Biological AG.

## 6. Exploration and evaluation assets

The summarised financial information in respect to Blackstone's E&E assets is set out below.

in CHF	As at 30.06.2018	As at 31.12.2017
<i>Mongolia:</i>		
Investment in Troi Gobi:	22'453'792	22'453'792
Exploration costs Jan 1:	215'927	104'487
Additions	-	113'455
Foreign exchange difference	946	-2'014
<b>Total exploration costs</b>	<b>216'873</b>	<b>215'927</b>
License costs Jan 1:	106'727	27'114
Additions	31'707	78'880
Foreign exchange difference	462	733
<b>Total license costs</b>	<b>138'896</b>	<b>106'727</b>
Amortization of license costs Jan 1:	66'747	7'649
Additions	41'498	58'332
Foreign exchange difference	484	766
<b>Total amortization costs</b>	<b>108'729</b>	<b>66'747</b>
<b>Net book value of license costs</b>	<b>30'167</b>	<b>39'980</b>
<b>Total Mongolia</b>	<b>22'700'832</b>	<b>22'709'699</b>
<i>Norway:</i>		
Investment in BS Norway Jan 1:	128'509	200'000
Impairment	-	-71'491
Exploration costs Jan 1:	22'570	-
Additions	70'309	22'570
Foreign exchange difference	-2'051	-
<b>Total exploration costs</b>	<b>90'828</b>	<b>22'570</b>
<b>Total Norway</b>	<b>219'337</b>	<b>151'080</b>
<b>Total exploration &amp; evaluation asset</b>	<b>22'920'168</b>	<b>22'860'779</b>

The balance of E&E assets primarily consists of CHF 22.5M in mineral property rights acquired in 2013 through the acquisition of Troi Gobi LLC.

## 7. Investment in associate

The summarised financial information in respect to Blackstone's associate is set out below.

in CHF	As at 30.06.2018	As at 31.12.2017
<i>Multi Minerals Corp:</i>		
January 1:	27'347'650	26'588'405
Additions	-	832'110
Revaluation loss	-43'403	-
Share of income / (loss) from associate	-78'248	-72'865
<b>Total investments in associates</b>	<b>27'225'999</b>	<b>27'347'650</b>



Pursuant to the shareholder agreements dated August 20, 2014 between Blackstone and Adriatica, a third party, Blackstone acquired from Adriatica a 20% equity interest in Multi Minerals Corp. (MMC / total issued and outstanding shares as of December 31, 2017: 53,040,000), a public limited company (PLC) company registered under the laws of Jersey later transferred into a BVI registered company. According to the agreement between Blackstone and Adriatica, Blackstone purchased a 20% equity interest from Adriatica by way of cash transaction for a total consideration of CHF 26.75 million. Adriatica granted Blackstone a loan in the amount of the transaction value of CHF 26.75 million, which expires on December 31, 2020. The loan is secured through Blackstone's interest in MMC. The loan will be paid back at the agreed time or the shares will be returned to Adriatica.

Option MMC: Pursuant to the option agreement dated May 22, 2015, Adriatica has granted Blackstone an option to purchase up to an additional 39,800,000 ordinary shares representing a 75% interest in MMC. The strike price of the option is CHF 1.50 per MMC share representing a total consideration of CHF 59.7 million. The option expires on December 31, 2018.

The Company's interest in MMC is accounted for in accordance to IAS 28 Investments in Associates using the equity method of accounting whereby the initial investment is recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of profit or loss and distributions received by MMC. The equity method was used because the majority shareholder Adriatica has control and therefore can influence the outcome of the general meetings and distribution of the variable returns. Although Blackstone has an option to increase its interest by an additional 75%, the Company determined that these potential voting rights were not substantive.

The increase in investment in MMC is subject to the acquisition of Marcor Ltd.

The total assets and liabilities of MMC for the periods ended June 30, 2018 and December 31, 2017 are set out below:

<b>in CHF</b>	<b>As at 30.06.2018</b>	<b>As at 31.12.2017</b>
Total assets	1'646'480	1'611'542
Total liabilities	3'395'265	3'565'364

## 8. Advances and loans

The summarised financial information in respect to Blackstone's advances and loans is set out below.

<b>in CHF</b>	<b>As at 30.06.2018</b>	<b>As at 31.12.2017</b>
3rd party loans <sup>1</sup>	212'537	-
GESAC <sup>2</sup>	1'696'878	932'617
Loan to executive management <sup>3</sup>	71'305	70'251
<b>Total advances and loans</b>	<b>1'980'719</b>	<b>1'002'868</b>

<sup>1</sup> Loan with face value of CHF 200,000 bears interest of 7% p.a. and is backed by various assets and expires on December 31, 2018; loan with face value CHF 10,000 bears no interest and is amortized over a 10 months period commencing on October 30, 2018.

<sup>2</sup> German Engineering & CIE S.A.C (GESAC), a 100% owned subsidiary of MMC, a related party; loan bears interest of 3% p.a. and matures on December 31, 2017. Pursuant to the loan umbrella loan agreement dated May 8, 2017 the loan was rolled forward into the new agreement and bears interest of 8% p.a. and expires on July 31, 2019.

<sup>3</sup> Loan bears interest of 3% p.a. and expires on December 31, 2018 with a 12-month roll forward option.



## 9. Borrowings

The summarised financial information in respect of Blackstone's borrowings is set out below.

### Third party borrowings:

All third party borrowings are classified as non-current borrowings.

in CHF	As at 30.06.2018	As at 31.12.2017
Convertible bond Series A <sup>1</sup>	516'370	518'814
Convertible bond Series B <sup>2</sup>	10'000	10'000
Other loan	44'818	44'623
<b>Total third party borrowings</b>	<b>571'188</b>	<b>573'437</b>

<sup>1</sup> The convertible bond Series A bears interest of 5.2% p.a. and matures on August 31, 2021. The convertible bond Series A can be converted into Blackstone shares at a 10% discount to the Blackstone quoted market price from January 1, 2018. If Blackstone has not achieved a stock market listing by December 12, 2019 the nominal value of CHF 10,000 can be converted into Blackstone shares at share price of CHF 13.50. Blackstone has the option to repurchase the convertible bond Series A from September 1, 2018 at the nominal value.

<sup>2</sup> The convertible bond Series B bears interest of 5.2% p.a. and matures on January 1, 2022. The convertible bond Series B can be converted into Blackstone shares at a 10% discount to the Blackstone quoted market price from January 1, 2018 with floor set at CHF 6.00. If Blackstone has not achieved a stock market listing by December 12, 2019 the nominal value of CHF 10,000 can be converted into Blackstone shares at share price of CHF 13.50. Blackstone has the option to repurchase the convertible bond Series B from January 1, 2019 at the nominal value.

The convertible notes have been classified as a convertible note with embedded derivative liability since there is an obligation to issue a variable number of shares and not fixed number of shares. For convertible bonds with embedded derivative liabilities, the embedded derivative value is determined first, and the residual value is assigned to the debt host liability. Since the embedded value is immaterial, the total value was assigned to the debt host liability.

### Related party borrowings:

in CHF	As at 30.06.2018	As at 31.12.2017
<b>Current:</b>		
U. Ernst <sup>1</sup>	156'608	206'265
Biological <sup>2</sup>	2'344'187	2'332'525
Adriatica <sup>3</sup>	-	26'991'270
<b>Total current</b>	<b>2'500'795</b>	<b>29'530'060</b>
<b>Non-current:</b>		
U. Ernst <sup>1</sup>	10'073'636	3'196'947
Adriatica <sup>3</sup>	27'126'227	-
<b>Total non-current</b>	<b>37'199'863</b>	<b>3'196'947</b>
<b>Total related party borrowings</b>	<b>39'700'658</b>	<b>32'727'007</b>

<sup>1</sup> Current account loan bearing interest of 1.5% p.a. with a 12-month termination notice at the end of each calendar year up to a maximum of CHF 650,000. Share purchase agreement dated June 21, 2017 whereby Marcor Ltd, a 100% subsidiary of Blackstone, agreed to purchase from U. Ernst 450,000 shares of Blackstone at share price of C\$ 2.00. The consideration of C\$ 900,000 towards U. Ernst has been structured through a loan agreement bearing interest of 1% p.a. and expires on December 31, 2019.

Pursuant to the share purchase agreement dated April 19, 2017 Blackstone acquired from U. Ernst a 100% equity interest in Marcor Ltd., a registered company under Gibraltar law. Pursuant to the share purchase agreement the consideration of CHF 1,500,000 is payable in cash and shares of Blackstone. For the cash portion of CHF 1,000,000 U. Ernst has granted Blackstone a loan bearing interest of 1.5% and matures on December 31, 2019.

Pursuant to the share purchase agreement dated May 8, 2017 Marcor Ltd, a 100% subsidiary of Blackstone, purchased 1,000,000 shares of Multi Minerals Corp. Pursuant to the share purchase agreement the consideration of CHF 1,500,000 is payable in cash and shares of Blackstone. for a total consideration of CHF 1,500,000. U. Ernst has granted Marcor a loan bearing an interest of 1% p.a. and maturing on December 31, 2019. Mr. Ernst is the Chairman, CEO and is a major shareholder in the Company.

Pursuant to the share purchase agreement dated February 15, 2018 Blackstone purchased from U. Ernst 721,000 shares of Blackstone Resources AG at a share price of CHF9.50 per share for a total consideration of CHF 6,849,500. U. Ernst has granted Blackstone a loan bearing an interest of 1.5% p.a. and maturing on December 31, 2020. Mr. Ernst is the Chairman, CEO and is a major shareholder in the Company.

<sup>2</sup> Pursuant to the share purchase agreement dated August 24, 2017 Blackstone Resources AG acquired from Biological AG a company registered under Swiss law, a 100% equity interest in Blackstone Resource Management AGC, a registered company under Swiss law. Pursuant to the share purchase agreement the consideration of CHF 100,000 towards Biological has been structured through a loan agreement bearing an interest of 1% p.a. and expires on December 31, 2018.

Pursuant to the share purchase agreement dated January 5, 2017 Blackstone Resources AG acquired from Biological AG a company registered under Swiss law, a 100% equity interest in Blackstone Norway, formerly Xundaze Associates Ltd. (BVI registered company). Pursuant to the share purchase agreement the consideration of CHF 10,000 towards Biological has been structured through a loan agreement bearing an interest of 1% p.a. and expires on December 31, 2018.

Pursuant to a loan agreement dated August 30, 2017 Biological AG has granted Blackstone Resources AG a loan in the amount of CHF 100,000. The loan bears interest of 1% p.a. and expires on December 31, 2018.



Pursuant to a loan agreement dated December 20, 2017 Biological AG has granted Blackstone Resources AG a loan in the amount of CHF 2,000,000. The loan bears interest of 1% p.a. and expires on December 31, 2018. Mr. Ernst is the sole owner of Biological.

<sup>3</sup>Pursuant to the shareholders agreement dated August 20, 2014 Blackstone acquired from Adriatic Group Ltd., a BVI registered entity, a 20% equity interest in Multi Mineral Corp. PLC, a BVI registered company, with investments in Latin America. Pursuant to the shareholder agreement the consideration of CHF 26,750,000. towards Adriatica has been structured through a loan agreement bearing an interest of 1% p.a. and expires on December 31, 2016. On December 15, 2016 both parties agreed to extend the term of the loan until December 31, 2018.

Pursuant to a share purchase agreement dated December 23, 2016, Adriatica purchased 70,000 shares of Blackstone at a share price of CHF 9.50 per share by conversion of CHF 665,000 of the outstanding Adriatica loan.

On May 7, 2018, pursuant to Amendment No. 1 to the Shareholders Agreement dated December 15, 2016 Blackstone and Adriatica Group Ltd. have extended the loan agreement in until December 31, 2020. Additionally, both parties have agreed to the following conversion terms:

- The conversion price calculated based on the thirty (30) day volume weighted average price (VWAP) of the Blackstone shares quoted on the SIX Swiss Exchange prior to the conversion date;
- a minimum conversion price of CHF 12.00 per share; and
- This conversion can be done from January 1, 2019 until December 31, 2020.

The addition of the conversion feature was accounted for as an extinguishment of the original financial liability and recognition of a new hybrid financial liability consisting of a debt host liability and an embedded derivative liability (conversion option). The fair value of the embedded derivative was determined first using a Black-Scholes option pricing model. The debt host liability was recorded using the residual method.

## 10. Personnel costs and employee benefits

Total personnel costs, which include salaries, wages, social security, and other personnel costs incurred for the periods ended June 30, 2018 and 2017, were CHF 209,437 and CHF 996, respectively.

### Defined benefit plans

The company operates a defined benefit plan in Switzerland and a defined contribution plan in Mongolia.

The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practices in each country.

## 11. Share capital

### *(a) Authorized share capital*

The Company is authorized to issue up to 68,320,000 bearer shares with a par value of CHF 0.50 until November 30, 2019.

### *(b) Issued share capital*

At June 30, 2018 and December 31, 2017, the Company had 42'700'000 bearer shares issued and outstanding.

### *(c) Treasury shares*

At June 30, 2018 and December 31, 2017, the Company held 1,251,711 and 554,111 treasury shares, respectively.





## 12. Earning/loss per share attributable to the equity holders of the parent

The basic profit/ loss per share (EPS) is computed by dividing the net profit/loss by the weighted average number of bearer shares outstanding during the year.

The diluted profit/loss per share reflects the potential dilution of bearer weighted average number share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of bearer shares outstanding during the year, if dilutive.

The following table sets forth the computation of basic and diluted profit or loss per share for the periods ended June 30, 2018 and 2017, respectively:

<b>in CHF</b>	<b>As at 30.06.2018</b>	<b>As at 30.06.2017</b>
Loss attributable to the equity holders of the parent:	-9'761'207	-731'792
Weighted average number of shares outstanding:		
Basic	41'559'006	42'408'056
Diluted	41'559'006	42'408'056
Loss per share attributable to the equity holders of the parent:		
Basic	-0.23	-0.02
Diluted	-0.23	-0.02

The dilutive effect of the convertible note Series A and Series B is immaterial.

The conversion feature associated with the Adriatica loan is potentially dilutive, however since the Company is currently in a loss position the effect would be antidilutive.

### 13. Financial instruments

#### *Fair value*

The following tables present the carrying values and fair values of Blackstone's financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing market interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies but are not necessarily indicative of the amounts that Blackstone could realise in the normal course of business. The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate the fair values.

<b>As at 30.06.2018 / in CHF</b>	<b>Carrying value<sup>1</sup></b>	<b>FVTPL<sup>2</sup></b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents <sup>3</sup>	-	932'830	932'830
Restricted cash	-	383'391	383'391
Trade and other receivables	502'283	-	502'283
Other financial assets (current) <sup>3</sup>	-	1'324'205	1'324'205
Other financial assets (non-current) <sup>4</sup>	-	4'869'766	4'869'766
Advances and loans	1'980'719	-	1'980'719
<b>Total financial assets</b>	<b>2'483'002</b>	<b>7'510'191</b>	<b>9'993'193</b>
<b>Liabilities</b>			
Trade and other payables	77'060	-	77'060
Derivative financial liability <sup>5</sup>	-	346'907	346'907
Borrowings	40'271'846	-	40'271'846
<b>Total financial liabilities</b>	<b>40'348'906</b>	<b>346'907</b>	<b>40'695'813</b>

<b>As at 31.12.2017 / in CHF</b>	<b>Carrying value<sup>1</sup></b>	<b>FVTPL<sup>2</sup></b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents <sup>3</sup>	-	3'720'169	3'720'169
Restricted cash	-	64'200	64'200
Trade and other receivables	503'610	-	503'610
Other financial assets (current) <sup>3</sup>	-	957'541	957'541
Other financial assets (non-current) <sup>4</sup>	-	12'709'710	12'709'710
Advances and loans	1'002'868	-	1'002'868
<b>Total financial assets</b>	<b>1'506'478</b>	<b>17'451'620</b>	<b>18'958'098</b>
<b>Liabilities</b>			
Trade and other payables	93'511	-	93'511
Borrowings	33'300'444	-	33'300'444
<b>Total financial liabilities</b>	<b>33'393'955</b>	<b>-</b>	<b>33'393'955</b>

<sup>1</sup> Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortized cost.

<sup>2</sup> FVTPL – Fair value through profit and loss.

<sup>3</sup> Classified as Level 1, measured using quoted exchange rates and/or market prices.

<sup>4</sup> Classified as Level 2. The Company elected FVTPL to reduce any measurement inconsistency.

<sup>5</sup> Classified as Level 3; valued using the Black-Scholes pricing model.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Switzerland so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Corporation's functional currency. Since the majority of the assets and liabilities are denominated in Swiss francs the currency risk is minimal.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The Company doesn't face any other interest rate risk since all borrowings are at fixed rates.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources.

The following tables set out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

<b>in CHF</b>	<b>Up to 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total</b>
<b>At June 30, 2018</b>				
Trade and other payables	77'060	-	-	77'060
Borrowings	2'500'795	10'118'454	27'652'597	40'271'846
<b>Total</b>	<b>2'577'855</b>	<b>10'118'454</b>	<b>27'652'597</b>	<b>40'348'906</b>
<b>At December 31, 2017</b>				
Trade and other payables	93'511	-	-	93'511
Borrowings	29'530'060	3'241'570	528'814	33'300'444
<b>Total</b>	<b>29'623'571</b>	<b>3'241'570</b>	<b>528'814</b>	<b>33'393'955</b>

#### 14. Management of capital

The Company manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Company for its future acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for future general and administrative expenses, the Company expects to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended June 30, 2018.

**15. Other financial assets**

The summarised financial information in respect of Blackstone's other financial assets is set out below.

in CHF	As at 30.06.2018	As at 31.12.2017
<b>Current:<sup>1</sup></b>		
Inca One Gold Corp	891'810	277'848
First Cobalt Corp. (C\$)	238'603	456'574
First Cobalt Chess Dep. (A\$)	97'635	223'119
Neo Lithium Corp. (C\$)	49'398	-
Nouveau Monde Graphite (C\$)	46'759	-
<b>Non-current:<sup>2</sup></b>		
First Cobalt Corp. (C\$)	4'869'766	12'709'710
<b>Total other financial assets</b>	<b>6'193'970</b>	<b>13'667'251</b>

<sup>1</sup>The shares are categorized as trading shares. Fair value is determined using quoted bid prices in an active market.

<sup>2</sup>The shares are categorized as non-current because of trading restrictions. Fair value is determined using the quoted bid price in an active market discounted using a discount rate of 10% during the restriction period.

**16. General and administrative expenses**

The summarised financial information in respect of Blackstone's general and administrative expenses is set out below.

in CHF	Period ended	
	30.06.18	30.06.17
Rental expense	61'712	30'000
Accounting	153'846	42'141
Tax & legal	115'547	79'906
Consultancy	138'000	-
Other administrative expenses	91'145	21'007
<b>Total general and administrative</b>	<b>560'250</b>	<b>173'054</b>

**17. Related party transactions**

The Company's related parties include key management personnel and companies related by way of directors or shareholders in common.

During the periods ended June 30, 2018 and 2017 respectively, the Company paid and/or accrued the following fees to management personnel and directors:

in CHF	Period ended				30.06.17
	Salary	Shares	Loan	Total	
<i>Directors:</i>					
U. Ernst	10'000	-	-	10'000	-
K. Ludvigsen	10'000	-	-	10'000	-
Dr. Stach	8'069	-	-	8'069	-
<i>Management:</i>					
P-M. Vogel	49'039	57'000	71'305	177'344	-
<b>Total compensation</b>	<b>69'039</b>	<b>57'000</b>	<b>71'305</b>	<b>205'412</b>	<b>-</b>

## 18. Tax

### Income tax expense:

No income tax was charged or credited to equity and other comprehensive income during the period ended June 30, 2018 and 2017, respectively.

## 19. Segment information

The Company currently does not generate any revenues and profits from its E&E assets.

Blackstone's segments are currently split into two segments.

- Exploration & evaluation assets (E&E)
- Other – various investments

The E&E segment is managed by local management with a reporting line to the Company's executive management, who is the chief operating decision maker.

The segment Other comprises of a 20% investment in Peru as well as equity interests in battery metal investments and a gold venture in Peru.

The 20% investment in Peru is managed by local staff with a reporting line to the Company's chief operating decision maker.

The total profit or loss of the company by its two segments generated in the periods ended June 30, 2018 and 2017, respectively was as follows:

in CHF	Period ended	
	30.06.2018	30.06.17
E&E:	-93'469	-121'362
- NCI Mongolia	-26'313	-21'601
Total E&E	-67'155	-99'761
Total other	-9'694'052	-632'031
- of which net unrealized revaluation loss on financial assets	-8'337'684	-
<b>Total net loss</b>	<b>-9'787'521</b>	<b>-753'393</b>

The CHF -8,337,684 relates to unrealized revaluation losses on other financial assets, reference Note 15.

The segment breakdown of the Company's non-current assets as of June 30, 2018 and December 31, 2017, respectively were as follows:

in CHF	As at	As at
	30.06.2018	31.12.2017
E&E:		
E&E assets	22'920'168	22'860'779
Total E&E	22'920'168	22'860'779
Other:		
Investment in associate	27'225'999	27'347'650
Other financial asset (non-current)	4'869'766	12'709'710
Advances and loans	1'980'719	1'002'868
Total other	34'076'483	41'060'228
<b>Total non-current assets</b>	<b>56'996'651</b>	<b>63'921'006</b>

## 20. Subsequent Events

- These financial statements were approved by the board of directors for issue on September 28, 2018.
- On July 9, 2018 the Company listed its bearer shares on the SIX Swiss Exchange.