Blackstone Resources

Semi-annual Report 2019

Blackstone Resources AG

Interim Condensed Consolidated Financial Statements
For the six months ended June 30, 2019 and 2018

(presented in Swiss francs)

Dear shareholders,

It is my great pleasure to announce our activities and successes during the first half of 2019. We will then offer our outlook for the business and the broader metal market.

Report for the first half of 2019

- **Blackstone Resources delivered strong performance from our business activities during the first half of 2019. A profit of CHF 5,069,416 was recorded, which equates to CHF 0.12 per share.**
- **Battery tech metals delivered mixed results during the six month period and were highly dependent on the short-term supply and demand backdrop for each metal: lithium fell 10%, cobalt rose 38%, nickel rose 48%, manganese fell 5% and copper fell 6%. Nonetheless, all these metals are supported by robust demand fundamentals, which point to a sharp increase in prices over the next 10 years.**
- **Blackstone's gold interests in Peru entered test production and a work programme has now been drawn up to target a final output of up to 349 tonnes per day within 24 months.**
- **Blackstone has an invested interest in FIRST COBALT. They announced that it was entering into a strategic partnership with GLENCORE in May to develop its cobalt refinery in Canada.**
- **Blackstone sold its metal mining interest in Mongolia, which was still at the stage of final exploration. It was sold to a sophisticated investor, where there is an option to repurchase the sold participation until the end of 2022. An off-take and a royalty agreement was also agreed with Blackstone during the transaction. The sale of this participation resulted in a CHF 6.9 million profit, to be recorded for the first half of 2019.**
- **Blackstone purchased an additional 31.00 % of South America Invest Ltd (SAI) which holds an gold and silver refinery in Peru, which includes some manganese mining interests. Blackstone now owns 50.9% of all the outstanding shares in SAI.**
- **The company acquired the majority of a series of lithium concessions (approx. 3,000 hectares) in SALAR PAJONALES, Chile through its Chilean subsidiary. These are believed to contain large quantities of lithium brine. It has also therefore commenced a geophysics study to evaluate these concessions.**
- **The company has teamed up with several strategic partners from Germany, Belgium, Poland and Austria, the United Kingdom and Switzerland to develop its battery technology programme, which it launched at the end of 2018. This research will be further extended through our subsidiary Blackstone Research GmbH, which is located in Erfurt in Germany, together with several universities and the Fraunhofer Institute.**
- **Blackstone submitted plans for a EUR 200 million research and development programme on battery technology and production facilities to the German Federal Ministry for Economic Affairs and Energy (BMWi), Berlin with the objective to part fund the project through a subsidy agreement.**
- **The Trading division successfully entered into a joint venture agreement with an Indonesian mining company, which will export large amounts of minerals with Blackstone.**

Outlook for the 2nd half year 2019 and beyond

- **In August, FIRST COBALT, where Blackstone has a invested interest, entered into a USD 5 million loan facility with GLENCORE to complete an advanced feasibility study for engineering, metallurgical testing, field work and the recommissioning and expansion of First Cobalt's refinery in Canada. There will be an additional investment of up to USD 40 million to produce up to 5,000 metric tonnes of cobalt per year.**

- **At the end of September, the results from Chile's geophysics of the SALAR PAJONALES possessions on the lithium resources are expected to be received.**

- **Trading activities are expected to increase towards the end of the year, which his expected to contribute to increasing revenue and gross profit.**

- **A natural price correction has occurred in our publicly-listed invested assets, which is expected to reverse and increase in value in the near future: this is increasing battery metal prices.**

- **This metal price increase will leverage share prices of public listed companies dealing with battery metals.**

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Peru
The construction of the gold milling plant in Peru has continued and passed several import milestones. After the receipt of the formal production permit, it has commenced a large-scale testing programme, which aims to optimise production.

After engaging a specialised local engineering company, detailed plans have been drawn up to target a final output up to 349 tonnes per day. This would equate to up to 3'000 oz gold and 9'000 oz silver per month. The aim is to reach this target within 1-2 years through carefully defined milestones set by the management team. The plant will be able to process both oxide and sulphuric ore.

The facility will be powered by solar and wind energy, offsetting diesel consumption from the generator by up to 80%. German-based company Bejulo is constructing the solar plant for the ore processing facility. Plans have also been drawn up to recycle used water and eliminate toxic waste.

This project is an important part of the company's cash-flow strategy, which aims to finance the company's growth in battery metals and battery technology research.

Norway
In the summer of 2018, substantial geological works were carried out in Norway across three sites thought to contain rare earths and gold spread across concessions covered by 39 licences. The total area that these licences cover amount to 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 to carry out this study. A geological magnetic survey and over a month's worth of research by a team of eight was carried out on the ground. Five hundred samples are now being analysed and the test results are due in the second half of 2019.

Canada
First Cobalt, where we have an invested interest, announced in August that it has entered into a USD 5 million loan facility with Glencore to complete advanced engineering, metallurgical testing, field work and the recommissioning and expansion of First Cobalt's refinery in Canada. Glencore has stated that once a definitive feasibility study for a planned expansion of the refinery is completed, which is expected to happen in early 2020, it would invest another US$40 million into recommissioning and expanding the refinery. The target is to produce up to 5,000 tonnes cobalt per year.

Mongolia
Blackstone sold its battery metal mining interest in Mongolia, which was still at the stage of final exploration. This interest was sold to a sophisticated investor, where an option to repurchase the sold participation will last until the end of 2022. In addition, Blackstone receives a royalty agreement that lasts until the end of 2029 that is based on 2% of revenue.

Furthermore, Blackstone has an off-take agreement in place for up to CHF 10 million to purchase molybdenium at a 20% discount until the end of 2024. The sale of this participation resulted in a CHF 6.9 million profit, which will be recorded in the first half year 2019. It plans to reinvest the proceeds into new opportunities.

Chile

In early 2019, the company's subsidiary Blackstone Resources Chile SpA signed and entered an agreement with a national partner to explore and acquire a number of concessions. These concessions cover approximately 3'000 hectares and lie in Salar Pajonales in Tarapaca, Chile and are located near other widely known lithium resources.

Blackstone is also looking into other investment possibilities in Chile in order to develop other concessions with local partners in the near future. In addition, Blackstone is actively looking for joint venture partners in order to develop the production of lithium.

Blackstone commenced its geophysics study in Chile across a number of exploration mining concessions for possible lithium resources and the results are expected to be received later this year.

R&D programme for battery technology

Blackstone's research and development programme in battery technology, which was launched towards the end of 2018, includes a planned EUR200 million investment project. This project will be partially funded by Blackstone. The remainder is planned to come from the subsidy programme from the German Federal Ministry for Economic Affairs and Energy (BMWi), Berlin. Blackstone has already participated in the application process and the results will be decided in the very near future.

New developments in solid state batteries

Blackstone 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. So far, the company has teamed up with several strategic partners from Germany, Belgium, Poland and Austria, the United Kingdom and Switzerland. It will build and finance its own research team with these partners.

These include research specialists from a number of disciplines that are based at the Fraunhofer Institutes both at Offenburg and Goslar, plus the technical universities of Clausthal and Braunschweig in Germany.
This world-class team will aim to achieve a number of objectives. They will develop new production technologies for Blackstone's planned battery production facilities. This will include developing and testing new solid-state battery technologies, plus new production techniques such as 3D-printing.

Development of tech metal prices

Since the start of the year, the battery-metal rally has cooled for lithium and manganese (falling 10% and 5%, respectively). Prices of cobalt and nickel have increased alongside broader battery demand (increasing 38% and 48%, respectively).

Nevertheless, these metals are still supported by a huge structural trend that effects all battery tech metals, driven by the emergence of electric vehicles.

We anticipate that in the next 10 years, there will be an overall increase in demand for battery tech metals by as much as 10 times. Demand will not be able to meet supply and therefore we continue to anticipate a substantial long-term increase in the price of battery metals.

We expect the past decrease of the battery tech metals prices in 2018 will be reversed in 2019 and that all publicly listed company exposed to this market will benefit and laverage considerably.

I hope that you have gained a comprehensive insight into our activities for the last six months as well for our outlook this year.

Yours faithfully,

Ulrich Ernst, lic. Oec. Publ.
President of the Board and CEO

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Unaudited interim consolidated statement of profit and loss

For the six months ended June 30, 2019 and 2018

in CHF	Notes	**2019**	2018
Operating expenses			
General and administrative expenses	16	681'502	560'250
Other expenses		58'690	-
Personnel expenses	11	375'450	209'437
Marketing expenses		37'373	37'555
Depreciation and amortization			41'499
Total operating expenses		**1'153'015**	**848'741**
Non-operating income / (expenses)			
Interest income		31'696	53'333
Other financial income		6'551'458	48'225
Unrealized revaluation gain / (loss)		-99'926	-8'337'684
Interest expense		-139'431	-216'185
Loss on debt extinguishment		-	-346'907
Other financial expense		-12'997	-61'314
Share of profit / (loss) of an associate		-	-78'248
Total non-operating income / (expenses)		**6'330'800**	**-8'938'780**
Profit / Loss before tax		**5'177'785**	**-9'787'521**
Income tax expense		-108'369	-
Profit/(Loss) for the period		**5'069'416**	**-9'787'521**
Attributable to:			
Equity holders of the parent		4'935'545	-9'813'834
Non-controlling interest		-133'871	-26'313
Earnings / (loss) per share attributable to the equity holders of the parent:			
Basic		0.12	-0.23
Diluted		0.12	-0.23
Weighted average number of shares outstanding:			
Basic		42'692'560	41'559'006
Diluted		42'692'560	41'559'006

Unaudited interim consolidated statement of comprehensive income and loss

For the six months ended June 30, 2019 and 2018

in CHF	**2019**	2018
Net gain/(loss) for the period	**5'069'416**	**-9'787'521**
Other comprehensive income:		
Items not be reclassified to net income / (loss):	-	-
Defined benefit plan actuarial gains / (losses)	-	-
Net items not to be reclassified to net income / (loss)	**-**	**-**
Items that will or maybe not be reclassified to net income / (loss):	-	-
Foreign currency translation adjustment	-25'103	15'148
Net items that will or maybe reclassified to net income / (loss)	**-25'103**	**15'148**
Total comprehensive income	**5'044'313**	**-9'772'373**
Attributable to:		
Equity holders of the parent	5'178'184	-9'745'701
Non-controlling interest	-133'871	-26'672

Consolidated interim statement of financial position

As at June 30, 2019 and December 31, 2018

in CHF	Notes	Unaudited 2019	2018
Assets			
Non-current assets			
Exploration & evaluation assets	3	23'630'172	23'126'209
Intangible assets	4	36'515'810	-
Investment in associate	5	-	19'567'764
Advances and loans	6	431'124	2'648'381
Total non-current assets		**60'577'106**	**45'342'354**
Current assets			
Trade and other receivables	7	544'463	553'587
Other current assets	8	860'025	-
Marketable securities	9	1'135'434	2'319'118
Cash and cash equivalents		299'760	103'070
Total current assets		**2'839'682**	**2'975'775**
Total assets		**63'416'787**	**48'318'129**
Liabilities and shareholders' equity			
Non-current liabilities			
Borrowings	10	27'535'930	28'326'107
Pension liability		119'102	119'102
Total non-current liabilites		**27'655'032**	**28'445'209**
Current liabilities			
Trade and other payables		309'565	229'474
Accrued expenses		600'243	450'695
Borrowings	10	3'101'977	4'448'859
Total current liabilities		**4'011'785**	**5'129'028**
Total liabilities		**31'666'816**	**33'574'237**
Shareholders' equity			
Issued capital	12	21'350'000	21'350'000
Share premium		13'352'626	13'352'626
Treasury shares	12	-85'775	-6'980'203
Retained profit/deficit		8'599'778	-12'921'063
Foreign currency translation adjustment		-25'103	29'524
Equity attributable to equity holders of the parent		**43'191'526**	**14'830'884**
Non-controlling interest		-11'441'555	-86'992
Total equity		**31'749'971**	**14'743'892**
Total liabilities and shareholders' equity		**63'416'787**	**48'318'129**

Unaudited interim consolidated statement of cash flows

For the six months ended June 30, 2019 and 2018

in CHF	Notes	2019	2018
Operating activities			
Net profit/(loss)		5’069’416	-9’787’521
Non-cash adjustment to reconcile to net profit / (loss):			
Depreciation and amortization		-	41’499
Unrealized mark-to-market movements on marketable securities		99’926	8’337’684
Loss on debt extinguishment		-	346’907
Intangible assets	4	-36’515’810	-
Revaluation loss and disposal on investment of an associate	5	28’785’096	43’403
Other current assets		860’025	43’403
Interest income		-31’696	-53’746
Interest expense		139’431	216’185
Income tax expense		-	15’625
Share of profit/(loss) of an associate		2’979	78’248
Amortization of bond premium		-	-2’667
Foreign currency difference		25’103	-17’209
Total non-cash adjustments		**-6’634’947**	**9’049’332**
Working capital adjustments:			
Decrease/(increase) in receivables		9’124	1’327
Increase/(decrease) in trade and other accounts payables		80’091	-16’451
Increase/(decrease) in other current liabilities		149’548	54’924
Total working capital adjustments		**238’763**	**39’800**
Cash flow used in operating activities		**-1’326’767**	**-698’389**
Investing activities			
Increase/disposal in E&E assets	3	-503’963	-100’888
Purchase of short-term investments		-	-864’404
Decrease/(increase) in restricted cash		-	-319’191
Decrease/(increase) in loans and advances		2’217’257	-948’510
Cash flow used in investing activities		**1’713’294**	**-2’232’993**
Financing activities			
Repayment of borrowings		-2’137’059	-50’000
Sale of marketable securities		1’083’758	-
Proceeds from sale of treasury shares		44’928	222’300
Cash flow from finsncing activities		**-1’008’373**	**172’300**
Net change in cash and cash equivalents		-621’846	-2’759’082
Currency translation effect on cash and cash equivalents		-54’627	15’146
Cash and cash equivalents at the end beginning of the year		976’233	3’720’169
Cash and cash equivalents at the end of the period		**299’760**	**976’233**

Unaudited interim consolidated statement of shareholders' equity

For the six months ended June 30, 2019 and 2018

in CHF	Issued capital	Share premium	Treasury shares	Retained deficit	Foreign currency translation adjustment	Total equity attributable to the parent	Non-controlling interest	Total equity
1 January 2019	**21’350’000**	**13’352’626**	**-6’980’203**	**-12’921’062**	**29’523**	**14’830’884**	**-86’992**	**14’743’892**
Income for the period	-	-	-	5’203’287		**5’203’287**	-133’871	**5’069’416**
Other comprehensive income	-	-	-		-54’626	**-54’626**	29’523	**-25’103**
Total comprehensive income	**-**	**-**	**-**	**5’203’287**	**-54’626**	**5’148’661**	**-104’348**	**5’044’313**
Sale of treasury shares	-		6’894’428	-		**6’894’428**	-	**6’894’428**
Change in ownership interest				16’317’553		**16’317’553**	-11’250’215	**5’067’338**
30 June 2019	**21’350’000**	**13’352’626**	**-85’775**	**8’599’778**	**-25’103**	**43’191’526**	**-11’441’555**	**31’749’971**
1 January 2018	**21’350’000**	**21’644’340**	**-114’825**	**-7’172’813**	**-103’638**	**35’603’065**	**-53’116**	**35’549’949**
Profit / (loss) for the period	-	-	-	-9’761’207	-	**-9’761’207**	-26’313	**-9’787’520**
Other comprehensive income/(loss)	-	-	-		15’506	**15’506**	-359	**15’147**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-9’761’207**	**15’506**	**-9’745’701**	**-26’672**	**-9’772’373**
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**
30 June 2018	**21’350’000**	**21’738’642**	**-6’836’327**	**-16’934’020**	**-88’132**	**19’230’163**	**-79’788**	**19’150’375**

Notes to the unaudited condensed interim consolidated financial statements

1. Corporate information

Blackstone Resources AG (the "Company" or "Blackstone") 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 lithium, graphite, copper, rare earth and gold.

Blackstone Resources AG is a publicly traded company incorporated in Baar, Switzerland. The bearer shares of Blackstone are listed on the SIX Swiss Exchange.

These unaudited condenset interim consolidated financial statements for the six months ended 30 June were authorised for issue in accordance with a Director's resolution on September 19, 2019.

2. Accounting policies

Basis of presentation and statement of compliance

These unaudited condensed 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 2018 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. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements 2018.

Blackstone has applied the same accounting policies and methods of computation in its interim consolidated financial statements as its 2018 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, 2019, and will be adopted in the 2019 annual financial statements. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements 2018.

The interim financial report for the six months ended 30 June 2019 has been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the Group can continue as a going concern in the foreseeable future, a period not less than 12 months from the date of this report. 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.

Adoption of new and revised standards

The Company has applied the same accounting policies and methods of computation in its unaudited condensed interim consolidated financial statements as in its 2018 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, 2019 and will be adopted in the 2019 annual financial statements. New standards impacting the Company that will be adopted in the annual financial statements for the year ended December 31, 2019 and which have given rise to changes in the Company's accounting policies are:

- *IFRS 16 Leases*

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. It superseded IAS 17 Leases and its associated interpretative guidance. Since the Company does not have any lease arrangments in place it did not adopt to the new accounting pronouncement.

Several other amendments to existing standards apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Group.

3. Exploration and evaluation assets

in CHF	Total
Net book value	
1 January 2019	**23’126’209**
Additions [1]	23’379’360
Disposals [2]	-22’613’842
Transfer of previously equity accounted investment to subsidiary	-261’554
Net book value 30 June 2019	**23’630’172**

[1] Pursuant to the shareholder agreement dated May 30, 2019 between Blackstone and Adriatica, Blackstone acquires from Adriatica a shareholding participation of 31% in South America Invest Ltd. According to the agreement between Blackstone and Adriatica, Blackstone purchased a 31% equity interest from Adriatica by way of cash transaction for a total consideration of CHF 31’770’000. The loan bears interest of 1% p.a. and expires by December 31, 2020. The loan is secured through Blackstone’s interest in South American Invest Ltd.

[2] Pursuant to the shareholder agreement dated June 5, 2019 between Blackstone and Adriatica, Blackstone sells to Adriatica its 70% shareholding participation in Troi Gobi LLC. According to the agreement between Blackstone and Adriatica, Adriatica purchased a 70% equity interest from Blackstone by way of cash transaction for a total consideration of CHF 30.0 million. The loan bears interest of 1% p.a. and expires by December 31, 2020.

4. Intangible assets

in CHF	Goodwill	Mining rights	Licences and trademarks	Customer and other	Total
Net book value					
1 January 2019	-	-	-	-	**-**
Business combination	32’803’310	2’475’000	495’000	742’500	**36’515’810**
Net book value 30 June 2019	**32’803’310**	**2’475’000**	**495’000**	**742’500**	**36’515’810**

Blackstone held as of December 31, 2018 a 20% participation in South America Invest Ltd. Pursuant to the shareholder agreements dated May 30, 2019 between Blackstone and Adriatica, Blackstone increased its participation in South America Invest Ltd. from 20% to 50.9%.

As of June 30, 2019, South America Invest Ltd. is fully consolidated. The transaction was treated as a business combination under common control and accounted for using the acquisition method pursuant to IFRS 3.

5. Investment in associate

in CHF	Total
1 January 2019	19’567’764
Disposals	-19’564’785
Share of other comprehensive income from associates	-2’979
30 June 2019	**-**

Blackstone held as of December 31, 2018 a 20% participation in South America Invest Ltd. Pursuant to the shareholder agreements dated May 30, 2019 between Blackstone and Adriatica, Blackstone increased its participation in South America Invest Ltd. from 20% to 50.9%. As a consequence, the investment in associate has been disposed effective such date.

6. Advances and loans

in CHF	**As at 30.06.2019**	As at 31.12.2018
Third party loan	175’229	-
Loan to employee [1]	9’700	10’000
GESAC [2]	305	2’356’486
Management [3]	29’313	72’358
Loan to a Director [4]	216’577	209’537
Total advances and loans	**431’124**	**2’648’381**

[1] Loan bears no interest and is amortized over a 10 month period commencing October 30, 2018

[2] German Engineering & CIE S.A.C (GESAC), a 100% owned subsidiary of SAI, 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, 2020.

[3] Loan bears interest of 3% p.a. and expired on April 30, 2019. Due to an ongoing dispute the loan has not yet been fully repaid.

[4] Loan bears interest of 7% p.a. and is secured by various assets and expires on September 30, 2019.

7. Trade and other receivables

in CHF	As at 30.06.2019	As at 31.12.2018
Trade receivables	44’463	53’587
Related party receivable [1]	500’000	500’000
Total	**544’463**	**553’587**

[1] 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 South American Invest Ltd. at a share price of CHF 3.0 per South American Invest Ltd. share. Mr. Ernst is the sole owner of Biological AG.

8. Other current assets

in CHF	As at 30.06.2019	As at 31.12.2018
Blackstone Resources AG, withholding tax	56	-
Marcor Ltd, accrued interest	168’242	-
Blackstone Resources Chile SpA, pre-payments	17’648	-
German Engineering Cie. S.A.C., pre-payments	674’079	-
Total other current assets	**860’025**	**-**

9. Marketable securities

in CHF	As at 30.06.2019	As at 31.12.2018
Inca One Gold Corp	396’447	586’383
First Cobalt Corp. (C$)	738’987	1’732’735
Total other financial assets	**1’135’434**	**2’319’118**

The shares are categorized as trading shares. Fair value is determined using quoted bid prices in an active market.

10. Borrowings

Third party borrowings:

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

in CHF	As at 30.06.2019	As at 31.12.2018
Convertible bond Series A [1]	513’926	513’926
Convertible bond Series B [2]	10’000	10’000
Other	1’679’227	51’556
Total third party borrowings	**2’203’153**	**575’482**

[1] The convertible bond Series A bears interest of 5.2% p.a. and matures on August 31, 2021. Blackstone has the option to repurchase the convertible bond Series A from September 1, 2018 at the nominal value.

[2] The convertible bond Series B bears interest of 5.2% p.a. and matures on January 1, 2022. 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 30.06.2019	As at 31.12.2018
Current:		
U. Ernst [1]	549'268	1'898'692
Biological [2]	2'552'708	2'550'167
Adriatica [3]	-	-
Total current	**3'101'977**	**4'448'859**
Non-current:		
U. Ernst [1]	3'194'948	7'489'442
Adriatica [3]	22'137'828	20'261'183
Total non-current	**25'332'776**	**27'750'625**
Total related party borrowings	**28'434'753**	**32'199'484**

[1] 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, 2020.

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, 2020. 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 CHF 9.50 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. Persuant to the share purchase agreement dated April 30, 2019 U. Ernst repurchased 721,000 shares of Blackstone Resources AG at a share price of CHF 9.50 per share for a total consideration of CHF 6,849,500 which was off-set against the existing non-current loan.

[2] 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 AG, 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, 2020.

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 Ltd. 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, 2020.

Pursuant to the purchase purchase agreement dated January 5, 2017 Blackstone Resources AG acquired from Biological AG a company registered under Swiss law, 45 exploration permits in Blackstone Norway Ltd. Pursuant to the purchase agreement the consideration of CHF 120,000 towards Biological has been structured through a loan agreement bearing an interest of 1% p.a. and expires on December 31, 2020.

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, 2020,

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, 2020. Mr. Ernst is the sole owner of Biological AG.

[3] Pursuant to the shareholders agreement dated August 20, 2014 Blackstone acquired from Adriatic Group Ltd., a BVI registered entity, a 20% equity interest in South America Invest Ltd. (formally 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 Adritica has been structured through a loan agreement bearing an interest of 1% p.a. and expires on December 31, 2016.

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 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.

Pursuant to a shareholders agreement dated May 30, 2019, Blackstone purchased from Adriatica 17.65 million shares of South America Invest Ltd. at a share price of CHF 1.80 per share for a total consideration of CHF 31,770,000 towards Adriatica which has been structured through a loan agreement bearing an interest of 1% p.a. and expires on December 31, 2020.

Pursuant to a shareholders agreement dated June 5, 2019, Adriatica purchased from Blackstone 700 shares equivilant to a 70% share participation in Troi Gobi LLC for a total consideration of CHF 30,000,000 towards Blackstone which has been structured through a loan agreement bearing an interest of 1% p.a. and secured by the shares of Troi Gobi LLC. The loan expires on December 31, 2020.

11. Personnel costs and employee benefits

Total personnel cost, which include salaries, wages, social security, and other personnel costs incurred for the periods ended June 30, 2019 and 2018, were CHF 375,450 and 209,437, respectively.

Defined benefit plans
The company operates a defined benefit plan in Switzerland and a defined contribution in Mongolia. The benefit payments are from trustee-administrered funds.

Plan assets held in trusts are governed by local regulations and practices in each country.

12. Share capital

(a) Authorized share capital
The Company is authorized to issue up to 21,350,000 bearer shares with a par value of CHF 0.50 until November 9, 2019.

(b) Issued share capital
At June 30, 2019 and December 31, 2018, the Company had 42’700’000 bearer shares issued and outstanding.

(c) Treasury shares
At June 30, 2019 and December 31, 2018, the Company held 7,440 and 1,251,711 treasury shares, respectively.

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

The basic earing/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 earnings/loss per share reflects the potential dilution of 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, 2019 and 2018, respectively:

in CHF	**As at 30.06.2019**	As at 30.06.2018
Earnings/(loss) attributable to the equity holders of the parent:	4’935’545	-9’813’834
Weighted average number of shares outstanding:		
Basic	42’692’560	41’559’006
Diluted	42’692’560	41’559’006
Earnings/(loss) per share attributable to the equity holders of the parent:		
Basic	0.12	-0.23
Diluted	0.12	-0.23

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

14. 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.

As at 30.06.2019 / in CHF	Carrying value [1]	FVTPL [2]	Total
Assets			
Cash and cash equivalents[3]		299'760	299'760
Trade and other receivables	544'463		544'463
Marketable securities		1'135'434	1'135'434
Advances and loans	431'124		431'124
Total financial assets	**975'586**	**1'435'194**	**2'410'780**
Liabilities			
Trade and other payables	309'565	-	309'565
Borrowings	30'637'906	-	30'637'906
Total financial liabilities	**30'947'471**	**-**	**30'947'471**

As at 31.12.2018 / in CHF	Carrying value [1]	FVTPL [2]	Total
Assets			
Cash and cash equivalents[3]	-	103'070	103'070
Trade and other receivables	553'587	-	553'587
Other financial assets (current)[3]	-	1'473'712	1'473'712
Other financial assets (non-current)[4]	-	845'406	845'406
Advances and loans	2'648'381	-	2'648'381
Total financial assets	**3'201'968**	**2'422'188**	**5'624'156**
Liabilities			
Trade and other payables	229'474	-	229'474
Borrowings	32'774'966	-	32'774'966
Total financial liabilities	**33'004'440**	**-**	**33'004'440**

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

2 FVtPL – Fair value through profit and loss.

3 Classified as Level 1, measured using quoted exchange rates and/or market prices
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4 Classified as Level 2. The Company elected FVTPL to reduce any measurement inconsistency.

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, short-term and long-term investments which are being held in bank accounts. The cash, short-term and long-term investments are deposited in bank accounts held with two banks in Switzerland and Gibraltar so there is a concentration of credit risk. This risk is managed by using a Cantonal bank and Swiss private bank. The Swiss cantonal bank is guaranteed through the municipal state.

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:

in CHF	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At June 30, 2019				
Trade and other payables	309'565			309'565
Borrowings	3'101'977	25'332'776	2'203'153	30'637'906
Total	**3'411'542**	**25'332'776**	**2'203'153**	**30'947'471**

in CHF	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At June 30, 2018				
Trade and other payables	229'474	-	-	229'474
Borrowings	4'448'859	27'750'625	575'482	32'774'966
Total	**4'678'333**	**27'750'625**	**575'482**	**33'004'440**

15. 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, 2019.

16. General and administrative expenses

in CHF	As at 30.06.2019	As at 30.06.2018
Rental expense	107'382	61'712
Accounting	47'139	153'846
Tax & legal	52'166	115'547
Consultancy	148'395	138'000
Other administrative expenses	326'420	91'145
Total general and administrative costs	**681'502**	**560'250**

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, 2019 and 2018 respectively, the Company paid and/or accrued the following fees to management personnel and directors:

	As at 30.06.2019				As at 30.06.2018			
in CHF	**Salary**	**Shares**	**Loan**	**Total**	**Salary**	**Shares**	**Loan**	**Total**
Directors:								
U. Ernst	5'000			5'000	10'000			10'000
K. Ludvigsen					10'000			10'000
P. Stach	15'000			15'000	8'069			8'069
R. Gröflin	-		216'577	216'577				
Management:								
P-M. Vogel	33'553		29'313	62'866	49'039	57'000	71'305	177'344
M. Dazzi	21'472	15'029		21'472				
I. Meyer	24'000	12'350		24'000				
M. Hingst	24'000	12'350		36'350				
Total compensation	**123'025**	**39'729**	**245'890**	**381'265**	**77'108**	**57'000**	**71'305**	**205'413**

18. Tax

Income tax expense:

No income tax was charged or credited to equity and other comprehensive income during the period ended June 30, 2019 and 2018, 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 refining operation in Peru. Pursuant to the shareholder agreement dated May 30, 2019, Blackstone increased its investment in Peru to 50.9%.

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	**30.06.2019**	30.06.2018
E&E:	-196'430	-93'469
- Non-controlling interest	-133'871	-26'313
Total E&E	-62'559	-67'155
Total other	5'265'846	-9'694'052
- of which net unrealized revaluation loss on financial assets	-99'926	-8'337'684
Total net profit/(loss)	**5'069'416**	**-9'787'521**

The CHF -99,926 and CHF -8,337,684 respectively relates to unrealized revaluation losses on marketable securities.

The segment breakdown of the Company's non-current assets as of June 30, 2019 and December 31, 2018, respectively were as follows:

in CHF	**As at 30.06.2019**	As at 31.12.2018
E&E assets	23'630'172	23'126'209
Other:		
Investment in associate	-	19'567'764
Intangible assets	36'515'810	-
Advances and loans	431'124	2'648'381
Total other	36'946'933	22'216'144
Total non-current assets	**60'577'105**	**45'342'353**

20. Subsequent Events

- Patrick Stach resigned as a member of the board of directors effective September 18, 2019.
- These financial statements were approved by the board of directors for issue on September 19, 2019.