

BlackEarth Minerals NL

ACN 610 168 191

Replacement Prospectus

For an offer of up to 30,000,000 Shares at an issue price of \$0.20 each, together with one (1) free attaching Partly Paid Share (paid to \$0.0001, unpaid to \$0.2499) for every two (2) Shares subscribed for, to raise up to \$6,000,000. The Offer is subject to a minimum subscription requirement of 22,500,000 Shares at an issue price of \$0.20 each to raise \$4,500,000.

It is proposed that the Offer will close at 5:00 pm (WST) on 14 December 2017. The Directors reserve the right to close the Offer earlier or to extend this date without notice. Applications must be received before that time.

IMPORTANT INFORMATION

This is an important document. You should read this document in its entirety to assist in deciding whether or not to invest in the Company.

You should also consult your professional advisers before deciding whether to invest in the Company. This Offer does not take into account your investment objectives, financial situation or particular needs. You should carefully consider the risk factors in Part C of Section 5 and Section 8 in light of your circumstances.

This is a Replacement Prospectus dated 24 November 2017. It replaces a prospectus dated 8 November 2017 relating to an offer by BlackEarth Minerals NL ACN 610 168 191.

INVESTMENT IN THE SECURITIES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED AS HIGHLY SPECULATIVE IN NATURE.

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1. CORPORATE DIRECTORY

Directors

Phillip Hearse
Non-executive Chairman

Thomas Revy
Managing Director

George Bauk
Non-executive Director

Company Secretary

Barry Woodhouse

Registered Office

Level 1
675 Murray Street
WEST PERTH WA 6005

Contact Details

Telephone: +61 8 6145 0289
Facsimile: +61 8 9475 0847
Email: info@blackearthminerals.com.au
Website: www.blackearthminerals.com.au

Proposed ASX* Code

BEM

Solicitors to the Offer

Cardinals Lawyers and Consultants
60 Havelock Street
WEST PERTH WA 6005

Telephone: +61 8 9213 3000

Solicitors Reporting on Tenements

(a) Australia

Cardinals Lawyers and
Consultants
60 Havelock Street
WEST PERTH WA 6005

Telephone: +61 8 9213 3000

(b) Madagascar

LEXEL Juridique & Fiscal
Zone Tana Water Front
Ambodivona
Antananarivo 101
MADAGASCAR

Telephone: +261 (20) 22 229 41

Auditor*

William Buck Audit (WA) Pty Ltd
Chartered Accountants and
Advisors
Level 3,
15 Labouchere Road
SOUTH PERTH WA 6151

Telephone: +61 8 6436 2888

Investigating Accountant

William Buck Consulting
(WA) Pty Ltd
Level 3,
15 Labouchere Road
SOUTH PERTH WA 6151

Telephone: +61 8 6436 2888

Independent Geologists

(a) Australia

Al Maynard & Associates Pty Ltd
9/280 Hay Street
SUBIACO WA 6008

(b) Madagascar

OMNI Geox Pty Ltd
PO Box 204
MOSMAN PARK WA 6912

Share Registry*

Automic Pty Ltd
50 Holt Street
SURRY HILLS NSW 2010

Telephone: +61 8 9324 2099
Facsimile: +61 8 9321 2337
Email: hello@automic.com.au

Lead Manager to the Offer

Patersons Securities Limited
Level 23, Exchange Tower
2 The Esplanade
PERTH WA 6000

Telephone: +61 8 9263 1111

* The names of these entities are included for information purposes only and they have not been involved in the preparation or issue of this Prospectus.

2. IMPORTANT NOTICE

This Prospectus is dated 24 November 2017 and was lodged with ASIC on that date. This Replacement Prospectus replaces the prospectus lodged with ASIC by the Company on 8 November 2017 relating to the Offer as amended by a supplementary prospectus lodged with ASIC by the Company dated 20 November 2017 (**Original Prospectus**). ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No person or entity is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied on as having been authorised by the Company in connection with the Offer or this Prospectus.

No Securities will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus. Application will be made to the ASX within seven days after the date of this Prospectus for Quotation of the Shares offered under this Prospectus.

It is important that applicants read this Prospectus in its entirety and, if in any doubt about whether to apply for Shares or you have any questions, seek professional advice. The Securities the subject of this Prospectus should be considered as highly speculative in nature.

None of the Company, the Directors or any other person gives any guarantee as to the success of the Company, the repayment of capital, the payment of dividends, the future value of the Securities or the price at which Shares will trade on the ASX.

2.1 Replacement Prospectus

The material differences between the Original Prospectus and this Replacement Prospectus are as follows:

- amendments to the Chairman's letter;
- amendments to the indicative timetable for the Offer;
- the inclusion of additional information about the structure of the Group and the ownership of the Tenements;
- the inclusion of additional information concerning the terms and conditions of the Partly Paid Shares;
- amendments to the Independent Geologist's Report – Australia in Section 10, including the replacement of Section 1 and Section 2 of the JORC Code, 2012 Edition Table 1 in Appendix 1 to that report;
- amendments to the Independent Geologist's Report – Madagascar in Section 11, including the insertion of JORC Code, 2012 Edition Table 1 in Appendix 4 to that report, and
- amendments to the table contained in the Schedule to the Solicitors' Report on Tenements – Madagascar in Section 14.

2.2 Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of seven days from the date of lodgement of the Prospectus with ASIC. This period may be extended by ASIC for a further period of seven days.

This Prospectus will be circulated during the exposure period. The purpose of the exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds, which examination may result in the identification of deficiencies in the Prospectus. In that event any application that has been received will be dealt with in accordance with section 724 of the Corporations Act.

Applications for Securities under this Prospectus will not be processed by the Company until after the exposure period. No preference will be given to applications received by the Company during the exposure period.

2.3 Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic prospectus that may be accessed on the internet at the Company's website at www.blackearthminerals.com.au. If you have received or accessed this Prospectus as an electronic prospectus for the purpose of making an investment in the Company, please ensure that you have received the entire Prospectus accompanied by the Application Form or Priority Offer Application Form. If you have not, please contact the Company (see the Corporate Directory in Section 1 for the Company's contact details) and the Company will send you, at no cost to you, either a hard copy or a further electronic copy of the Prospectus or both during the Offer period.

If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian or New Zealand resident and must only access this Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing an Application Form or Priority Offer Application Form on to another person unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. The Company reserves the right not to accept an Application Form or Priority Offer Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form or Priority Offer Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.4 Website

No document or information on the Company's website is incorporated by reference into this Prospectus.

2.5 Applicants Outside Australia

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. A failure to comply with these restrictions may violate applicable securities laws. This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. If you are a resident of a country other than Australia or New Zealand you should consult your professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. If you are outside Australia or New Zealand it is your responsibility to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained. No action has been taken by the Company to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside of Australia and New Zealand.

2.6 Forward Looking Statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding intentions, future events and actions that, as at the date of this Prospectus, are expected to take place. They are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management, which could cause these future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus. Some of these risk factors are set out in Section 5 (C): Key risks, and Section 8: Risk Factors.

The Company does not intend to update or review forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur, and potential investors are cautioned not to place undue reliance on these forward looking statements.

2.7 Photographs and Diagrams

Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Any diagram appearing in this Prospectus is illustrative only and may not be drawn to scale.

2.8 Definitions

Throughout this Prospectus abbreviations and defined terms are used. Defined terms are generally identifiable by the use of an upper-case first letter. Those relevant to mineral exploration are contained in the Glossary located in the Independent Geologist's Report – Australia in Section 10 and the Independent Geologist's Report – Madagascar in Section 11, and other abbreviations and defined terms are contained in the Glossary in Section 17.

2.9 Competent Person's Statement

Australia

The information contained in the report that relates to Australian exploration results, together with any related assessments and interpretations, is based on information compiled by Allen Maynard of Al Maynard & Associates Pty Ltd. Mr Maynard is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the styles of mineralisation under consideration and to the activity which he has undertaken to qualify as a Competent Person.

Mr Maynard consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears. The Company is not aware of any new information or data that materially affects the information in this Prospectus and such information is based on the information compiled on behalf of the Company by Mr Maynard.

Madagascar

The information contained in the report that relates to Madagascan exploration results, together with any related assessments and interpretations, is based on information compiled by Donald Huntly of OMNI Geox Pty Ltd. Mr Huntly is a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the styles of mineralisation under consideration and to the activity which he has undertaken to qualify as a Competent Person.

Mr Huntly consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears. The Company is not aware of any new information or data that materially affects the information in this Prospectus and such information is based on the information compiled on behalf of the Company by Mr Huntly.

3. KEY DATES AND OFFER INFORMATION

Indicative Timetable*

Lodgement of Original Prospectus with ASIC	8 November 2017
Lodgement of Supplementary Prospectus with ASIC	20 November 2017
Priority Offer Record Date	22 November 2017
Offer Opening Date	24 November 2017
Lodgement of Prospectus with ASIC	24 November 2017
Priority Offer Closing Date 5.00 pm (WST) on	7 December 2017
Offer Closing Date 5.00 pm (WST) on	14 December 2017
Issue date of Securities under the Offer	18 December 2017
Despatch of holding statements	19 December 2017
Expected date for Quotation on the ASX	22 December 2017

* The above dates are indicative only and may change without notice subject to the Corporations Act, ASX Listing Rules and other applicable laws. In particular, the Company reserves the right to extend the closing date of the Offer or close the Offer early without notice, which may have a consequential effect on other dates set out above. The Company also reserves the right to not proceed with the Offer at any time before the issue of Securities to applicants.

Key Offer Information

Pro forma capital structure

Offer price per Share	\$0.20
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Shares offered for subscription

• Assuming Minimum Subscription (\$4,500,000)	22,500,000
• Assuming Full Subscription (\$6,000,000)	30,000,000

Free attaching Partly Paid Shares offered for subscription¹

• Assuming Minimum Subscription (\$4,500,000)	11,250,000
• Assuming Full Subscription (\$6,000,000)	15,000,000

General

Total Shares on issue as at the date of this Prospectus¹	31,500,000
Total Shares to be issued to vendor under Madagascan Acquisition Agreement	2,000,000
Total Shares on issue after completion of the Offer (assuming Minimum Subscription)	56,000,000
Total Shares on issue after completion of the Offer (assuming Full Subscription)	63,500,000
Total Partly Paid Shares on issue as at the date of the Prospectus	14,500,000
Total Partly Paid Shares on issue after completion of the Offer (assuming Minimum Subscription)	25,750,000
Total Partly Paid Shares on issue after completion of the Offer (assuming Full Subscription)	29,500,000
Total Options on issue as at the date of this Prospectus²	2,750,000

¹ Includes 1,000,000 Shares issued to Lithium Australia, the vendor under the WA Acquisition Agreement.

² An aggregate of 2,750,000 Options has been issued to the Chairman, Managing Director and Company Secretary. Refer to Section 16.1(c) for the terms and conditions of these Options.

Please refer to Section 6.10 for further details relating to the current and proposed capital structure of the Company.

4. CHAIRMAN'S LETTER TO INVESTORS

Dear investor

On behalf of the directors of BlackEarth Minerals NL (the **Company** or **BlackEarth**), I am pleased to present this Prospectus and am delighted to invite you to become a shareholder in the Company.

BlackEarth was incorporated on 15 March 2016 for the purpose of identifying, evaluating and acquiring various investment opportunities in the resources sector that are considered by the Board to add potential Shareholder value.

The Company's current projects lie in two distinct geographic regions, being Western Australia (**WA**) and Madagascar, with an immediate focus on exploration for graphite.

This Prospectus contains detailed information about the Offer and the Company. However, all investors should be aware of the speculative nature of mineral exploration and mining, with the inherent risks it carries through events and circumstances that cannot all be foreseen or mitigated. Please read this Prospectus in its entirety carefully, especially the key risk factors in Part C of the Investment Overview in Section 5 and the Risk Factors in Section 8, and seek professional advice if necessary prior to making your informed decision to invest. Specific risks facing the Company include counterparties to key contracts failing to comply with their contractual obligations and tenement conditions, the sovereign and political risk in Madagascar and exploration costs differing materially from estimates and assumptions. Moreover, some tenements in Madagascar require renewal and amendment to effectively explore for graphite, and third parties have been granted exclusive rights over some areas of some tenements in Madagascar. Holders of Partly Paid Shares encounter the risk of forfeiture in the event of calls that remain unpaid.

The Company's WA assets are greenfield projects, and as such have seen little in the way of graphite-focused exploration. After the Listing Date, the Company will undertake a methodical exploration approach to prioritising these projects, with a view to adding value for Shareholders in an expeditious manner.

The Company has also entered into an agreement to acquire 100% control of a company domiciled in Madagascar that has graphite exploration projects. This purchase will complete if the Company is admitted to the official list of the ASX. These Madagascan projects comprise two main areas, being the Maniry and Ianapera Projects.

Madagascar itself has over 100 years of mining history in graphite and is recognised as a low-cost, high-quality product worldwide. This should assist in offtake discussions, which we anticipate will commence immediately in Europe, the USA and Asia.

The Maniry project is prospective for graphite deposits. Graphite prospectivity of the region has been established by the nearby discovery of the large, high-quality Molo Project owned by Canadian listed company NextSource Materials Inc. (previously Energizer Resources Inc.). The Directors believe that the Maniry Project has the early potential to develop significant zones of near surface, large flake size, high-grade graphite into a standalone, quality mining asset. During the first 12 months of listed activity, BlackEarth has plans to release a maiden resource, undertake early stage metallurgy and complete a scoping study.

Located just 5 kilometres north of NextSource Materials Inc.'s Molo Project is the Company's Ianapera Project. Although less exploration has been undertaken in the area, a series of high-grade outcrops of graphite mineralisation lie over the top of a large conductive body as defined by the airborne electromagnetic data. The Company will undertake systematic exploration over the anomaly with a view to identifying a clear strategic path forward for the project over the next 12 months.

BlackEarth is seeking to raise up to \$6,000,000 by the issue of up to 30,000,000 Shares at an issue price of \$0.20 each with a minimum subscription of \$4,500,000 by the issue of 22,500,000 Shares at an issue price of \$0.20 each, together with one (1) free attaching Partly Paid Share for every two (2) Shares subscribed for and issued under the Offer.

Shareholders with at least 10,000 Shares at the Listing Date and who are Shareholders as at the Entitlement Date (expected to be 24 months plus one Business Day from the Listing Date) are entitled to participate in a pool of 5,000,000 Contingent Entitlement Shares. This entitlement is more fully described in Section 6.15 and Section 15.5.

As part of the Offer, the Company is inviting shareholders of ASX-listed Lithium Australia NL registered at the Priority Offer Record Date to take part in the Offer, and has set aside up to 5,000,000 Shares and up to 2,500,000 free attaching Partly Paid Shares for existing shareholders of Lithium Australia under the Priority Offer. Existing shareholders of Lithium Australia at the Priority Offer Record Date will be allocated Securities on a first-come, first-served basis, subject to availability and the Directors' absolute discretion. This includes the right to accept oversubscriptions to the Priority Offer as applications for subscriptions under the Offer.

In addition to the exciting portfolio of graphite assets, BlackEarth has assembled a Board and management team who collectively are experienced with the necessary technical, operational, legal and corporate expertise in mineral exploration, finance, project acquisition, development and operations, including in listed public companies.

In addition to exploring and, if warranted, developing the Company's current suite of graphite assets after the Listing Date, the Company's objective still remains to identify, evaluate and, if warranted, acquire additional resource projects and assets in Australia and/or overseas that are considered by the Board to add potential value to the Company and its Shareholders.

This Prospectus contains detailed information about the Offer and the Company. However, all investors should be aware of the speculative nature of mineral exploration and mining, with the inherent risks it carries through events and circumstances that cannot all be foreseen or mitigated. Please read this Prospectus in its entirety carefully, especially the key risk factors in Part C of the Investment Overview in Section 5 and the Risk Factors in Section 8, and seek professional advice if necessary prior to making your informed decision to invest.

On behalf of the Directors I am pleased to present this investment opportunity to you and look forward to welcoming you as a Shareholder.

Yours sincerely



Phillip Hearse
Chairman

24 November 2017

5. INVESTMENT OVERVIEW

The information contained in this Section is a summary only and is not intended to provide comprehensive details of the Offer. You should read this Prospectus in full, including the Independent Geologist's Report – Australia in Section 10, the Independent Geologist's Report – Madagascar in Section 11, the Investigating Accountant's Report in Section 12, the Solicitors' Report on Tenements – Australia in Section 13 and the Solicitors' Report on Tenements – Madagascar in Section 14 and, if in any doubt, you should consult with your professional advisers before deciding whether to apply for Securities.

BlackEarth is an exploration company and you should consider that an investment in the Company is speculative.

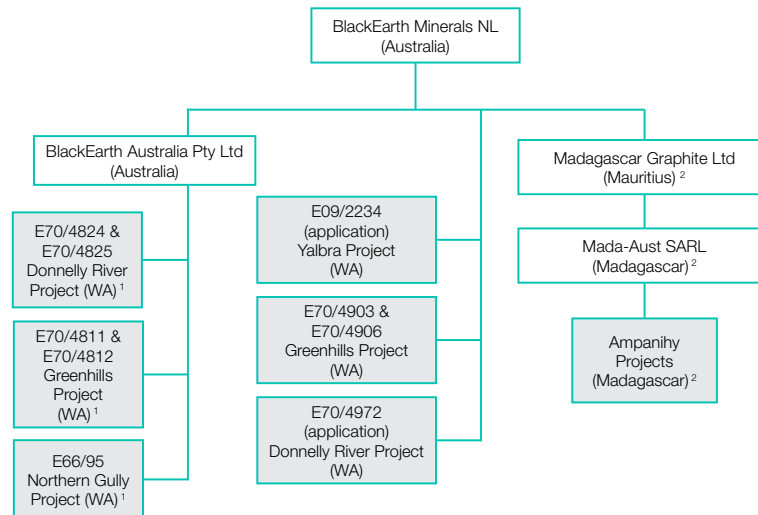
Item	Summary	Further Information
A. Company		
Who is the issuer of this Prospectus?	BlackEarth Minerals NL (ACN 610 168 191)	Section 7.1
What is the Company?	<p>BlackEarth was incorporated on 15 March 2016 as a public no liability company with the purpose of identifying, evaluating and, if warranted, acquiring resource projects and assets in Australia and/or overseas that are considered by the Board to add potential Shareholder value.</p> <p>The Company's initial focus will be on advanced exploration for graphite on the Ampanihy Project in Madagascar, which consists of two sub-projects; namely:</p> <p>(a) Maniry, and</p> <p>(b) Ianapera,</p> <p>which it will acquire upon and subject to completion of the Madagascar Acquisition Agreement by acquiring 100% control of Madagascar Graphite (a Mauritian company) and its 100% owned subsidiary Mada-Aust (a Madagascar company), which is the holder of the Madagascar Projects. Completion is conditional upon the satisfaction of a number of conditions precedent, including the Company's admission to the Official List.</p> <p>The Company, through its wholly owned subsidiary BlackEarth Australia Pty Ltd, will also commence early exploration for graphite on its projects in Western Australia; namely:</p> <p>(a) Donnelly River;</p> <p>(b) Greenhills;</p> <p>(c) Northern Gully, and</p> <p>(d) Yalbra.</p> <p>Once the Company lists on the ASX it may acquire interests (whether directly or indirectly) in additional resource projects and assets in Australia and/or overseas that contain, or are prospective for, minerals (including minerals other than graphite) consistent with its objectives.</p> <p>Other than as disclosed in this Prospectus, the Company presently has no business operations other than by virtue of the holding and proposed exploration of the Tenements acquired or to be acquired under the Acquisition Agreements and has not undertaken any substantial activities since incorporation.</p>	Section 7.1

What is the Company's interest in the Tenements?

The Company has acquired (whether directly or through a subsidiary) interests in resource projects located in WA and entered into an agreement to acquire a 100% interest in a company that owns resource projects located in Madagascar.

Sections 7.1, 10 and 11

The following chart shows the structure of the Company and its subsidiaries (or proposed subsidiaries) and identifies which member (or proposed member) of the Group owns, or is entitled to own subject to completion of the relevant agreement, each of the tenements in which the Company has an interest.



¹ Pending transfer pursuant to the WA Acquisition Agreement (see Section 15.2)

² Pending completion of acquisition pursuant to the Madagascan Acquisition Agreement (see Section 15.3)

Australia – Donnelly River, Greenhills, Northern Gully and Yalbra Projects

- The Donnelly River Project comprises two Exploration Licences (E70/4824 and E70/4825) and one Exploration Licence Application (E70/4972).
- The Greenhills Project comprises four Exploration Licences (E70/4903, E70/4811, E70/4812 and E70/4906).
- The Northern Gully Project comprises one Exploration Licence (E66/95).
- The Yalbra Project comprises one Exploration Licence Application (E09/2234).
- The Subsidiary (BlackEarth Australia Pty Ltd) has acquired a 100% interest in two of the tenements that comprise the Donnelly River Project (E70/4824 and E70/4825), in the tenement that comprises the Northern Gully Project (E66/95) and in two of the tenements that comprise the Greenhills Project (E70/4811 and E70/4812) from Lithium Australia pursuant to the WA Acquisition Agreement, details of which are set out in Section 15.2. Transfers of those tenements from Lithium Australia to the Subsidiary cannot be lodged for registration with the Western Australian Department of Mines, Industry Regulation and Safety until the duty is assessed and paid, and the stamped documents are received. As at the date of this Prospectus, Lithium Australia remains the registered legal holder of those tenements until such time as they are legally transferred to the Subsidiary. Further information about the Subsidiary's rights in those tenements is set out in Section 15.2 and in the Solicitors' Report on Tenements – Australia in Section 13.
- The Company (BlackEarth Minerals NL) holds a 100% registered interest in the application for the tenement that comprises the Yalbra Project (E09/2234), in the application for one of the tenements that comprises the Donnelly River Project (E70/4972) and in two of the tenements that comprise the Greenhills Project (E70/4903 and E70/4906).

A. Company (Cont.)

What is the Company's interest in the Tenements? (Cont.)

Madagascar – Ampanihy Project

- The Company has entered into the Madagascar Acquisition Agreement under which it has agreed to acquire 100% of the issued capital of Madagascar Graphite, which owns 100% of the issued capital of Mada-Aust, the sole registered owner of the tenements that comprise the Maniry and Ianapera Projects. Completion of the sale and purchase pursuant to the Madagascar Acquisition Agreement is conditional on the satisfaction of a number of conditions precedent including the Company's ASX listing.
- The Ampanihy Project consists of:
 - o the Maniry Project, which comprises one Exploitation Permit (PE/5394) and five Exploration Permits (PR/39750, PR/39751, PR/3432, PR/25605 and PR/25606); and
 - o the Ianapera Project, which comprises five Exploitation Permits (PE/5391, PE/5392, PE/5393, PE/25093 and PE/25094).
- Exploration Permits PR/25605 and PR/25606 have expired and an application for renewal of each has been made. Further information regarding the renewal of tenements is set out in the key risks section in Part C of Section 5, in Section 8 and in the Solicitors' Report on Tenements – Madagascar in Section 14.
- Mada-Aust is the holder of the following environmental tenements in respect of the tenements that comprise the Ampanihy Project.
 - o Environmental tenement 498 bis/03/MINENVEF/Mi dated 5 September 2003 in respect of Exploitation Permits PE/5391, PE/5392 and PE/5393.
 - o Environmental tenement n°498/03/MINENVEF/Mi dated 5 September 2003 in respect of Exploitation Permit PE/5394.
 - o Environmental tenement 05/07/MINENVEF/ONE/DG/PE in respect of Exploitation Permits PE/25093 and PE/25094.

Applications need to be made to BCMM to include graphite as an authorised substance to which the above environmental tenements apply.
- Mada-Aust is the holder of the following environmental authorisations in respect of the tenements that comprise the Ampanihy Project.
 - o Decision n°117 dated 26th March 2008 in respect of Exploration Permits PR/3432 and PR/39750;
 - o Decision n°518-MEM dated 16th September 2008 in respect of Exploration Permit PR/25605; and
 - o Decision n°200-MEM dated 15th April 2008 in respect of Exploration Permit PR/25606.
- Tenements PE/5394, PE/25093, PE/25094, PR/25605 and PR/25606 are affected by amodiation contracts, entered into by Mada-Aust with third parties affecting certain areas of those tenements. Under those amodiation contracts the third parties have been granted exclusive rights to prospect, explore, extract and/or exploit certain mineral resources. Mada-Aust does not have the rights to prospect, explore, extract and exploit certain mineral resources on those tenements to the extent that exclusive rights have been granted under an amodiation contract. Mada-Aust is in the process of negotiating to discharge certain of the amodiation contracts and to remove certain tenements from the amodiation contracts. Please see the Solicitors' Report on Tenements – Madagascar in Section 14 for further information about the amodiation contracts.

Refer to the Solicitors' Report on Tenements – Australia in Section 13, the Solicitors' Report on Tenements – Madagascar in Section 14 and Section 7 for further detailed information on the Tenements. More detailed information relating to the technical aspects of the Tenements is contained in the Independent Geologist's Report – Australia in Section 10 and the Independent Geologist's Report – Madagascar in Section 11.

Sections 7.1, 10 and 11

B. Business Model		
What is the Company's business model?	<p>The Company is a speculative exploration company. Following completion of the Offer, the Company's proposed business model will be to explore and develop deposits located within the Tenements in Madagascar and Australia that have the potential to be developed into production.</p> <p>A detailed explanation of the Company's business model is provided in Section 7.3.</p>	Section 7.3
What are the Company's key business objectives?	<p>The Company is focused on defining a maiden resource and commencing a scoping study on the Maniry Project within the first 12 months after the Listing Date. It will systematically explore the lanapera Project and at its WA Projects will commence early exploration aimed at the discovery of graphite mineralisation.</p> <p>The Company will consider acquiring additional interests by way of direct project acquisition, farm in, joint venture or direct equity in the project owners, and may include minerals, or prospectivity for minerals, other than graphite.</p> <p>Over the medium to long term the Company's objective is to develop mining operations on its Projects. Continuing work programmes and Projects will be subject to initial results and funds may be diverted to other prospective, existing or additional projects if the Board considers this to be warranted. The Company does not currently have a JORC Code compliant resource on any of its Tenements. The Projects consist of tenements of a speculative nature. There has been some previous exploration on some of the Company's projects and consequently exploration targets at this stage are of a conceptual nature.</p> <p>Over the medium to long term the Company also intends to continue to identify, evaluate and, if warranted, acquire additional resource projects and assets in Australia and/or overseas if the Board considers they have the potential to add Shareholder value.</p> <p>On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.</p>	Sections 7.2 and 7.4
What are the key dependencies of the Company's business model?	<p>The key dependencies of the Company's business model include:</p> <ul style="list-style-type: none"> • retaining and recruiting key personnel skilled in the mining and resources sector; • exploration access; • access to capital to develop the Tenements and potentially make future acquisitions; • sufficient worldwide demand for graphite; • the market price of graphite remaining higher than the Company's costs of any future production, and • the ability to mitigate key risk factors set out in Part C below and in Section 8. 	Section 8

C. Key Advantages and Key Risks		
	<p>This section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus.</p> <p>This Prospectus should be read and considered in its entirety.</p>	
What are the key advantages of an investment in the Company?	<p>The Directors are of the view that an investment in the Company provides the following non-exclusive list of advantages.</p> <ul style="list-style-type: none"> (a) The Company has a portfolio of quality graphite assets in Madagascar that are at an advanced stage of exploration and its assets in WA are under-explored for graphite. (b) The Board and management of the Company are experienced, with broad technical (including for graphite), operational, legal and corporate expertise in mineral exploration, finance, project acquisition, development and operation, in private and listed public companies. (c) The Directors are confident that the regions of Western Australia and Madagascar in which the Tenements are located, and the resources industry generally, will offer the Company significant potential to create value for Shareholders. (d) The Tenements are quality assets considered to be highly prospective for graphite. (e) The Company also intends to identify, evaluate and, if warranted, acquire additional resource projects and assets in Australia and/or overseas that are considered by the Board to add potential value to the Company. (f) The Company has an experienced team to progress exploration and accelerate potential development of the Tenements. (g) Shareholders with at least 10,000 Shares at the Listing Date and who are Shareholders as at the Entitlement Date are entitled to participate in a pool of 5,000,000 Contingent Entitlement Shares currently held by the Contingent Entitlement Trustee, in proportion to the number of Shares they hold at the first Business Day following the date all Shares in respect of which the ASX imposes restrictions as a condition to the Company listing cease to be restricted Shares. This entitlement is more fully described in Section 15.5. 	Sections 6.15, 7, 9.1, 13 and 14
What are the key risks of an investment in the Company?	<p>You should be aware that subscribing for Securities the subject of this Prospectus involves a number of risks to the business, assets and operations of the Company that potentially influence the operating and financial performance of the Company.</p> <p>You should read this Prospectus in its entirety and, in particular, consider the key risk factors affecting the Company, set out below and in Section 8: Risk Factors, before deciding whether to apply for Securities under this Prospectus.</p> <p>You are urged to consider those risks carefully and, if necessary, to also consult your professional advisers with any questions before deciding whether to invest in the Company.</p> <p>Some risks can be mitigated by the use of appropriate safeguards and appropriate systems and controls by the Company; however, some are unpredictable and outside the control of the Company and the extent to which they can be mitigated or managed is very limited or not possible.</p> <p>Set out below are key and specific risks that the Company is exposed to and that may have a direct influence on the Company and its activities or assets, therefore affecting the value of an investment in the Company. Further information about these risks, together with information regarding general industry risks, is set out in Section 8.</p>	Section 8

<p>Contractual Risk</p>	<p>As at the date of this Prospectus, BlackEarth (through its Subsidiary) is not the registered owner of certain tenements that form part of the WA Projects, details of which are set out in Section 13. As those tenements are exploration licences within their first year of grant, Ministerial consent to their transfer was required pursuant to the Mining Act. That consent has been applied for and granted. The agreement under which those tenements were acquired has been lodged with the Western Australian Office of State Revenue for the assessment of duty and stamping. Transfers of those tenements to the Subsidiary as their registered owner cannot be registered until such time as the duty is assessed and paid and the stamped documents are received. Until such time as transfers of those tenements to the Subsidiary have been registered, the Subsidiary has an exclusive licence to enter and explore those tenements and to retain any minerals extracted from them under the WA Acquisition Agreement. BlackEarth has registered caveats over each of those tenements to protect the Company's interests in them until such time as the tenements are transferred to it.</p> <p>While BlackEarth has entered into the Madagascar Acquisition Agreement with the Vendor and its ultimate holding company Capricorn, under which BlackEarth has agreed to acquire 100% of the issued capital of Madagascar Graphite, which owns 100% of the issued capital of Mada-Aust, the sole registered owner of the tenements that comprise the Maniry and Ianapera Projects, there is a risk that the Company or the Vendor may fail to satisfy the conditions required to acquire the 100% interest in Madagascar Graphite and consequently that the Company may forfeit its rights to acquire any interest in the Maniry and Ianapera Projects, or that completion of that acquisition may otherwise not occur. BlackEarth will not acquire an interest in Madagascar Graphite or the Maniry and Ianapera Projects until all of the relevant conditions precedent have been satisfied or waived, which includes BlackEarth receiving conditional approval for its admission to the Official List. One of the conditions precedent to completion of the acquisition under the Madagascan Agreement was that certain Madagascan tenements (being PE/19932 and PE/25095) (Relevant Tenements) were to be transferred to other entities so that they were no longer held by the entities acquired by the Company. As at the date of this Prospectus, the Relevant Tenements are yet to be transferred. The Company has agreed to waive the condition precedent requiring the transfer of the Relevant Tenements on the condition that (among other things) the Vendor will be responsible for all costs and liabilities in respect of the Relevant Tenements pursuant to a Deed of Trust and Acknowledgment, details of which are set out in Section 15.4. Under the Deed of Trust and Acknowledgment, the Company has agreed to hold the Relevant Tenements on trust for the Vendor and the Vendor has provided warranties, indemnities and undertakings normally found in an agreement of its type. Capricorn has guaranteed the obligations of the Vendor under the Deed of Trust and Acknowledgment. There is a risk that the Vendor and/or Capricorn may fail to comply with their obligations in respect of the Relevant Tenements under the Deed of Trust and Acknowledgment, in which case the Company may, as the legal holder of the Relevant Tenements, be liable for those obligations.</p> <p>The Company's ability to achieve its objectives and maintain its interest in all of its project areas is also dependent upon it (and where BlackEarth is not currently the registered owner of those tenements, the holder of the Relevant Tenements) complying with all the terms and conditions of the Tenements and any other relevant legislation. Any failure to comply with these obligations may result in the Company not being able to maintain an interest in the Tenements, which may have a material adverse effect on the Company's operations and performance and the value of the Securities.</p> <p>The Directors are not able to presently assess the risk of financial failure or default or the insolvency or other failure by any of the contractors engaged by the Company for any exploration or other activity. Any such failure could adversely affect the operations and performance of the Company.</p> <p>The Company has no current reason to believe that the registered owners of the Madagascan Projects or the relevant WA Projects will not meet and satisfy their respective obligations under the Madagascan Acquisition Agreement and the WA Acquisition Agreement.</p>	<p>Section 8.2</p>
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C. Key Advantages and Key Risks (Cont.)

Sovereign and political risk	The Company has entered into the Madagascan Acquisition Agreement under which it has agreed to acquire 100% of the issued capital of Madagascar Graphite, which owns 100% of the issued capital of Mada-Aust, the sole registered owner of the tenements that comprise the Maniry and Ianapera Projects. Mineral exploration tenure in the Republic of Madagascar is governed by Madagascan legislation, and is subject to the risks associated with operating in a foreign country, including but not limited to economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, mineral exploration, development or mining activities. Please see Section 8.3 for a further summary of this risk.	Section 8.3
Exploration risks	None of the Tenements currently contain a JORC Code compliant resource and there is no guarantee that a JORC Code compliant resource will be discovered on any of the Tenements. There can be no assurance that exploration of the Tenements, or of any other tenements that may be acquired by the Company in the future, will result in the discovery of economic mineralisation.	Section 8.4
Access risk – native title and Aboriginal heritage	In regard to the Company's Australian assets, the tenements in Australia, or tenements that the Company currently has or may in the future acquire in Australia, they might extend over areas in which legitimate common law native title rights of indigenous Australians may exist. The ability of the Company to gain access to its Tenements and to conduct exploration, development and mining operations remains subject to native title rights and the terms of any registered native title agreements. There are a number of registered Aboriginal heritage sites within the area of the Australian Tenements. It is possible that some areas of the Australian projects may not be available for exploration, due to Aboriginal heritage issues (whether in respect of registered sites or not).	Section 8.5
Reliance on key personnel	The Company's management and key personnel are responsible for overseeing the day-to-day operations of the Company. There is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time.	Section 8.6
Limited operating history	Having been incorporated on 15 March 2016, the Company does not have any operating history on which an evaluation of its prospects can be made and has limited historical financial performance. The Madagascan Projects and the WA Projects have undergone limited previous exploration and exploration targets are of a conceptual nature.	Section 8.7
Additional requirements for capital	The Company's capital requirements depend on numerous factors. If the Company is unable to obtain additional financing as needed, or unable to obtain it on acceptable terms, it may be required to reduce the scope of its operations and scale back its exploration programmes. This could have a material adverse effect on the Company's activities and the value of the Securities.	Section 8.8
Exploration costs	The exploration costs of the Company (summarised in Section 6.9) are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's operating and financial performance and the value of the Securities.	Section 8.9
Title risk – Australia and Madagascar	Interests in tenements in both Australia and Madagascar are governed by government legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and, apart from mandatory annual fees in the case of Australia, has annual expenditure and reporting commitments, together with other conditions requiring compliance. Consequently, the Company could lose its title to or its interest in one or more of the Tenements if the tenement conditions are not met or if insufficient funds are available to meet the minimum expenditure commitments.	Sections 8.10 and 14

<p>Title risk – Australia and Madagascar (Cont.)</p>	<p>Environmental approval for exploration or exploitation by the grant of an 'environmental tenement' by the relevant Madagascan government authority is yet to be acquired in respect of Exploitation Permit PE/39751. Furthermore, a number of environmental tenements exist over the Ampanihy Project, details of which are set out in the Solicitors' Report on Tenements – Madagascar in Section 14. Applications need to be made to the BCMM to include graphite as an authorised substance to which those environmental tenements apply. There can be no guarantee that environmental approval (including adding graphite as an authorised substance for the environmental tenements) will be granted in respect of that area, which may prevent the Company from carrying out exploration or other activities on it. Please see Section 8.10 for a further information on this risk.</p> <p>Mada-Aust, a company to be acquired by BlackEarth, has entered into a number of contracts with third parties that affect certain areas of the tenements comprising the Madagascan Projects, known as amodiation contracts. Under those amodiation contracts the third parties have been granted exclusive rights to prospect, explore, extract and/or exploit certain mineral resources. The tenements affected by amodiation contracts are PE/5394, PE/25093, PE/25094, PR/25605 and PR/25606. Mada-Aust does not have the rights to prospect, explore, extract and exploit certain mineral resources on those tenements to the extent that exclusive rights have been granted under an amodiation contract. Mada-Aust is in the process of negotiating to discharge certain of the amodiation contracts and to remove certain tenements from the amodiation contracts. Please see the Solicitors' Report on Tenements – Madagascar in Section 14 for further information about the amodiation contracts.</p> <p>Under Madagascan law, the holder of a mining tenement does not have an automatic right in the land the subject of that tenement and must therefore enter into a lease agreement with the owners of the land. If land is held in the name of the Madagascan state, there is no objection by the state to the entry into a lease agreement on ordinary terms and conditions. If, however, the land the subject of any of the tenements it owns in Madagascar is not held in the name of the Madagascan state, Mada-Aust will need to negotiate a lease with the private landholders.</p>	<p>Sections 8.10 and 14</p>
<p>New projects and acquisitions</p>	<p>The Company will identify and evaluate additional projects and assets in the resources sector in Australia and/or overseas. There can be no guarantee that any proposed acquisition will be secured, completed or successful.</p>	<p>Section 8.11</p>
<p>Liquidity risk</p>	<p>A significant number of the current Shares on issue prior to the completion of the Offer (which constitutes approximately 47% of the total Shares on issue on completion of the Offer on an undiluted basis and assuming Full Subscription) are likely to be classified as restricted securities by the ASX and therefore escrowed. This may cause a liquidity risk for the Shares, given that a large percentage of the Shares may not be traded for up to 24 months. Furthermore, there is no guarantee that there will be an ongoing liquid market for Shares.</p>	<p>Section 8.12</p>
<p>Risk of forfeiture of Partly Paid Shares</p>	<p>As the Company is a 'no liability' company, a holder of a Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a Partly Paid Share.</p> <p>However, if a call on a Partly Paid Share is not paid within the period specified in the call (subject to the Constitution), the Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution. As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares will be applied first to the expenses of the auction, then to any expenses incurred in respect of the forfeiture and finally to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold.</p> <p>In the event that only a portion of a call is paid in respect of Partly Paid Shares, the amount of the call paid will be applied to the Partly Paid Shares held by that Partly Paid Shareholder sequentially and only those Partly Paid Shares in respect of which the call is not satisfied in full after the amount paid is so applied will be liable for forfeiture.</p>	<p>Section 8.13</p>

D. Directors and Key Management Personnel		
Who are the Directors?	<ul style="list-style-type: none"> • Phillip Hearse (Non-executive Chairman); • Thomas Revy (Managing Director), and • George Bauk (Non-executive Director) 	Section 9.1
Other key management personnel	Barry Woodhouse (Company Secretary)	Section 9.2
What experience do the Directors have?	<p>Phillip Hearse <i>Non-executive Chairman</i> MBA, BAppSc (Metallurgy), FAusIMM</p> <p>Phil 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 Normet Pty Ltd, one of Australia's major metallurgical and risk assessment companies, and managed it for 18 years. He also held the key role of Director Advisory with GRD Minproc Ltd (now Amec Foster Wheeler) from 2001 to 2005. Over the last 10 years, he has played a significant role in the development of a number of projects globally, including numerous graphite projects located in both Australia and east Africa.</p> <p>Thomas Revy <i>Managing Director</i> BAppSc (Metallurgy), GradDipBus, MAusIMM</p> <p>With more than 30 years' experience within the resources industry, Tom is considered a corporate and project development specialist and has an extensive international network in the mining sector. He has held senior operational and corporate positions within reputable organisations, including GRD Minproc, WorleyParsons and Ferrum Crescent. Tom is currently chairman of Empire Resources Limited (ASX code ERL) and the rural and remote mentoring charity True Blue Dreaming.</p> <p>George Bauk <i>Non-executive Director</i> MBA, BBus, FCPA, GAICD</p> <p>George has more than 25 years' mining industry experience, including particular expertise in critical metals. Regarded for his strategic management, business planning, establishment of high-performing teams and capital-raising skills, he has held senior operational and corporate positions with WMC Resources Limited, Arafura Resources Ltd and Indago Resources Ltd (formerly Western Metals Ltd). Since 2010, George has also been managing director and CEO of Northern Minerals Limited (ASX code NTU), overseeing that company's heavy rare earth project, which is moving to production in northern Australia. He is currently chairman of Lithium Australia (ASX code LIT) and vice-president of the Chamber of Minerals and Energy – WA.</p>	Section 9.1
What benefits are being paid to the Directors?	Mr Revy has entered into an executive service agreement with the Company whereby he is to provide services to the Company as Managing Director for an annual remuneration of \$250,000 plus superannuation on and from the Listing Date. He has received \$104,000 for services to the Company since its date of incorporation on 15 March 2016 to the date of this Prospectus. Each of Messrs Hearse and Bauk has entered into a non-executive appointment letter with the Company pursuant to which, on and from the Listing Date, Mr Hearse will be paid a director's fee of \$60,000 per annum and Mr Bauk will be paid a director's fee of \$48,000 per annum. In addition, the Company has issued to Mr Revy and/or his nominee(s) 1,500,000 Options and 750,000 Options to Mr Hearse and/or his nominee(s), all on the terms and conditions set out in Section 16.1(c). The exercise of the Options granted to Mr Revy and/or his nominee(s) is conditional upon the satisfaction of a number of performance hurdles, details of which are set out in Section 9.4.	Section 9.4

What are the Directors' interests in the Company?	<p>At the date of this Prospectus, each Director holds the following Securities in the Company.</p> <table><tr><th>Director</th><th>No. of Shares</th><th>No. of Partly Paid Shares</th><th>No. of Options</th></tr><tr><td>Philip Hearse¹</td><td>1,000,000</td><td>1,000,000</td><td>750,000⁴</td></tr><tr><td>Thomas Revy²</td><td>2,000,000</td><td>2,000,000</td><td>1,500,000⁵</td></tr><tr><td>George Bauk³</td><td>500,000</td><td>500,000</td><td>Nil</td></tr></table> <p>¹ The Securities in which Phillip Hearse has an interest are held by Juad Pty Ltd, a company controlled by Mr Hearse, as trustee for the Hayes Hearse Superannuation Fund account.</p> <p>² The Securities in which Thomas Revy has an interest are held by Thomas George Revy and Valeria Maria Revy as trustees for the Revcorp Super Fund account.</p> <p>³ The Securities in which George Bauk has an interest are held by Totode Pty Ltd, a company controlled by Mr Bauk, as trustee for the Hindmarsh Investment account.</p> <p>⁴ The Options held by Phillip Hearse have a vesting period of one year from 22 June 2017.</p> <p>⁵ The exercise of the Options held by Thomas Revy is conditional upon the satisfaction of a number of performance hurdles, details of which are set out in Section 9.4.</p>	Director	No. of Shares	No. of Partly Paid Shares	No. of Options	Philip Hearse ¹	1,000,000	1,000,000	750,000 ⁴	Thomas Revy ²	2,000,000	2,000,000	1,500,000 ⁵	George Bauk ³	500,000	500,000	Nil	Section 9.3														
Director	No. of Shares	No. of Partly Paid Shares	No. of Options																													
Philip Hearse ¹	1,000,000	1,000,000	750,000 ⁴																													
Thomas Revy ²	2,000,000	2,000,000	1,500,000 ⁵																													
George Bauk ³	500,000	500,000	Nil																													
What related party agreements is the Company a party to?	<p>The Company has entered into the following related party transactions.</p> <ul style="list-style-type: none">• The WA Acquisition Agreement with Lithium Australia.• Managing Director's Executive Service Agreement with Mr Revy.• Non-executive Director Letters of Appointment with Messrs Hearse and Bauk.• Deeds of Indemnity, Insurance and Access with the Directors.• Deeds of Notifiable Interests with the Directors.• An Administrative Services Agreement with Lithium Australia.	Sections 9.4, 15.1 and 15.2																														
Who will the substantial shareholders of the Company be?	<p>Set out in the table below are the Shareholders holding 5% or more of the Shares on issue both at the date of this Prospectus and upon completion of the Offer on an undiluted basis (that is, assuming none of the Options on issue at the date of this Prospectus are exercised and none of the Partly Paid Shares on issue at the date of this Prospectus become fully paid). The table assumes Full Subscription, that no existing substantial Shareholder subscribes for and is allotted additional Shares pursuant to the Offer, that none of the Options will have been exercised at completion of the Offer and that none of the Partly Paid Shares on issue at the date of this Prospectus become fully paid.</p> <table><tr><th>Name</th><th>Fully Paid Shares held¹</th><th>% at date of Prospectus (undiluted)</th><th>% on completion of Offer at Minimum Subscription (undiluted)</th><th>% on completion of Offer at Full Subscription (undiluted)</th></tr><tr><td>Lithium Australia</td><td>11,000,000</td><td>34.92</td><td>19.64</td><td>17.32</td></tr><tr><td>Greyhound Investments Pty Ltd</td><td>8,110,000</td><td>25.75</td><td>15.00</td><td>13.19</td></tr><tr><td>Thomas George Revy & Valeria Maria Revy²</td><td>2,000,000</td><td>6.35</td><td>3.70</td><td>3.25</td></tr><tr><td>JHY Investments Pty Ltd</td><td>2,000,000</td><td>6.35</td><td>3.70</td><td>3.25</td></tr><tr><td>Adrian Christopher Griffin³</td><td>2,000,000</td><td>6.35</td><td>3.70</td><td>3.70</td></tr></table> <p>¹ Assumes that none of the Partly Paid Shares held by the Shareholder have become fully paid and none of the Options held by the Shareholder (if any) have been exercised.</p> <p>² Mr Revy is the Managing Director. The Securities in which Mr Revy has an interest are held by Thomas George Revy and Valeria Maria Revy as trustees for the Revcorp Super Fund account.</p> <p>³ Mr Griffin is a director of Lithium Australia, a related party of the Company. The Securities in which Mr Griffin has an interest are held by Adrian Christopher Griffin and Josephine Norman as trustees for the Global Super Fund account.</p>	Name	Fully Paid Shares held ¹	% at date of Prospectus (undiluted)	% on completion of Offer at Minimum Subscription (undiluted)	% on completion of Offer at Full Subscription (undiluted)	Lithium Australia	11,000,000	34.92	19.64	17.32	Greyhound Investments Pty Ltd	8,110,000	25.75	15.00	13.19	Thomas George Revy & Valeria Maria Revy ²	2,000,000	6.35	3.70	3.25	JHY Investments Pty Ltd	2,000,000	6.35	3.70	3.25	Adrian Christopher Griffin ³	2,000,000	6.35	3.70	3.70	
Name	Fully Paid Shares held ¹	% at date of Prospectus (undiluted)	% on completion of Offer at Minimum Subscription (undiluted)	% on completion of Offer at Full Subscription (undiluted)																												
Lithium Australia	11,000,000	34.92	19.64	17.32																												
Greyhound Investments Pty Ltd	8,110,000	25.75	15.00	13.19																												
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JHY Investments Pty Ltd	2,000,000	6.35	3.70	3.25																												
Adrian Christopher Griffin ³	2,000,000	6.35	3.70	3.70																												

D. Directors and Key Management Personnel (Cont.)

Who will the substantial shareholders of the Company be? (Cont.)

Set out in the table below are the Shareholders holding 5% or more of the Shares on issue both at the date of this Prospectus and after completion of the Offer on a fully diluted basis (that is, assuming the exercise of all of the Options on issue at the date of this Prospectus and all Partly Paid Shares on issue at the date of this Prospectus subsequently become fully paid). The table assumes Full Subscription and that no existing substantial Shareholder subscribes for and is allotted additional Shares pursuant to the Offer. The fully diluted capital structure of the Company at the date of this Prospectus is 48,750,000 Shares and at completion of the Offer (assuming Full Subscription) is 95,750,000 Shares.

Name	Fully Paid Shares held ¹	% at date of Prospectus (fully diluted)	% on completion of Offer at Minimum Subscription (fully diluted)	% on completion of Offer at Full Subscription (fully diluted)
Lithium Australia	12,000,000	24.61	14.20	12.53
Greyhound Investments Pty Ltd	9,220,000	18.1	10.91	9.63
Thomas George Revy & Valeria Maria Revy ²	4,150,000	8.51	4.91	4.33
JHY Investments Pty Ltd	4,000,000	8.20	4.73	4.18
Adrian Christopher Griffin ³	4,000,000	8.20	4.73	4.18

¹ Assumes that all of the Partly Paid Shares held by the Shareholder have become fully paid.

² Mr Revy is the Managing Director. The Securities in which Mr Revy has an interest are held by Thomas George Revy and Valeria Maria Revy as trustees for the Revcorp Super Fund account.

³ Mr Griffin is a director of Lithium Australia, a related party of the Company. The Securities in which Mr Griffin has an interest are held by Adrian Christopher Griffin and Josephine Norman as trustees for the Global Super Fund account.

Investors should note that the above calculations do not include any investor who participates in the Offer.

E. Financial Information

What is the Company's financial position?

Having been incorporated on 15 March 2016, the Company does not have any operating history on which an evaluation of its prospects can be made and has limited historical financial performance. The Company will only commence its own detailed exploration activities on its Tenements once it has been admitted to the Official List. Accordingly, the Company is not able to disclose any key financial ratios. Historical financial information of the Company and pro forma historical financial information of the Company are included in the Investigating Accountant's Report contained in Section 12. Potential investors should read this report in full.

The audited financial statements for the Company were lodged with ASIC on 18 August 2017 and are incorporated by reference into this Prospectus by operation of section 712 of the Corporations Act. The Company will give a copy of these statements to any person who requests one during the Offer period, free of charge.

Section 12

What is the financial outlook for the Company?

Given the current status of the Tenements, the Directors do not consider it appropriate to forecast future earnings.

Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best-estimate forecast or projection on a reasonable basis.

Section 16.8

F. Offer		
What is being offered?	<p>The Offer offers up to 30,000,000 Shares at an issue price of \$0.20 per Share to raise up to a maximum of \$6,000,000 (before costs), together with one free attaching Partly Paid Share for every two Shares subscribed for and issued. The Offer is not underwritten.</p> <p>The minimum amount to be raised under the Offer is \$4,500,000 (before costs) by the issue of 22,500,000 Shares at an issue price of \$0.20 per Share.</p> <p>The Shares issued under this Prospectus are new shares that will rank equally with the Shares already on issue.</p> <p>The Partly Paid Shares issued under this Prospectus are new shares that will rank equally with the Partly Paid Shares already on issue.</p> <p>The purpose of the Offer is to facilitate an application by the Company for admission to the Official List, to position the Company to achieve the objectives stated at Part B above and to provide the Company with future access to equity capital markets for funding.</p> <p>The Board believes that on completion of the Offer, the Company will have sufficient working capital to achieve its objectives.</p>	Sections 6.1, 6.2, 6.7 and 6.14
What is the Priority Offer?	A Priority Offer to shareholders of Lithium Australia (ASX code LIT) registered as at the Priority Offer Record Date is also being made as part of the Offer. The Company has set aside up to 5,000,000 Shares and up to 2,500,000 free attaching Partly Paid Shares under the Priority Offer. Any Securities not subscribed for in the Priority Offer will be dealt with under the Offer, and any oversubscriptions will be dealt with under the Offer. Further information regarding the Priority Offer is set out in Section 6.7.	Section 6.7
Who is eligible to participate in the Offer?	The Offer is open to all investors resident in Australia and New Zealand and to eligible investors resident in certain other jurisdictions.	Section 6.13
How do I apply for Securities under the Offer?	Applications for Securities under the Offer must be made by completing the relevant application forms attached to this Prospectus in accordance with the instructions set out in the Application Form and the Priority Offer Application Form. Eligible Lithium Australia shareholders who wish to apply for Securities under the Offer should use the Priority Offer Application Form and other persons should use the Application Form.	Section 6.3
What is the allocation policy for the Offer?	<p>The final allocation of Securities under the Offer remains at the sole discretion of the Directors, to ensure that the Company has an appropriate Shareholder base on admission to the Official List.</p> <p>The Company gives no assurance that any applicant will be allocated the Securities applied for.</p>	Section 6.4
What will the Company's capital structure be upon completion of the Offer?	The Company's capital structure on a post-Offer basis is set out in Section 6.10.	Section 6.10
What are the terms of the Securities offered under the Offer?	<p>A summary of the material rights and liabilities attaching to the Shares and Partly Paid Shares offered under the Offer is set out in Section 16.1(a) and Section 16.1(b) respectively.</p> <p>The terms and conditions of the Options on issue are set out in Section 16.1(c).</p>	Section 16.1

F. Offer (Cont.)		
Will any of the Securities issued under the Offer be subject to escrow?	<p>Generally, Securities on issue at the date of this Prospectus and issued to promoters or related parties will be escrowed for a period of 24 months from the date of the Company's admission to the Official List. It is expected that a percentage of the Securities issued to seed investors and the vendors of the Projects will be escrowed for 12 months from the date of issue of the Securities. During the period in which these Securities are prohibited from being transferred, assigned or otherwise disposed of, trading in Shares may be less liquid, which may impact on the ability of a Shareholder to dispose of Shares in a timely manner.</p> <p>As at the date of this Prospectus, the Company expects the following sections to be subject to ASX-imposed escrow.</p> <ol style="list-style-type: none"> (1) 26,910,000 Shares – 24 months (2) 4,924,500 Shares – 12 months (3) 2,750,000 Options – 24 months (4) 7,910,000 Partly Paid Shares – 24 months (5) 4,942,500 Partly Paid Shares – 12 months <p>The Company will announce to the ASX details of the number and duration of the Shares, Partly Paid Shares and Options that the ASX requires be held in escrow prior to the Shares commencing trading on the ASX.</p>	Section 6.18
Will the Securities issued under the Offer be Quoted?	The Company will make an application to the ASX for Quotation of all Shares to be issued under the Offer. As at the date of this Prospectus the Company does not intend to make an application for Quotation of the Partly Paid Shares to be issued under the Offer.	Section 6.12
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 3.	Section 3
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of \$200 worth of Shares (1,000 Shares).	Section 6.3
Do I have to pay calls on the Partly Paid Shares?	As the Company is a 'no liability' company, a holder of a Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a Partly Paid Share. However, if a call is not paid, the Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction. As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares will be applied first to the expenses of the auction, then to any expenses incurred in respect of the forfeiture and finally to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold. In the event that only a portion of a call is paid in respect of Partly Paid Shares, the amount of the call paid will be applied to the Partly Paid Shares held by that Partly Paid Shareholder sequentially and only those Partly Paid Shares in respect of which the call is not satisfied in full after the amount paid is so applied will be liable for forfeiture. Please see Section 16.1 for full terms of the Partly Paid Shares.	Sections 6.19 and 16.1
G. Use of proceeds		
How will the proceeds of the Offer be used?	<p>The proceeds from the Offer will be used for:</p> <ol style="list-style-type: none"> (a) undertaking exploration across the Tenements; (b) paying the costs of the Offer; (c) covering corporate and administrative costs, overheads and tenement rents and outgoings, and (d) general working capital. <p>Further details are set out in Section 6.9.</p>	Section 6.9

H. Additional Information		
Is there a lead manager to the Offer?	Patersons Securities Limited has been appointed as lead manager to the Offer. A summary of the terms and conditions of its appointment is summarised in Section 15.6.	Section 15.6
Is there any brokerage, commission or stamp duty payable by applicants?	The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian financial services licensee in respect of applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.	Section 6.16
What are the tax implications of investing in Securities?	Dividends on Securities may be subject to Australian tax and possibly capital gains tax on a future disposal of Securities issued under this Prospectus. The tax consequences of any investment in Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Securities offered under this Prospectus.	Section 6.20
What is the Company's dividend policy?	The Company does not expect to declare any dividends during at least the first two-year period following the date of this Prospectus, as significant expenditure will be incurred in the exploration and development of the Tenements. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.	Section 7.6
What are the corporate governance principles of the Company?	To the extent applicable, in light of the Company's size and nature, the Company has adopted <i>The Corporate Governance Principles and Recommendations (Third Edition)</i> , as published by the ASX Corporate Governance Council (Recommendations). The Company's main corporate governance policies and charters as at the date of this Prospectus are outlined in Section 9.5, and the Company's compliance and departures from the Recommendations are set out in Section 9.6. In addition, the Company's full Corporate Governance Plan and copies of its charters and policies are available from the Company's website (www.blackearthminerals.com.au). The Company has adopted corporate governance charters and policies that reflect the Recommendations to the extent appropriate having regard to the circumstances of the Company.	Sections 9.5 and 9.6
Where can I find more information?	<ul style="list-style-type: none"> • By speaking to your stockbroker, solicitor, accountant or other independent professional adviser. • By contacting BlackEarth's Company Secretary on +61 8 6145 0289. • By contacting the Share Registry on (08) 9324 2099 within Australia or on +61 8 9324 2099 outside Australia. 	

6. DETAILS OF THE OFFER

6.1 Introduction

The information set out in this Section 6 is not comprehensive and should be read together with the other information in this Prospectus.

6.2 Shares offered for Subscription

Under this Prospectus the Company offers for subscription up to 30,000,000 Shares at an issue price of \$0.20 per Share to raise a total of up to \$6,000,000 with a minimum subscription of 22,500,000 Shares at an issue price of \$0.20 per Share to raise \$4,500,000, together with one free attaching Partly Paid Share for every two Shares subscribed for and issued under the Offer.

The Shares offered under this Prospectus are new shares that will rank equally with the existing Shares on issue. The Partly Paid Shares issued under this Prospectus are new shares that will rank equally with the Partly Paid Shares already on issue.

The material rights and liabilities attaching to the Shares are summarised in Section 16.1(a). The material rights and liabilities attaching to the Partly Paid Shares are summarised in Section 16.1(b).

Of the Securities being offered under this Prospectus, a Priority Offer to existing shareholders of Lithium Australia registered at the Priority Offer Record Date is also being made as part of the Offer. The Priority Offer comprises up to 5,000,000 Shares and up to 2,500,000 free attaching Partly Paid Shares. Further information regarding the Priority Offer is set out in Section 6.7.

The general offer (**General Offer**) will be for:

(a) either:

- (i) 22,500,000 Shares together with one free attaching Partly Paid Share for every two Shares subscribed for and issued (**Minimum Subscription**), or
- (ii) 30,000,000 Shares together with one free attaching Partly Paid Share for every two Shares subscribed for and issued (**Full Subscription**), and

(b) any Shares offered under the Priority Offer that are not subscribed for by Lithium Australia shareholders eligible to participate in the Priority Offer by the Priority Offer Closing Date.

Therefore, if the Priority Offer is fully subscribed, either 17,500,000 Shares (assuming Minimum Subscription) or 25,000,000 Shares (assuming Full Subscription), together with one free attaching Partly Paid Share for every two Shares subscribed for and issued, will be offered under the General Offer. However, if no Securities are subscribed for under the Priority

Offer at the Priority Offer Closing Date, then either 22,500,000 Shares (assuming Minimum Subscription) or 30,000,000 Shares (assuming Full Subscription), together with one free attaching Partly Paid Share for every two Shares subscribed for and issued, will be available for subscription under the General Offer.

6.3 How to Apply for Securities

Applications for Securities offered under this Prospectus must be made using the Application Form or Priority Offer Application Form (**Applications**), each of which is attached to this Prospectus.

Payment for the Securities must be made in full at the issue price of \$0.20 per Share. Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Completed Applications and accompanying cheques must be mailed to:

BlackEarth Minerals NL
PO Box 2226, Strawberry Hills NSW 2012

or delivered to:

BlackEarth Minerals NL
50 Holt Street, Surry Hills NSW 2010

or delivered by email to:

hello@automic.com.au,

along with confirmation that funds have been paid to the BlackEarth Minerals NL Share Application Account:

BSB # 016 498 and Account # 462 235 488.

Cheques should be made payable to '**BlackEarth Minerals NL – Share Application Account**' and crossed '**Not negotiable**'. Completed applications must reach one of the above addresses by no later than the Closing Date. Detailed instructions on how to complete the application forms are set out on the reverse of those forms.

Applicants in Australia may also apply for Shares by applying online at:

<https://investor.automic.com.au/blackearthminerals.html>

An applicant must comply with the instructions on the website. An applicant paying the application moneys by BPAY® must use the unique BPAY® customer reference number provided.

If you require assistance in completing any of the applications, please contact the Company on + 61 8 6145 0289 or the Share Registry on +61 8 9324 2099.

The Company reserves the right to close the Offer early, without notice.

6.4 Issue of Securities

Subject to the Minimum Subscription being reached and the ASX granting conditional approval for the Company to be admitted to the Official List, issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date.

Following issue, statements of Security holdings will be dispatched to successful applicants. It is your responsibility to determine your allocation prior to trading in Securities. If you sell Securities before receiving your holding statement you do so at your own risk.

Prior to allotment, all application monies shall be held by the Company on trust for the applicants in a separate bank account as required by the Corporations Act. The Company will retain any interest earned on the application monies irrespective of whether the issue of Securities takes place.

The Directors reserve the right to issue Securities in full for any application or to issue any lesser number of Securities or to decline any application. Where the number of Securities issued is less than the number applied for, or where no issue is made, the surplus application monies will be refunded, without any interest, to the applicant as soon as practicable after the issue date.

6.5 Full Subscription

The full subscription to the Offer is \$6,000,000 through the issue of 30,000,000 fully paid ordinary shares at an issue price of \$0.20 per Share, together with one free attaching Partly Paid Share (paid to \$0.0001, unpaid to \$0.2499) for every two Shares subscribed for and issued under the Offer.

6.6 Minimum Subscription

The minimum subscription to be raised under this Prospectus is \$4,500,000 through the issue of 22,500,000 Shares at an issue price of \$0.20 per Share, together with one free attaching Partly Paid Share for every two Shares subscribed for and issued under the Offer. If the Minimum Subscription is not reached within four months after the date of the Original Prospectus the Company will thereafter either repay all application monies received or will issue a supplementary prospectus or replacement prospectus and allow applicants one month to withdraw their applications and be repaid their application monies. No interest will be paid on these monies.

6.7 Priority Offer

As part of the Offer, the Company is inviting shareholders of Lithium Australia to take part in the Offer, and as at the date of this Prospectus has set aside up to 5,000,000 Shares and up to 2,500,000 free attaching Partly Paid Shares under the Priority Offer for shareholders of Lithium Australia registered at the Priority Offer Record Date. Shareholders of Lithium Australia at the Priority Offer Record Date may subscribe for Securities under the Priority Offer by completing the Priority Offer Application Form in accordance with the instructions on the reverse of that form.

Shareholders of Lithium Australia at the Priority Offer Record Date will be allocated Securities on a first-come, first-served basis and subject to availability and the Directors' absolute discretion (**Priority Offer**). Lithium Australia shareholders eligible to participate in the Priority Offer are encouraged to submit their Priority Offer Application Forms as soon as possible after the Priority Offer opens.

The Board retains absolute discretion when deciding whether or not to accept any particular application under the Priority Offer in part or in full and will not be liable to any Lithium Australia shareholder who is not allocated Securities (or the full number of Securities they applied for). In the event that there is excess demand under the Priority Offer, the Directors will determine the allocation of Securities under the Priority Offer in their sole discretion, including accepting oversubscriptions to the Priority Offer as applications under the General Offer.

The Priority Offer Closing Date is 14 days before the General Offer closes. This allows the Company to accept applications under the General Offer for Securities not applied for (or applications not accepted by the Company) under the Priority Offer.

To the extent that subscriptions from Lithium Australia shareholders eligible to participate in the Priority Offer exceed 5,000,000 Shares and up to 2,500,000 free attaching Partly Paid Shares, the excess applications will be considered as applications under the General Offer.

6.8 Purpose of the Offer

The purpose of the Offer is to provide the Company with additional funding for a detailed exploration programme on the Tenements, to facilitate an application by the Company for admission to the Official List, to meet the costs of the Offer and to fund administration costs and new project evaluation, so as to position the Company to seek to achieve the objectives set out in Section 7.3.

6.9 Use of Funds

The Company intends to apply its existing cash reserves and the funds raised from the Offer over the first two years after the Listing Date as follows.

Item	Minimum Subscription \$4.5 million (\$)	Percentage of IPO funds (%)	Full Subscription \$6 million (\$)	Percentage of IPO funds (%)
Pre-Offer cash raised and receivables ¹	550,000	11	550,000	8
Funds raised from the Offer	4,500,000	89	6,000,000	92
Total funds available	5,050,000	100	6,550,000	100
ALLOCATION OF FUNDS – YEARS 1 AND 2				
Year 1				
Exploration expenditure – Australian Projects ²	250,000	5	330,000	5
Exploration expenditure – Madagascar Projects ²	1,075,000	21	1,975,000	30
Estimated Expenses of the Offer ³	550,000	11	650,000	10
Administration costs ⁴	700,000	14	700,000	11
Product marketing (offtake)	150,000	3	150,000	2
New project evaluation	20,000	0	20,000	0
Working capital	50,000	1	20,000	0
Total Year 1	2,795,000	55	3,845,000	59
Cash end Year 1	2,255,000	45	2,705,000	41
Year 2				
Exploration expenditure – Australian Projects ²	250,000	5	330,000	5
Exploration expenditure – Madagascar Projects ²	900,000	18	1,300,000	20
Product marketing (offtake)	300,000	6	250,000	4
Administration costs ⁴	650,000	13	700,000	11
New project evaluation ⁵	100,000	2	100,000	2
Working capital	55,000	1	25,000	0
Total Year 2	2,255,000	45	2,705,000	41

¹ Refer to the Investigating Accountant's Report in Section 12 for further information. Some of the Year 1 costs have already been paid or incurred from this amount as at the date of this Prospectus.

² Refer to the Independent Geologist's Report – Australia in Section 10 and the Independent Geologist's Report – Madagascar in Section 11 for further information on planned exploration activities and expenditure budgets for the Projects and the budget summary in Section 7.3. This cost includes the \$75,000 payment due to the vendor of the Madagascar Projects on listing.

³ Refer to Section 16.5 for further details.

⁴ These expenses include wages and superannuation of employees and Directors, rent and outgoings, accounting fees, legal fees, ASX listing fees, auditing fees, insurance, Share Registry fees, travel expenses and all other items of a general administrative nature.

⁵ The Company will identify and evaluate investment opportunities in resource projects and assets (including minerals other than graphite) in Australia and/or overseas.

It is anticipated that the funds raised under the Offer will enable two years of full operations based on the current budget (if the Minimum Subscription is raised). It should be noted that the Company may not be fully self-funding through its own operational cash flow at the end of this period. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding. Future capital needs will also depend of the success or failure of the Company's exploration of the Projects. The use of further debt or equity funding will be considered by the Board where it is appropriate to fund additional exploration on the Projects or to pursue opportunities in the resource sector.

In the event that the Company raises more than the Minimum Subscription but less than the Full Subscription, the additional funds raised will be first applied towards the increased expenses of the Offer, followed by increased exploration expenditure and then administration costs, with any remaining funds to be used for working capital and new project evaluation purposes.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the actual application of funds. In particular, exploration expenditure will be reviewed on an ongoing basis, depending on the nature of the results from work programmes. The Board reserves the right to alter the way funds are applied on this basis. The Company may raise additional funds within two years after listing on the ASX, to the extent required to increase and accelerate the exploration programmes on the Projects, or to acquire or invest in suitable additional projects and assets in the resources sector in Australia and/or overseas, as determined by the Board.

6.10 Pro Forma Capital Structure

The capital structure of the Company following completion of the Offer (assuming both Minimum Subscription and Full Subscription) is summarised below¹.

Shares	Minimum Subscription \$4.5 million	Percentage of Shares (undiluted)	Full Subscription \$6 million	Percentage of Shares (undiluted)
Shares on issue at date of Prospectus ¹	31,500,000	56.25	31,500,000	49.61
Shares to be issued as consideration for Madagascar assets under Madagascan Acquisition Agreement	2,000,000	3.57	2,000,000	3.15
Shares to be issued under the Offer	22,500,000	40.18	30,000,000	47.24
Total Shares on issue at completion of the Offer (undiluted)	56,000,000	100.00	63,500,000	100.00
Partly Paid Shares ² on issue at date of Prospectus	14,500,000	17.74	14,500,000	15.59
Partly Paid Shares to be issued under the Offer	11,250,000	13.76	15,000,000	16.13
Total Shares on issue³	81,750,000	100.00	93,000,000	100.00
Total Options on Issue	2,750,000	3.25	2,750,000	2.87
Total Shares and Options	84,500,000	100.00	95,750,000	100.00

¹ Includes 5,000,000 Contingent Entitlement Shares – refer to Section 5(g) and Section 15.5 for further details.

² See Partly Paid Share table below.

³ Includes Partly Paid Shares.

Partly Paid Shares

The Partly Paid Shares are more fully described in Section 16: Additional Information. In summary, as at the date of this Prospectus there are 14,500,000 Partly Paid Shares paid to \$0.0001 and unpaid \$0.2499. Up to 15,000,000 Partly Paid Shares, paid to \$0.0001 and unpaid \$0.2499 (assuming Full Subscription), will be issued under the Offer on the basis of one Partly Paid Share for every two Shares subscribed for and issued. The Partly Paid Shares will convert to fully paid ordinary shares when the Partly Paid Shareholder pays, or is called to pay, the remaining balance on these Partly Paid Shares. In the event that a call is made on these shares, Partly Paid Shareholders have the option to either pay the call or the shares are forfeited and those forfeited Partly Paid Shares are auctioned at a public auction. In the event that the outstanding balance unpaid on all Partly Paid Shares of \$0.2499 is called (assuming Full Subscription) and then fully paid, the Company has an ability to raise up to \$7,372,050 before costs. The Partly Paid Shares will not be listed and no application for Quotation of the Partly Paid Shares will be made. The Company, in its sole and absolute discretion, may consider applying for Quotation of the Partly Paid Shares in the future, subject always to the requirements of the ASX Listing Rules.

Partly Paid Shares (PP Shares)	Minimum Subscription \$4.5 million	Percentage of Shares (fully diluted)	Full Subscription \$6 million	Percentage of Shares (fully diluted)
PP Shares on issue at date of Prospectus ¹	14,500,000	29.74	14,500,000	29.74
PP Shares offered under the Prospectus	11,250,000	13.31	15,000,000	15.67
Total PP Shares on issue at completion of the Offer	25,750,000	30.47	29,500,000	30.81
Total dollar value unpaid on PP Shares on issue at completion of the Offer	6,434,925		7,372,050	

¹ Partly Paid Share terms and conditions are listed in Section 16.1.

Options	Minimum Subscription \$4.5 million	Percentage of Shares (fully diluted)	Full Subscription \$6 million	Percentage of Shares (fully diluted)
Options on issue at date of Prospectus ¹	2,750,000	5.64	2,750,000	5.64
Options offered under the Prospectus	0	0	0	0
Total Options on issue at completion of the Offer	2,750,000	3.25	2,750,000	2.87

¹ Options terms and conditions are listed at Section 16.1.

6.11 Substantial Shareholders

Set out in the table below are the Shareholders holding 5% or more of the Shares on issue both at the date of this Prospectus and upon completion of the Offer on an undiluted basis (that is, assuming none of the Options on issue at the date of this Prospectus are exercised and none of the Partly Paid Shares on issue at the date of this Prospectus become fully paid). The table assumes Full Subscription, that no existing substantial Shareholder subscribes for and is issued additional Shares pursuant to the Offer, and that none of the Options will have been exercised at completion of the Offer and none of the Partly Paid Shares on issue at the date of this Prospectus become fully paid.

Name	Fully Paid Shares held ¹	% at date of Prospectus (undiluted)	% on completion of Offer at Minimum Subscription (undiluted)	% on completion of Offer at Full Subscription (undiluted)
Lithium Australia	11,000,000	34.92	14.20	17.32
Greyhound Investments Pty Ltd	8,110,000	25.75	15.0	13.19
Thomas George Revy & Valeria Maria Revy ²	2,000,000	6.35	3.70	3.25
JHY Investments Pty Ltd	2,000,000	6.35	3.70	3.25
Adrian Christopher Griffin ³	2,000,000	6.35	3.70	3.25

¹ Assumes that none of the Shareholder's Partly Paid Shares (if any) have become fully paid and none of their Options (if any) have been exercised.

² Mr Revy is the Managing Director. The Securities in which Mr Revy has an interest are held by Thomas George Revy and Valeria Maria Revy as trustees for the Revcorp Super Fund account.

³ Mr Griffin is a director of Lithium Australia, a related party of the Company. The Securities in which Mr Griffin has an interest are held by Adrian Christopher Griffin and Josephine Norman as trustees for the Global Super Fund account.

Set out in the table below are the Shareholders holding 5% or more of the Shares on issue both at the date of this Prospectus and after completion of the Offer on a fully diluted basis (that is, assuming the exercise of all of the Options on issue at the date of this Prospectus and that all Partly Paid Shares on issue at the date of this Prospectus become fully paid). The table assumes Full Subscription and that no existing substantial Shareholder subscribes for and is issued additional Shares pursuant to the Offer. The fully diluted capital structure of the Company at the date of this Prospectus is 48,750,000 Shares and at completion of the Offer (assuming Full Subscription) is 95,750,000 Shares.

Name	Fully Paid Shares held ¹	% at date of Prospectus (fully diluted)	% on completion of Offer at Minimum Subscription (fully diluted)	% on completion of Offer at Full Subscription (fully diluted)
Lithium Australia	12,000,000	24.62	16.38	12.53
Greyhound Investments Pty Ltd	9,220,000	18.1	10.91	9.63
Thomas George Revy & Valeria Maria Revy ²	4,150,000	8.51	4.91	4.33
JHY Investments Pty Ltd	4,000,000	8.20	4.73	4.18
Adrian Christopher Griffin ³	4,000,000	8.20	4.73	4.18

¹ Assumes that all of the Shareholder's Partly Paid Shares held as at the date of this Prospectus (if any) have become fully paid and that all Options held by that Shareholder as at the date of this Prospectus (if any) have been exercised.

² Mr Revy is the Managing Director. The Securities in which Mr Revy has an interest are held by Thomas George Revy and Valeria Maria Revy as trustees for the Revcorp Super Fund account.

³ Mr Griffin is a director of Lithium Australia, a related party of the Company. The Securities in which Mr Griffin has an interest are held by Adrian Christopher Griffin and Josephine Norman as trustees for the Global Super Fund account.

The Company will announce to the ASX details of its top 20 Shareholders after completion of the Offer and prior to the Shares commencing trading on the ASX.

6.12 ASX Listing

The Company will apply to the ASX within seven days after the date of the Original Prospectus for admission to the Official List and for Quotation of the Shares offered under this Prospectus. If the ASX does not grant permission for Quotation of the Shares within three months after the date of the Original Prospectus, or such longer period as is varied by ASIC, the Company will not issue any Shares offered for subscription under this Prospectus and will repay all application monies received as soon as practicable thereafter, or within the time prescribed under the Corporations Act. The Partly Paid Shares offered under this Prospectus will not be listed and no application will be made for their Quotation. The Company, in its sole and absolute discretion, may consider applying for Quotation of the Partly Paid Shares in the future, subject always to the requirements of the ASX Listing Rules. The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may grant Quotation of Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered under this Prospectus.

6.13 Applicants outside Australia

This Prospectus does not and is not intended to constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. Applicants outside Australia or New Zealand should refer to Section 2.5 for further information.

6.14 Not Underwritten

The Offer is not underwritten.

6.15 Contingent Entitlement Shares

Shareholders with at least 10,000 Shares at the Listing Date are entitled to participate in a pool of 5,000,000 Contingent Entitlement Shares currently held by the Contingent Entitlement Trustee, in proportion to the number of Shares they hold at the first Business Day following the date all Shares in respect of which the ASX imposes restrictions as a condition to the listing of the Company cease to be restricted Shares (**Entitlement Date**). The Contingent Entitlement Share issue is more fully described in Section 15.5.

6.16 Commissions Payable

The Company reserves the right to pay a commission of up to 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealer or Australian financial services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

6.17 Risk Factors

You should be aware that subscribing for Securities the subject of this Prospectus involves a number of risks. The key risks are set out in Part C of Section 5: Investment Overview, and other risk factors are set out in Section 8. Potential investors are urged to consider those risks carefully, and if necessary consult their professional advisers before deciding whether to invest in the Company. The risk factors set out in Part C of Section 5, and Section 8, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

6.18 Restricted Securities

Generally, Securities on issue at the date of this Prospectus and issued to promoters or related parties will be escrowed for a period of 24 months from the date of Quotation or the Company's admission to the Official List. It is expected that a percentage of the Securities issued to non-related-party seed investors and all of the Securities issued to vendors of the Projects will be escrowed for 12 months from the date of issue of the Securities. During the period in which these Securities are prohibited from being transferred, assigned or otherwise disposed of, trading in Securities may be less liquid, which may impact on the ability of a Shareholder to dispose of Securities in a timely manner.

It is expected that 30,377,500 Shares, 12,752,500 Partly Paid Shares and 2,750,000 Options will be subject to escrow, as follows.

- (1) 26,910,000 Shares – 24 months
- (2) 4,924,500 Shares – 12 months
- (3) 2,750,000 Options – 24 months
- (4) 7,910,000 Partly Paid Shares – 24 months
- (5) 4,942,500 Partly Paid Shares – 12 months

The Company will announce to the ASX details of the number and duration of the Shares, Partly Paid Shares and Options that the ASX requires be held in escrow prior to the Shares commencing trading on the ASX.

6.19 Calls on Partly Paid Shares

As the Company is a 'no liability' company, a holder of a Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a Partly Paid Share. However, if a call is not paid, the Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution. Please see Section 16.1 for full terms of the Partly Paid Shares. As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares will be applied first to the expenses of the auction, then to any expenses incurred in respect of the forfeiture and finally to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold. In the event that only a portion of a call is paid in respect of Partly Paid Shares, the amount of the call paid will be applied to the Partly Paid Shares held by that Partly Paid Shareholder sequentially, and only those Partly Paid Shares in respect of which the call is not satisfied in full after the amount paid is so applied will be liable for forfeiture.

6.20 Taxation

The acquisition and disposal of Securities will have tax consequences that will differ depending upon the individual financial affairs of each investor. You are urged to obtain independent financial advice about the consequences of acquiring Securities, from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

6.21 Queries

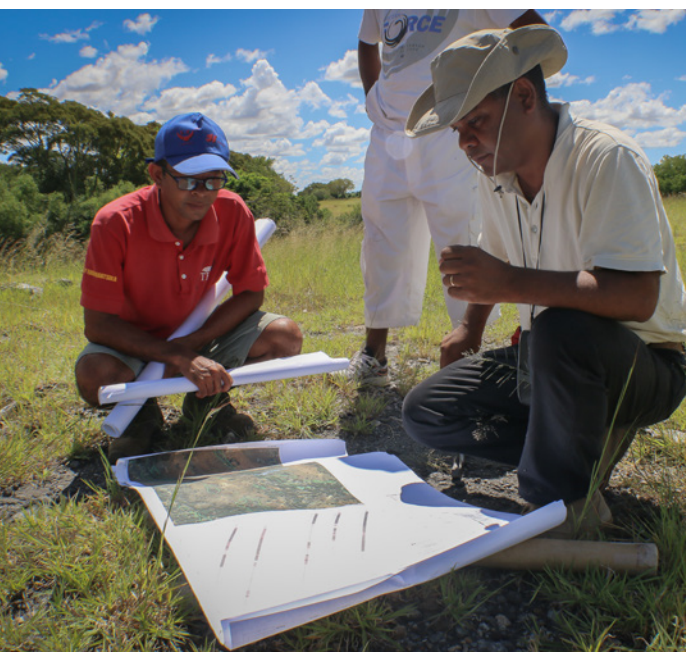
This Prospectus provides information to help potential investors decide if they wish to invest in the Company and it should be read in its entirety. If you have any questions about investing in the Company after reading this Prospectus, please contact your sharebroker, financial planner, accountant, lawyer or independent financial adviser.

7. COMPANY AND PROJECTS OVERVIEW

7.1 Background

The Company was incorporated on 15 March 2016 for the purpose of identifying, evaluating and, if warranted, acquiring various investment opportunities, projects and assets in the resources sector that are considered by the Board to add potential Shareholder value. An experienced Board with a broad range of resources and industry expertise has been assembled to direct the activities of the Company.

The Company's initial focus will be on early exploration for graphite on its WA Projects (held by the Subsidiary), as well as advanced exploration and further development of the Maniry and Ianapera Projects, located in Madagascar and held by Mada-Aust, which will, upon completion of the sale and purchase of Madagascar Graphite under the Madagascan Acquisition Agreement, become a 100% owned subsidiary of the Company. Once the Company lists on the ASX it may acquire additional resource projects and assets in Australia and/or overseas that contain, or are prospective for, minerals other than graphite, with a view to the further exploration or development of, or investment in, the projects and assets acquired, consistent with its business objective.



Western Australia

BlackEarth has plans to explore four project locations in WA that have a total area of over 560 square kilometres. The WA project areas have been selected on the basis that they either overlie neglected historically reported graphite occurrences or contain other specific geological or geophysical characteristics that signify prospectivity for the discovery of graphite mineralisation. All are greenfield projects and, as such, have seen little graphite focused exploration.

The WA project areas lie in the Gascoyne, Murchison and southwest regions of the state.

The location of the WA Projects is shown below.



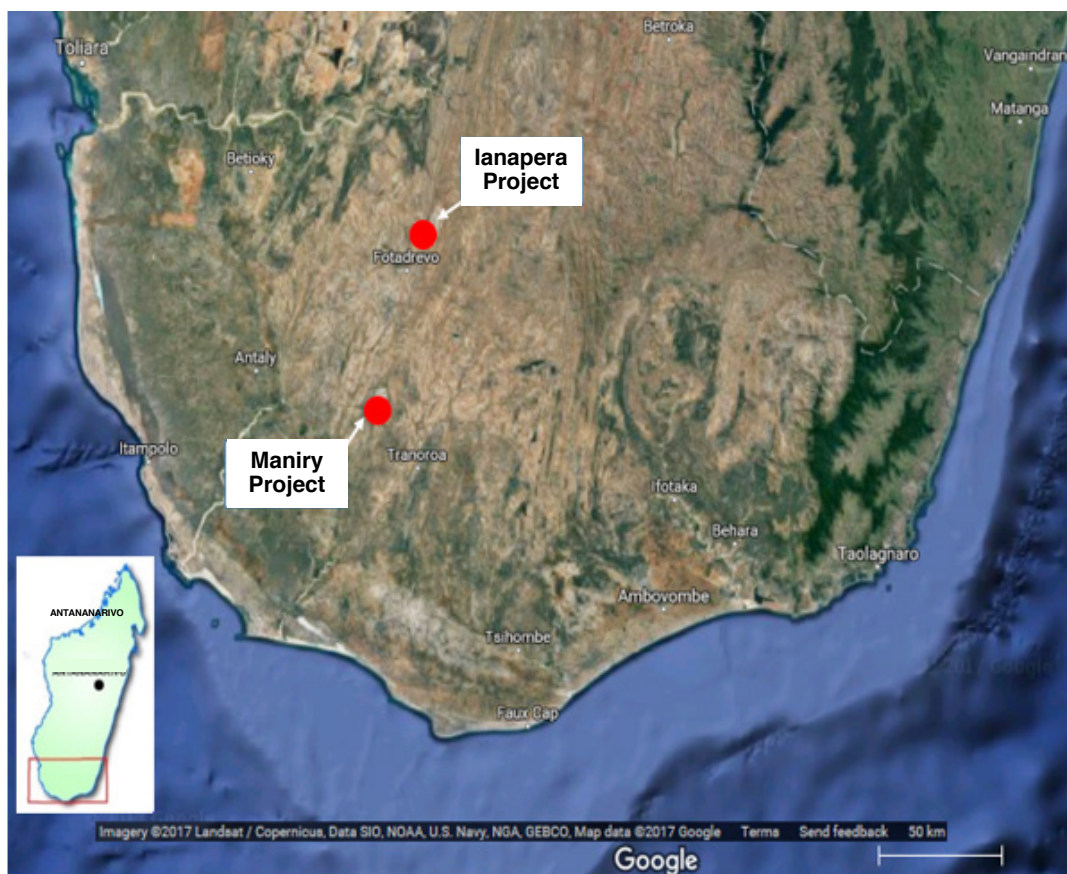
Map 1: WA project locations.

Madagascar

On 21 February 2017, BlackEarth entered into the Madagascan Acquisition Agreement to acquire 100% of the issued capital of Madagascar Graphite, which in turn owns Mada-Aust, the company that owns the Maniry and Ianapera Projects, located in the southern area of Madagascar, pursuant to the Madagascan Acquisition Agreement. Completion of the sale and purchase is conditional on the satisfaction of a number of conditions precedent, including the Company's ASX Listing.

Collectively, the Maniry Project and the Ianapera Project are known as the Ampanihy Project.

The locations of the Maniry Project and the Ianapera Project are shown below.



Map 2: Madagascan project locations.

The Maniry and Ianapera Projects are both highly prospective for high-quality graphite deposits and the Maniry Project specifically is currently at an advanced evaluation stage, pending additional work to establish an initial resource base.

Previous work undertaken on the Maniry Project and announced by Capricorn on 12 February 2015 on the ASX platform identified at least 34 large-scale zones of prominently outcropping graphite mineralisation over an area of 6.5 by 2.5 kilometres. The individual lenses within the area have strike extensions of up to 1.8 kilometres and can attain widths of up to 350 metres. Grades of 7-20% C (up to 50%) have been reported.

The Ianapera Project lies approximately 60 kilometres north of the Maniry Project. Capricorn previously announced a series of high-grade outcrops of graphite mineralisation that potentially sit above a larger concealed system approximately 800 metres long and 30 metres wide. This project lies only 5 kilometres north of the Molo Graphite Project held by NextSource Materials Inc., which recently announced the results of its updated feasibility study.

Company Projects

Details of the Projects are summarised in this Section 7 and a more detailed description of each individual project, and previous work undertaken on the Tenements or the area of the Tenements and proposed exploration work and budgets, are set out in the Independent Geologist's Report – Australia in Section 10 and the Independent Geologist's Report – Madagascar in Section 11. Further information on the Madagascan Acquisition Agreement is contained in Section 15. Details of the Tenements are provided in the Solicitors' Report on Tenements – Australia in Section 13 and the Solicitors' Report on Tenements – Madagascar in Section 14.

The Board's primary objective is for the Company to generate value for Shareholders by utilising the accumulated knowledge and experience of its Directors and management to develop active, targeted and cost-effective exploration programmes for the projects the Company has acquired an interest in or will acquire an interest in, by managing the Company's current portfolio of assets in order to realise their full economic potential and by identifying, evaluating and, if warranted, acquiring further resource projects and assets in Australia and/or overseas that are considered by the Board to add potential value to the Company.

7.2 Company Projects

Donnelly River, Western Australia

The Donnelly River Project comprises two Exploration Licences (E70/4824 and E70/4825) and one Exploration Licence Application (E70/4972) totalling 173 square kilometres in the far southwest of the state, immediately to the north and northwest of the regional town of Manjimup. The South Western Highway, a major transport corridor, passes through E70/4825 and internal access is provided by secondary roads and forestry tracks.

The existence of graphite at Donnelly River was noted as far back as 1888. Mining in the Donnelly River area started around 1905 and continued through to 1916, with at least four shafts being sunk on various leases.

Previous exploration described the Donnelly River material as being mostly composed of very finely divided graphite, with only a small proportion of flake material, of which the best flake (5.4%) assayed at 99.6% TGC. In those early years, there were limited suitable applications for Donnelly River graphite. However, later testing of graphite from this deposit showed that the material ranges from extremely fine-grained to medium-grained flake graphite.

BlackEarth proposes to undertake work programmes aimed at discovering repetitions of the known graphite occurrences at Donnelly River. Historical exploration activity in the area has targeted base metals, gold, tin-tantalum and lithium, with no primary targeting of graphite. Given the extent of favourable host lithologies, there would appear to be potential to discover new deposits of commercial-grade graphite.

Greenhills, Western Australia

The Greenhills Project comprises four Exploration Licences (E70/4811, E70/4812, E70/4903 and E70/4906), 20 kilometres east of the township of York, WA. The project covers an approximate area of 94 square kilometres. The sealed Quairading-York, Doodenanning and Cubbine Roads cross the project area. As this is principally a wheat-growing region, there are numerous gravel roads and tracks throughout the Tenements.

There are three recorded graphite occurrences, Balkuling, Doodenanning and Greenhills, within the project area. A single sample taken from Balkuling in 1951 was reported to contain 5% graphite flakes less than 0.2 mm in diameter and returned 10% TGC. During the same year, the Doodenanning occurrence was inspected and the two graphite samples taken returned assays of 5.6% and 18.7% TGC. Both samples contained flake graphite of various sizes.

The Greenhills graphite zone was defined by previous exploration activity and is interpreted to be a 20-kilometre, east-northeast trending zone from Greenhills railway siding towards Doodenanning. The host rock is a completely kaolinised, foliated

rock with fine- to medium-grained flake graphite. This graphite returned an 8.7% TC assay from 10% flake graphite exceeding 0.6 millimetres in diameter.

The project area has been explored for numerous other commodities from the mid-1970s. Predominately, exploration has centred around kaolin, gold, base metals and iron ore. No systematic exploration has been conducted for graphite across the project area.

Given the extent of favourable host lithologies and known graphite occurrences, a dedicated exploration programme using appropriately focused techniques could be expected to discover a graphite deposit in the BlackEarth tenements.

Northern Gully, Western Australia

The Northern Gully Project consists of the single Exploration Licence E66/95, 26 kilometres west-southwest of the township of Geraldton. The project covers an approximate area of 48 square kilometres and overlies the historic Lady Sampson lead mine. The Geraldton-Mt Magnet road is 5 kilometres south of the tenement area and 35 kilometres from the Geraldton port. There are numerous gravel roads and tracks throughout the tenement.

Two graphite samples taken from the Lady Sampson pegmatite in 1951 returned 16.5% and 19.4% graphitic carbon. Observations by others indicate that the greatest concentration of graphite is exposed best at the mine and is contained as graphite-silica mats infilling strain zones within the pegmatites, gneiss and migmatites.

The project area has been explored previously for numerous other commodities (phosphate, bentonite clay, iron ore and mineral sands) from the mid-1960s. Historically, exploration has centred around lead, zinc and copper mineralisation at the Lady Sampson lead mine and defining extensions to the known lead mineralisation, with secondary considerations for gold and silver. The Lady Sampson mine produced a total of 13.4 tons of lead from 53.8 tons of ore. The years of recorded operation were from 1926 to 1949. Mining predating 1926 did take place but no records of production were kept.

BlackEarth proposes to undertake exploration work programmes aimed at discovering an economic graphite deposit. Given the extent of favourable host lithologies and known occurrences, a dedicated exploration programme using appropriately focused techniques could be expected to discover a graphite deposit on the tenements.

Yalbra, Western Australia

The Yalbra Project consists of a single Exploration Licence Application, E09/2234, 280 kilometres east of the township of Carnarvon. The project covers an approximate area of 248 square kilometres. The gravel Carnarvon-Mullewa Road passes through the

northwest corner of the tenement and gives access to the Carnarvon Port. Access to in the tenement area is limited to the Glenburgh Station tracks.

Buxton Resources Ltd's Yalbra graphite occurrence lies 6.3 kilometres to the east of Exploration Licence E09/2172 and consists of six graphite prospects over a strike length of 4 kilometres. The graphite is contained as multiple bands in a schist that strikes generally east-west and dips steeply to the north and south. First investigated in the early 1970s by Carpentaria Exploration Company Pty Ltd, Buxton Resources Ltd defined an Inferred JORC (2012) Code Mineral Resource of 4 Mt @ 16.2% TGC over a strike length of 600 metres. Further exploration (VTEM) has defined strong graphite conductors with a strike length of over 6 kilometres. Most of the mineralisation remains open at depth and along strike and ranges from amorphous to medium-coarse flakes greater than 1 millimetre in length. Typical coarse-flake graphite is greater than 150 microns in length.

BlackEarth proposes to undertake exploration work programmes aimed at discovering an economic graphite deposit. Historical exploration activity in the area has targeted predominately base metals, gold, diamonds and uranium, with less attention paid to coal and nickel and with no primary targeting of graphite. Previous exploration to date has not recognised any graphite horizons.

Given the extent of favourable host lithologies and known graphite occurrences, a dedicated exploration programme using appropriately focused techniques could be expected to discover a graphite deposit on the BlackEarth tenements.

Maniry, Madagascar

The Maniry Project comprises one Exploitation Permit (PE/5394) and five Exploration Permits (PR/39750, PR/39751, PR/3432, PER/5605 and PR/25606) and covers an area of approximately 143 square kilometres. The Maniry Project is accessed by secondary dirt roads for 40 kilometres north of the large regional southern Madagascan township of Ampanihy.

Access to Ampanihy from the port city of Toliara is initially via a 70-kilometre paved road to the village of Andranovory. From Andranovory, secondary all-season roads continue south through the major towns of Betioky and Ejeda for a distance of 200 kilometres to access Ampanihy. Ampanihy is also supported by a local airstrip and fuel supply and is a centre for limited government administration services and supplies.

Through previous programmes of systematic exploration, the Maniry Project has been shown to host a large-scale graphite mineralised system. Preliminary work has been completed on the majority of the defined targets. The Maniry Project is considered to be at an advanced stage of exploration. Recent drilling and trenching have confirmed that the

mapping and sampling completed to date can be considered as a very good guide to the extent and quality of the mineralisation.

In addition to this, Capricorn's previous exploration has defined at least 34 large-scale zones of prominently outcropping graphite mineralisation over an area of 6.5 by 2.5 kilometres. The individual lenses within this area have strike extensions of up to 1.8 kilometres and can attain widths of up to 350 metres. Sampling of the mineralisation indicates consistent grades with low variability and the potential for areas of very high-grade mineralisation (peak result 50.78% C), typically 7-20% C. Field assessment of the graphite flake demonstrates a consistently coarse flake size. Previously completed petrological analysis of selected samples has confirmed the high-quality nature of the graphite.

The large aerial extent, outcropping nature and in most cases flat-lying nature of the graphite mineralisation also provide confidence that the prospects can be upgraded to JORC compliant resources in a very efficient manner. This process will be aided by the fact that the variability of the mineralisation appears to be highly predictable, based on the data at hand.

Ianapera, Madagascar

The Ianapera Project comprises five Exploitation Permits (PE/5391, PE/5392, PE/5393, PE/25093 and PE/25094) and covers an area of approximately 31 square kilometres.

Ianapera is located within 5 kilometres of Toronto Stock Exchange-listed NextSource Material Inc.'s Molo Graphite Project and some 60 kilometres north of the Maniry Project. It consists of a series of high-grade outcrops of graphite mineralisation within a broader graphite trend. These high-grade, near-surface exposures of graphite mineralisation have potential to collectively meet a resource target. Importantly, these high-grade graphite exposures overlie a large conductive body, as defined by VTEM surveys. Graphite is highly conductive and this may indicate the presence of a large graphitic mineralised system.

Previous exploration consisting of geophysical interpretation, detailed mapping and outcrop sampling has identified three target areas that have currently delineated dimensions of up to 800 metres long by 30 metres wide. Rock-chip results of over 15% C have been consistently collected across these positions.

The Ianapera Project is considered to have the potential to host a series of large-scale graphite deposits. Like the Maniry Project, the Ianapera Project has been the focus of quality exploration that will allow a quick transition to resource evaluation.

The mineralisation in most cases is outcropping, which will allow relatively shallow drilling and trenching to quickly delineate resources. Metallurgical testwork is required to understand the quality of the graphite mineralisation; however, the preliminary petrographic work is encouraging.



7.3 Business Model

The Company is a speculative exploration company. The Company holds a 100% interest in the following WA Projects.

- (a) Donnelly River
- (b) Greenhills
- (c) Northern Gully
- (d) Yalbra

Under the WA Acquisition Agreement the Subsidiary acquired an interest in the Donnelly River, Greenhills and Northern Gully Projects for the issue of 1,000,000 Shares. The Company is the applicant for the one Exploration Licence solely comprising the Yalbra Project and is the applicant for one Exploration Licence application that makes up part of the Donnelly River Project.

Subject to the satisfaction of a number of conditions precedent, including the Company being admitted to the Official List on a conditional basis, the Company intends to complete the purchase of all the issued share capital of Madagascar Graphite, a company registered and domiciled in Mauritius, which holds all of the issued share capital of Mada-Aust pursuant to the Madagascar Acquisition Agreement. Mada-Aust SARL is a Madagascar company that owns 100% of the following mining projects in south Madagascar:

- (a) Maniry, and
- (b) Ianapera,

together known as the Ampanihy Project.

After completing the purchase of the Madagascar Projects, the Company will invest Shareholder funds in graphite exploration on its Projects, with the aim of defining resources on the Tenements. The Company's business model depends on the success of its exploration programmes. Favourable results from exploration will increase the value of the Projects and should in turn increase the value of the Securities.

Details of the Madagascar Projects and the WA Projects are set out in this Section 7 and more detailed information is contained in the Independent Geologist's Report – Australia in Section 10 and the Independent Geologist's Report – Madagascar in Section 11. Further information about the Tenements is contained in the Solicitors' Report on Tenements – Australia in Section 13 and the Solicitors' Report on Tenements – Madagascar in Section 14.

In the short to medium term, the Company intends to achieve the following objectives:

- review exploration data obtained from previous holders of the Projects or the area of the Tenements, and
- implement an active, targeted, cost-effective and detailed work programme on the Tenements, incorporating geological mapping, surface sampling and drill testing of identified targets.



Western Australian Graphite Projects

The Phase 1 exploration programme on each of the Tenements comprising the Company's WA Projects will likely include:

- previous explorer database compilation;
- acquisition and interpretation of any existing public domain geophysical data;
- desktop target generation;
- detailed geological mapping and geochemical sampling, and/or
- mineralogical analysis.

Subject to the outcomes of this exploration work, the WA Projects will be prioritised. On some, further work may be carried out, including detailed airborne or ground electromagnetic surveys and drill testing of any conductive targets generated, as part of the Phase 2 exploration programme.

A detailed technical review of the WA Projects is included in the Independent Geologist's Report – Australia in Section 10.

Madagascan Graphite Projects

The Maniry and Ianapera Projects are both highly prospective for high-quality graphite deposits and the Maniry Project specifically is currently at an advanced evaluation stage, pending additional work to establish an initial resource base. Furthermore, the Ianapera Project in southern Madagascar is considered as having the potential to host a series of large-scale graphite deposits. Both the Maniry and Ianapera Projects, which comprise the overall Ampanihy Project, have been the focus of quality exploration that will facilitate a quick transition to resource evaluation.

The mineralisation in most cases is outcropping, enabling relatively shallow drilling and trenching to quickly delineate resources. Metallurgical testwork is

necessary to understand the quality of the graphite mineralisation; however, the preliminary petrographic work demonstrates the potential for large-flake product to be produced.

The Company is focused on defining a maiden resource and commencing a scoping study on the Maniry Project within the first 24 months after the Listing Date.

New Project Evaluation

The Company also intends to continue identifying, evaluating and, if warranted, acquiring additional resource projects and assets in Australia and/or overseas if the Board considers that they have the potential to add Shareholder value. The Company will consider acquiring these additional interests by way of direct project acquisition, farm in, joint venture or direct equity in the project owners, and may include minerals or prospectivity for minerals other than graphite.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

Over the medium to long term the Company's objective is to develop mining operations on its projects. Continuing work programmes and projects will be subject to initial results and funds may be diverted to other prospective, existing or additional projects if the Board considers it to be warranted. The Company does not currently have a JORC Code compliant resource on any of its Tenements. The current WA and Madagascan Projects consist of tenements of a speculative nature. There has been some previous exploration on some of the Company's projects and consequently exploration targets at this stage are of a conceptual nature. In the medium to long term the Company also intends to continue to identify and evaluate potential additional resource projects and assets in Australia and/or overseas.

7.4 Exploration Work Programmes and Budgets

The proposed work programmes and exploration budgets for each of the projects are set out in the Independent Geologist's Report – Australia in Section 10 and the Independent Geologist's Report – Madagascar in Section 11, and reflect the Company's initial focus upon a successful listing and raising of capital pursuant to the Offer.

In summary, the first phase of exploration at each of the WA Projects will include:

- previous explorer database compilation;
- acquisition and interpretation of existing public domain geophysical data;
- airborne electromagnetic survey and modelling;
- desktop target generation;
- detailed geological mapping and geochemical sampling, and
- mineralogy analysis.

It is anticipated that the second phase of work on the WA Projects will be undertaken on high-priority targets only and is likely to include ground electromagnetic surveys and modelling (if warranted), drill testing of conductive targets and metallurgical testing of drill samples.

The Directors estimate expenditure for the first two years of operations for the WA Projects to complete the proposed preliminary programmes will be approximately \$500,000 to \$660,000 (see table below).

Suggested work to be undertaken on the WA Projects will occur in multiple phases and will be subject to review based on results, interpretations, development of exploration targets and models, and target prioritisation. This is an iterative process and will be driven by a number of factors, including the success of prior stages of exploration. As such, some

flexibility in changes to the programmes and budgetary requirements will be required as results are received.

The proposed budget for the WA Projects for the first two years after the Listing Date is considered reasonable for the first two years after the Listing Date, consistent with the Company's stated objectives, and exploration is warranted and justified on the basis of the historical exploration activity and demonstrated potential for discovery of graphite mineralisation.

As detailed in the Independent Geologist's Report – Madagascar in Section 11, during the first year it is proposed that the focus of the Company's operations on its Madagascan Projects will be to delineate graphite resources at the Razafy, Haja, Fitia and Ivan prospects within the Maniry Project through programmes of drilling, trenching and subsequent metallurgical testwork.

The assessment of the advanced Razafy Prospect will include diamond drilling of approximately 36 holes. Metallurgical samples can be taken from existing core to commence this critical component of the assessment.

At the Haja Prospect, the flat-lying nature of the mineralisation should allow a wider-spaced drilling pattern as a first-pass resource assessment.

The assessment of both the Fitia and Ivan Prospects would be completed during the second year, together with further work at the lanapera Project.

The second year's programme would also involve additional infill drilling to increase resource classification levels and a programme of definitive metallurgical testwork.

The proposed budget for the Madagascan Projects is considered reasonable for the first two years after the Listing Date, consistent with the Company's stated objectives, and exploration is warranted and justified on the basis of the historical exploration activity and demonstrated potential for discovery of graphite mineralisation.

Project	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Donnelly River, WA	70,000	90,000	70,000	90,000	140,000	180,000
Greenhills, WA	70,000	90,000	70,000	80,000	140,000	170,000
Northern Gully, WA	50,000	70,000	50,000	80,000	100,000	150,000
Yalbra, WA	60,000	80,000	60,000	80,000	120,000	160,000
Total WA	250,000	330,000	250,000	330,000	500,000	660,000
Ampanihy, Madagascar	1,075,000	1,975,000	900,000	1,300,000	1,975,000	3,275,000
Total Madagascar	1,075,000	1,975,000	900,000	1,300,000	1,975,000	3,275,000
TOTAL	1,325,000	2,305,000	1,150,000	1,630,000	2,475,000	4,415,000

7.5 Financial Information

Having been incorporated on 15 March 2016, the Company does not have any operating history on which an evaluation of its prospects can be made and has limited historical financial performance. The Company will only commence its own detailed exploration activities on its Tenements once it has been admitted to the Official List. Accordingly, the Company is not able to disclose any key financial ratios.

Historical financial information of the Company is included in the Investigating Accountant's Report contained in Section 12. Potential investors should read this report in full.

The Company proposes to fund its intended activities as outlined in the tables above from the proceeds of the Offer. It should be noted that the budgets will be subject to modification on an ongoing basis, depending on the results obtained from exploration undertaken. This will involve an ongoing assessment of the Company's project interests and may lead to increased or decreased levels of expenditure on certain interests, reflecting a change in emphasis. Subject to the above, the expenditure set out above is proposed.

7.6 Dividend Policy

The Company has not declared a dividend since its incorporation and, at the date of this Prospectus, does not intend to pay any dividends in the two-year period following the date of this Prospectus. During this period the Board expects to incur significant expenditure on the exploration and development of its Projects and in identifying, evaluating and, if warranted, acquiring other resource projects or assets in Australia and/or overseas that have the potential to add Shareholder value. The extent, timing and payment of dividends by the Company in the future will be at the discretion of the Directors and will depend on a number of factors, including future earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.



8. RISK FACTORS

8.1 Introduction

Subscribing for Securities involves a number of risks. Prospective investors in the Company should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for the Securities offered under this Prospectus.

BlackEarth is an exploration company and you should consider that an investment in the Company is speculative. You should consult your professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

The risk factors set out below and others not specifically referred to below must not be taken as exhaustive of the risks faced by the Company or by investors in the Company.

These risk factors may materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Accordingly the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities. Some risks can be mitigated by the use of appropriate safeguards and appropriate systems and controls by the Company; however, some are unpredictable and outside the control of the Company, and the extent to which they can be mitigated or managed is very limited or not possible.

Key risks the Directors consider are associated with an investment in the Company are set out below. Sections: 8.2 to 8.13 are risks specific to the Company, 8.14 to 8.19 are industry risks, and 8.20 to 8.24 are general risks.

8.2 Contractual Risk

As at the date of this Prospectus, BlackEarth is not the registered owner of certain tenements comprising the WA Projects, details of which are set out in Section 7. As those tenements are exploration licences within their first year of grant, consent of the Minister to their transfer is required, pursuant to the Mining Act. That consent has been applied for and granted. The agreement under which those tenements were acquired has been lodged with the Western Australian Office of State Revenue for the assessment of duty and stamping. Transfers of those tenements cannot be registered in the name of the Subsidiary as their registered owner until such time as the duty is assessed and paid and the stamped documents received. Until such time as those tenements are transferred to BlackEarth, BlackEarth has an exclusive licence to enter and explore those tenements and to retain any minerals extracted from them under the WA Acquisition Agreement. BlackEarth has registered caveats over each of those tenements to protect the Company's interests in them until such time as the tenements are transferred to it.

While BlackEarth has entered into the Madagascar Acquisition Agreement with Madagascar Graphite,

the Vendor, and its ultimate holding company Capricorn, under which BlackEarth has agreed to acquire 100% of the issued capital of Madagascar Graphite, which owns 100% of the issued capital of Mada-Aust, the sole registered owner of the tenements that comprise the Maniry and Ianapera Projects, there is a risk that the Company or the Vendor may fail to satisfy the conditions required to acquire the 100% interest in Madagascar Graphite and the Company may consequently forfeit its rights to acquire any interest in the Maniry and Ianapera Projects, or completion of that acquisition may otherwise not occur. BlackEarth will not acquire an interest in the Maniry and Ianapera Projects until all of the relevant conditions precedent have been satisfied, which includes BlackEarth receiving conditional approval for its admission to the Official List. One of the conditions precedent to completion of the acquisition under the Madagascan Agreement was that certain Madagascan tenements (**Relevant Tenements**) were to be transferred to other entities so that they were no longer held by the entities acquired by the Company. As at the date of this Prospectus, the Relevant Tenements are yet to be transferred. The Company has agreed to waive the condition precedent requiring the transfer of the Relevant Tenements on the condition that (among other things) the Vendor will be responsible for all costs and liabilities in respect of the Relevant Tenements pursuant to a Deed of Trust and Acknowledgment, details of which are set out in Section 15.4. Under the Deed of Trust and Acknowledgment, the Company has agreed to hold the Relevant Tenements on trust for the Vendor and the Vendor has provided warranties, indemnities and undertakings normally found in an agreement of its type. Capricorn has guaranteed the obligations of the Vendor under the Deed of Trust and Acknowledgment. There is a risk that the Vendor and/or Capricorn may fail to comply with their obligations in respect of the Relevant Tenements under the Deed of Trust and Acknowledgment, in which case the Company may, as the legal holder of the Relevant Tenements, be liable for those obligations.

The Company's ability to achieve its objectives and maintain its interest in all of its project areas is also dependent upon it (and, where BlackEarth is not currently the registered owner of those tenements, the holder of the relevant tenements) complying with all the terms and conditions of the Tenements and any other relevant legislation. Any failure to comply with these obligations may result in the Company not being able to maintain an interest in the Tenements, which may have a material adverse effect on the Company's operations and performance and the value of the Securities.

The Directors are not able to presently assess the risk of financial failure or default or the insolvency or other failure by any of the contractors engaged by the Company for any exploration or other activity. Any such failure could adversely affect the operations and performance of the Company.

The Company has no current reason to believe that the registered owners of the Madagascan Projects or the relevant WA Projects will not meet and satisfy their respective obligations under the Madagascan Acquisition Agreement and the WA Acquisition Agreement.

8.3 Sovereign and Political Risk

The Company has entered into the Madagascan Acquisition Agreement under which its Subsidiary has agreed to acquire 100% of the issued capital of Madagascar Graphite, which owns 100% of the issued capital of Mada-Aust, the sole registered owner of the tenements that comprise the Maniry and Ianapera Projects located in the Republic of Madagascar (see Section 15.3 for a summary of the Madagascan Acquisition Agreement). Mineral exploration tenure in the Republic of Madagascar is governed by Madagascan legislation.

If the Company completes the acquisition pursuant to the Madagascan Acquisition Agreement, its interests in the Republic of Madagascar will be subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of law affecting foreign ownership, exchange control, exploration licensing, export duties, investment into a foreign country and repatriation of income or return of capital, environmental protection, land access and environmental regulation, mine safety and labour relations, as well as government control over mineral properties or government regulations which require the employment of local staff or contractors or that other benefits be provided to local residents.

The Company may also be hindered or prevented from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in the Republic of Madagascar that affect ownership, mineral exploration, development or mining activities may affect the viability and profitability of the Company.

The legal system operating in the Republic of Madagascar is different to that in Australia and this may result in risks such as:

- different forms of legal redress in the courts, whether in respect of a breach of law or regulation, or an ownership dispute;
- a higher degree of discretion on the part of governmental agencies;
- differences in political and administrative guidance on implementing applicable rules and regulations, including, in particular, as regards local taxation and property rights;
- different attitudes of the judiciary and court, and
- difficulty in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular

concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence approvals, authorisations, applications or other legal arrangements will not be adversely affected by the actions of government authorities or others, and the effectiveness and enforcement of such arrangements cannot be assured.

The Company cannot guarantee that the tenements in which it may acquire an interest if it completes the acquisition pursuant to the Madagascan Acquisition Agreement, or any other tenements in which it has or may acquire an interest in the future, will be renewed beyond their current expiry date and there is a material risk that, in the event the holder of those tenements is unable to renew any of them beyond their current expiry date, all or part of the Company's interests in the corresponding projects may be relinquished.

Further, there is no guarantee that any applications for mining or environmental tenements or other approvals or authorisations will be granted, or granted on conditions satisfactory to the Company.

The Company's future operations in the Republic of Madagascar may be affected by changing political conditions and changes to laws and mining policies. The effects of these factors cannot be accurately predicted and developments may impede the operation or development of a project or even render it uneconomic.

8.4 Exploration Risks

None of the Tenements currently contain a JORC Code compliant resource and there is no guarantee that a JORC Code compliant resource will be discovered on any of the Tenements.

You should be aware that mineral exploration and development are high-risk undertakings, due to the high level of inherent uncertainty. There can be no assurance that exploration of the Tenements, or of any other tenements that may be acquired by the Company in the future, will result in the discovery of economic mineralisation. Even if economic mineralisation is discovered, there is no guarantee that it can be commercially exploited.

The future exploration activities of the Company may be affected by a range of factors, including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend on the Company having access to sufficient development capital, being able to maintain title to the Projects and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Projects, a reduction in the cash reserves of the Company and possible relinquishment of part or all of the Projects.

8.5 Access Risk – Native Title and Aboriginal Heritage

In regards to the Company's Australian assets, the Tenements, or tenements that the Company currently has or may in the future acquire, might extend over areas in which legitimate common law native title rights of indigenous Australians may exist. The ability of the Company to gain access to its Tenements and to conduct exploration, development and mining operations remains subject to native title rights and the terms of any registered native title agreements.

Certain of the Australian Tenements in which the Company has an interest overlap native title claims that are still in the process of mediation. If native title does exist in those areas, the ability of the Company to gain access to the relevant Tenements (through obtaining the consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations, may be adversely affected. The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

There are a number of registered Aboriginal heritage sites within the area of the Australian Tenements. It is possible that some areas of the Australian Tenements may not be available for exploration due to Aboriginal heritage issues (whether in respect of registered sites or not).

Details of these Aboriginal heritage sites and the pending native title claim are set out in the Solicitors' Report on Tenements – Australia in Section 13. Heritage agreements have been entered into in respect of certain tenements held by the Company, while a number of the tenements acquired by the Company pursuant to the WA Acquisition Agreement are the subject of heritage agreements that will need to be assigned to the Company by Lithium Australia. Under Western Australian and Commonwealth of Australia legislation, and under the terms of any applicable heritage agreements, the Company may need to obtain the consent of the holders of such interests before commencing activities on affected areas of the Tenements. These consents may be delayed or given on conditions that are not satisfactory to the Company.

8.6 Reliance on Key Personnel

The Company's management and key personnel are responsible for overseeing the day-to-day operations of the Company. The Company is aware of the need for sufficient management to properly supervise exploration and, if exploration is successful, the development of the Projects. As the Projects and the Company's prospects progress and develop, the Board will continually monitor the management requirements in the Company and look to employ or engage additional personnel when and where appropriate, to ensure proper management of the Company projects. However, there is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time, which may impact on the Company's ability to complete all of its planned exploration programmes within the expected timetable. Furthermore, you should be aware that no assurance can be given that there will be no adverse effect on the Company if one or more of its existing Directors or management personnel cease their employment or engagement with the Company.

8.7 Limited Operating History

Having been incorporated on 15 March 2016, the Company does not have any operating history on which an evaluation of its prospects can be made and has limited historical financial performance. The Madagascar Projects and the WA Projects have undergone limited previous exploration and exploration targets are of a conceptual nature. The Company will only commence its own detailed exploration activities on its Tenements once it has been admitted to the Official List and thereby completed the transaction of the graphite Madagascar Projects from Capricorn. The Directors are experienced and have broad expertise with exploration companies; however, no assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of the Tenements or any other tenements acquired by the Company. Until the Company is able to realise value from its Projects or any project it may in the future acquire an interest in, it is likely to incur ongoing operating losses.

8.8 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Subject to the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute existing shareholdings, and debt financing (if available) may involve restrictions on future financing and operating activities. If the Company is unable to obtain additional financing as needed, or unable to obtain it on acceptable terms (whether or not due to the Company's circumstances or economic and share market conditions or both), it may be required to reduce the scope of its operations and scale back its exploration programmes. This could have a material adverse effect on the Company's activities and the value of the Securities.

8.9 Exploration Costs

The exploration costs of the Company (summarised in Section 7) are based on certain assumptions with respect to the method and timing of exploration. By their nature these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may differ materially from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's operating and financial performance and the value of the Securities.

8.10 Title Risk – Australia and Madagascar

Interests in tenements in both Australia and Madagascar are governed by government legislation and are evidenced by the granting of permits, licences or leases. Each permit, licence or lease is for a specific term and, apart from mandatory annual fees in the case of Australia, has annual expenditure and reporting commitments, together with other conditions requiring compliance. Consequently, the Company could lose its title to or its interest in one or more of the Tenements if licence conditions are not met or if insufficient funds are available to meet the minimum expenditure commitments.

The Tenements, and other tenements in which the Company may acquire an interest, will be subject to renewal, which is usually at the discretion of the relevant authority. If a Tenement is not renewed the Company may lose the opportunity to discover mineralisation and develop the Tenement.

Exploitation Permits PE/25605 and PE/25606 expired on 17 June 2011. Applications for their renewals were submitted to the BCMM on 23 August 2011. The BCMM suspended all its activities during the period that the applications for renewal of those Exploitation Permits were made. Any renewal applications filed during this period would be systematically rejected or not even received by the BCMM. On the 28 November 2010, the BCMM issued a 'Note' explaining that the BCMM had suspended the filing of demands for (i) authorisation for reservation of mining perimeters for exclusive use, and (ii) mining licences, until further notice. The last paragraph of the Note states that "when the BCMM will resume the receipt of applications, an additional delay equal to the period BCMM's activities were suspended will be granted to any interested party filing an application pursuant to any provisions of the Mining Code or its application decree imposing a statutory delay to file the application." Accordingly, the Directors understand that any filing formality that requires a specific timeframe under the Mining Code or its application decree shall be extended by the period the BCMM has had its activities suspended. The Company has received advice that the BCMM or any other competent authority is unlikely to dispute the admissibility of the renewal applications of Exploitation Permits PE/25605 and PE/25606.

A further three tenements that comprise the Maniry Project Exploration Permits (PR/3432, PR/39750 and PR/39751) will require renewal by September 2018.

The Company cannot guarantee that any of those Tenements, or any of the other Tenements in which the Company has an interest, will be renewed beyond their current expiry date and there is a material risk that, in the event the Company is unable to renew any of the Tenements beyond their current expiry date, the Company's interests in the relevant Tenements may be relinquished.

Environmental approval for exploration or exploitation by the grant of an environmental tenement by the relevant Madagascar government authority is yet to be acquired in respect of Exploitation Permit PE/39751. Furthermore, a number of environmental tenements exist over the Ampanihy Project, details of which are set out in the Solicitors' Report on Tenements – Madagascar in Section 14. Applications need to be made to the BCMM to include graphite as an authorised substance to which those environmental tenements apply. There can be no guarantee that environmental approval (including adding graphite as an authorised substance for the environmental tenements) will be granted in respect of that area, which may prevent the Company from carrying out exploration or other activities on it.

Mada-Aust, a company to be acquired by BlackEarth, has entered into a number of contracts with third parties affecting certain areas of the tenements

that comprise the Madagascar Projects, known as amodiation contracts. Under those amodiation contracts, the third parties have been granted exclusive rights to prospect, explore, extract and/or exploit certain mineral resources. The tenements affected by amodiation contracts are PE/5394, PE/25093, PE/25094, PR/25605 and PR/25606. Mada-Aust does not have the rights to prospect, explore, extract and exploit certain mineral resources on those tenements to the extent that exclusive rights have been granted under an amodiation contract. Mada-Aust is in the process of negotiating to discharge certain of the amodiation contracts or to remove certain tenements from the amodiation contracts. Please see the Solicitors' Report on Tenements – Madagascar in Section 14 for further information about the amodiation contracts.

Under Madagascar law, the holder of a mining tenement does not have an automatic right in the land the subject of that tenement and must therefore enter into a lease agreement with the owners of the land. If land is held in the name of the Madagascar state, there is no objection by the state to entry into a lease agreement on ordinary terms and conditions. If, however, the land the subject of any of the tenements it owns in Madagascar is not held in the name of the Madagascar state, Mada-Aust will need to negotiate a lease with the private landholders.

Further information about the WA Projects is contained in the Solicitors' Report on Tenements – Australia in Section 13.

Further information about the Madagascar Projects is contained in the Solicitors' Report on Tenements – Madagascar in Section 14.

8.11 New Projects and Acquisitions

The Company will identify and evaluate additional projects and assets in the resources sector in Australia and/or overseas. If any are considered by the Board to have the potential to add Shareholder value, the Company will seek to acquire them by way of direct project acquisition, farm in, joint venture or direct equity in the project owners.

There can be no guarantee that any proposed acquisition will be secured, completed or successful. If the proposed acquisition is not completed, monies advanced or due diligence costs may not be recoverable, which may have a material adverse effect on the Company. This could affect the growth of the Company. If the Company is able to acquire such projects, there is a risk that if those projects do not perform to expectations, such adverse performance will be detrimental to the performance of the Company and therefore the value of Securities and returns delivered to Shareholders

If the Company identifies and proceeds with the acquisition of an additional resource project or asset, the Company may be required to re-comply with Chapters 1 and 2 of the Listing Rules. This will cause the Shares to be suspended from Quotation, in which event the Shares cannot trade on the ASX during this period. The length of any suspension will be subject to the requirements of the ASX and the time needed by the Company to comply with those requirements.

8.12 Liquidity Risk

A significant number of the 31,500,000 Shares on issue prior to the completion of the Offer (which constitutes approximately 47% of the total Shares on issue on completion of the Offer on an undiluted basis and assuming Full Subscription) are likely to be classified as restricted securities by the ASX and therefore be escrowed. This may cause a liquidity risk for the Shares, given that a large percentage of the Shares may not be traded for up to 24 months. Furthermore, there is no guarantee that there will be an ongoing liquid market for Shares. If illiquidity arises, there is a real risk that Shareholders will be unable to realise their investment in the Company. Further details of the Securities on issue are contained in Section 6.10 Pro Forma Capital Structure.

8.13 Risk of Forfeiture of Partly Paid Shares

As the Company is a 'no liability' company, a holder of a Partly Paid Share is not under any contractual obligation to pay a call in respect of the unpaid amount of a Partly Paid Share.

However, if a call on a Partly Paid Share is not paid within the period specified in the call (subject to the Constitution), the Partly Paid Share will be liable to forfeiture and may be sold by the Company via public auction in accordance with the Constitution. As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares will be applied first to the expenses of the auction, then to any expenses incurred in respect of the forfeiture and finally to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold. In the event that only a portion of a call is paid in respect of Partly Paid Shares, the amount of the call paid will be applied to the Partly Paid Shares held by that Partly Paid Shareholder sequentially, and only those Partly Paid Shares in respect of which the call is not satisfied in full after the amount paid is so applied will be liable for forfeiture.

8.14 Operating Risks

The current and future operations of the Company, including exploration, project appraisal and possible production activities, may be affected by various factors that can limit or prevent such activities. These factors may include failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in surveying, drilling, other exploration activities and/or production activities, difficulties in commissioning and operating plant and equipment, electrical or mechanical failure or plant breakdown, unanticipated metallurgical problems that may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of skilled labour, consumables, spare parts, plant and equipment.

8.15 Commercial Risk

The mining industry is competitive and there is no assurance that, even if commercial quantities of minerals are discovered by the Company on the Projects or future projects it may acquire an interest in, a profitable market will exist for sales of such minerals.

There can be no assurance that the quality of any such minerals will be such that they can be mined economically.

8.16 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of graphite or any other minerals it may discover exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward-selling activities and other macro-economic factors such as inflation expectations, interest rates and general global economic conditions.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and the Madagascan Ariary, as determined in international markets.

If the price of commodities declines this could have an adverse effect on the Company's exploration, development and possible production activities, and its ability to fund these activities, which may no longer be profitable.

8.17 Insurance Risks

Exploration for and development of minerals involves hazards and risks that could result in the Company incurring losses or liabilities that could arise from its operations. If the Company incurs losses or liabilities that are not covered by its insurance policies, the funds available for exploration and development will be reduced and the value and/or title to the Company's assets may be at risk.

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and, where it is, the costs can be prohibitive or not adequate to cover all claims.

8.18 Environmental Risks

The operations and proposed activities of the Company are currently subject to Madagascan, Western Australian and Commonwealth of Australia laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Future legislation and regulations governing exploration, development and possible production may impose significant environmental obligations on the Company.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potential economically viable mineral deposits. The Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals or to obtain them on terms acceptable to the Company may prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect, which could have a material adverse effect on the Company's business, financial condition and results of operations.

8.19 Access to Infrastructure

If the Company progresses to production there is no guarantee that appropriate and affordable road, rail and/or port capacity will be available, which could have an adverse effect on the Company. In the event of production, the Company will also require the use of both power and water infrastructure. In the event of high demand for, and limited access to, power and water, there is a risk that the Company may not be able to procure such access, which could have an adverse effect on the Company.

8.20 General Economic Conditions

General economic conditions, the introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and possible production activities, as well as on its ability to fund those activities both in Australia and overseas.

8.21 Share Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors, such as:

- (a) general economic outlook;
- (b) the introduction of tax reform or other new legislation (such as royalties);
- (c) interest rates and inflation rates;
- (d) currency fluctuations;
- (e) changes in investor sentiment toward particular market sectors in Australia and/or overseas (such as the exploration industry or graphite sector within that industry);
- (f) the demand for, and supply of, capital, and
- (g) terrorism or other hostilities.

The market price of the Securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Such influences are beyond the Company's control and unrelated to the Company's performance. Neither the Company nor the Directors warrant the future performance of the Company or the Securities and subsequently any return on an investment in the Company. Shareholders who decide to sell their Securities after the Company is admitted to the Official List may not receive the entire amount of their original investment.

8.22 Volatility in Global Credit and Investment Markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors that led to this situation have been outside the control of the Company and may continue for some time, resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Shares trade, regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

8.23 Government and Legal Risk

The introduction of new legislation or amendments to existing legislation by governments (including the introduction of tax reform), developments in existing common law or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the Company's operations or contractual obligations could impact adversely on the assets, operations and ultimately the financial performance of the Company and its Securities. The same adverse impact could result from the introduction of new government policy or amendments to existing government policy.

8.24 Unforeseen Expenditure Risk

Expenditure that has not been considered in this Prospectus may need to be incurred. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred this may adversely affect the expenditure proposals and activities of the Company, as the Company may be required to reduce the scope of its operations and scale back its exploration programmes. This could have a material adverse effect on the Company's activities and the value of the Securities.

9. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

9.1 Directors and Key Personnel



Phillip Hearse

Non-executive Chairman

MBA, BAppSc (Metallurgy) FAusImm

Phil 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 Normet Pty Ltd, one of Australia's major metallurgical and risk companies, and managed it for 18 years. He also held the key role of Director Advisory with GRD Minproc Ltd (now Amec Foster Wheeler) from 2001 to 2005. Over the last 10 years, he has been instrumental in the development of a number of projects globally, including numerous graphite projects in both Australia and east Africa.

Phil does not expect that his roles with other companies, or other business activities, will interfere with his ability to act as non-executive Chairman.



Thomas Revy

Managing Director

BAppSc (Metallurgy), GradDipBus, MAusIMM

With more than 30 years' experience within the resources industry, Tom is considered a corporate and project development specialist, with an extensive international network in the mining sector. He has held senior operational and corporate positions within reputable organisations, including GRD Minproc, WorleyParsons and Ferrum Crescent. Tom is also the chairman of Empire Resources Ltd (ASX code ERL) and the rural and remote mentoring charity True Blue Dreaming.

Tom does not expect that his roles with other companies, or other business activities, will interfere with his ability to act as Managing Director.



George Bauk

Non-executive Director

MBA, BBus, FCPA, GAICD

George has more than 25 years' mining industry experience, including particular expertise in critical metals. Regarded for his strategic management, business planning, establishment of high-performing teams and capital-raising skills, he has held senior operational and corporate positions with WMC Resources Limited, Arafura Resources Ltd and Indago Resources Ltd (formerly Western Metals Ltd). Since 2010, George has also been the managing director and CEO of Northern Minerals Limited (ASX code NTU), overseeing that company's heavy rare earth project, which is moving to production in northern Australia. George is currently the chairman of Lithium Australia (ASX code LIT) and also the vice president of the Chamber of Minerals and Energy – WA.

George does not expect that his directorships with other companies, or other business activities, will interfere with his ability to act as non-executive Director.



9.2 Company Secretary

Barry Woodhouse

BComm, LLB, CPA, FCIS, FGIA

Barry is a CPA and Fellow of the Governance Institute of Australia. He has approximately 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. Barry has held roles that include chief financial officer, company secretary, director and chairman. He is also chief financial officer and company secretary of Lithium Australia (ASX code LIT).

9.3 Disclosure of Directors' Interests

Directors are not required under the Constitution to hold any Securities. As at the date of this Prospectus, the Directors have relevant interests in Securities, as follows.

Director	No. of Shares	No. of Partly Paid Shares	No. of Options
Phillip Hearse ¹	1,000,000	1,000,000	750,000
Thomas Revy ²	2,000,000	2,000,000	1,500,000
George Bauk	500,000	500,000	Nil

¹ The Options held by Phillip Hearse have a vesting period of one year from 22 June 2017.

² Exercise of the Options held by Thomas Revy is conditional upon the satisfaction of a number of performance hurdles, details of which are set out in Section 9.4.

9.4 Agreements with Directors or Other Related Parties

Details of agreements between the Company and related parties of the Company are set out below. The Board considers that the agreements between the Company and each Director under which the Directors receive remuneration for their services to the Company as an officer or employee did not require Shareholder approval as such remuneration is reasonable in the parties' circumstances in accordance with section 211 of the Corporations Act including the issue of Options to Messrs Hearse and Revy. Shareholder approval was not sought prior to entering into the agreements with the related parties of the Company as the Board considered that the benefits under the agreements were reasonable in the circumstances if the parties were dealing at arms' length in accordance with section 210 of the Corporations Act including the issue of Options to Messrs Hearse and Revy. Each Director is also entitled to reimbursement for reasonable expenses properly incurred whilst undertaking their respective duties. Directors are subject to the provisions of the Constitution relating to retirement by rotation and re-election of directors.

The Directors' holdings of Securities were issued to them as part of a seed capital raising conducted by the Company and they were subscribed for and issued on terms identical to other investors in that capital raising. Accordingly the Board considered that their issue would be reasonable in the circumstances if the parties were dealing at arms' length in accordance with section 210 of the Corporations Act.

The Company has entered into an agreement with Lithium Australia under which Lithium Australia has agreed to supply administration and technical services, office space and other incidental support. Since the incorporation of the Company, Lithium Australia is entitled to receive approximately \$17,000 plus GST for these services. The Board considers that the agreement with Lithium Australia and the amounts payable under it would be reasonable in the circumstances if the parties were dealing at arms' length in accordance with section 210 of the Corporations Act.

The Board considers there are no additional risks to the Company as a result of the Director and related party agreements described in this Section 9.4.

The Company has a Code of Conduct it observes when entering into related party transactions, a summary of which is set out in Section 9.5(d).

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Managing Director Executive Service Agreement

The Company has entered into an employment agreement with Tom Revy, pursuant to which Mr Revy was appointed Managing Director (**Employment Agreement**). Under the terms of the Employment Agreement, Mr Revy will be paid an amount of \$250,000 per annum plus statutory superannuation on and from the Listing Date, to be reviewed annually. The Company will also pay reasonable travel and other incidental costs incurred by Mr Revy while performing his duties under the Employment Agreement. Under the Employment Agreement the Company also agreed to grant 1,500,000 Options to Mr Revy as part of his remuneration. The following performance hurdles must each be satisfied before the Options granted to Mr Revy can be exercised.

- (a) Mr Revy must have performed at least 12 months' continuous service to the Company.
- (b) The Company must have declared a JORC compliant resource of at least 8 MT at 8% or minimum grade at 6% (640,000 t).
- (c) The Company must achieved a market capitalisation of at least \$25,000,000, having regard to the closing price of the Shares traded on the ASX.

The Options granted to Mr Revy pursuant to the Employment Agreement will automatically vest upon a takeover or change in control of the Company. The Company may terminate the Employment Agreement at any time by giving not less than six months' notice in writing. Mr Revy may terminate the Employment Agreement at any time by giving not less than three months' notice in writing.

The Employment Agreement contains additional provisions that are considered usual in an agreement of this type.

Prior to the Listing Date, Mr Revy is entitled to receive \$375 per day for his service to the Company, including superannuation, and has received \$104,000 during the 24 months preceding the lodgement of this Prospectus.

9.4 Agreements with Directors or Other Related Parties (Cont.)

Non-executive Directors' Agreements

The Company has entered into an agreement with Phillip Hearse to provide services to the Company as non-executive Chairman, under which he will receive fees of \$60,000 per annum, including statutory superannuation, commencing on the Listing Date. The Company has also entered into an agreement with George Bauk to provide services to the Company as a non-executive Director, under which he will receive \$48,000 per annum, including statutory superannuation, from the Listing Date. These agreements contain additional provisions that are considered usual in agreements of this type.

Directors' and Officers' Deeds of Indemnity, Insurance and Access

The Company has entered into a deed of indemnity, insurance and access (**Deed**) with each Director and the Company Secretary under which the Company indemnifies each Director and the Company Secretary to the extent permitted by law against any liability arising as a result of the Director or the Company Secretary acting in their capacity as an officer of the Company (**Officer**). Until the later of seven years after the date the Officer ceases to be an Officer or the date all claims commenced before that seven-year period have been finally resolved and no appeal is possible (**Access Period**), the Company must maintain insurance policies insuring the Directors against liability incurred in connection with their office to the maximum extent permitted by law and to the extent it is able to do so on reasonable commercial terms. During the Access Period the Company must maintain and provide the Officer with access to certain documents. The Deed also requires the Directors to disclose their dealings in Securities.

The Deed provides for advances to Officers for amounts for which the Officer is, or is entitled to be, indemnified under the Deed. If the Company advances an amount to the Officer and it is later established that the Officer is not entitled to be indemnified for those costs, the Officer must repay the amount to the Company.

Shareholder approval was not sought prior to entering into each Deed, as the Board considered that the Deed confers benefits that are reasonable in the circumstances of the parties in accordance with section 211 of the Corporations Act. The Board considers that there are no additional risks to the Company as a result of each Deed.

The Deed contains additional provisions that are considered usual in agreements of this type.

Directors' Deeds of Notifiable Interests

The Company must disclose to the ASX at certain times details of Directors' interests in Securities and in contracts relevant to Securities. The Company is also obliged to make arrangements with its Directors to ensure that the Directors disclose to it all relevant information in a timely manner. The Company has

entered into a Deed of Notifiable Interests with each Director, under which each of the Directors agrees to provide such information to the Company in a timely manner.

Agreements with Other Related Parties

The Company has entered into the WA Acquisition Agreement with Lithium Australia. A summary of the WA Acquisition Agreement is contained in Section 15.2.

All of the above agreements contain additional provisions that are considered usual in agreements of this type.

9.5 Corporate Governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and protect the interests of stakeholders. To fulfil this role, the Board is responsible for the overall corporate governance of the Company. The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Board has adopted the corporate governance policies summarised below. Copies of the policies are available in full on the Company's website at www.blackearthminerals.com.au. As the Company's activities increase in size, scope and/or nature, the Company's corporate governance policies will be reviewed by the Board and amended as appropriate.

(a) Board of Directors

To the extent they are appropriate, having regard to the Company's circumstances, the Company has adopted the *Corporate Governance Principles and Recommendations (Third Edition)*, as published by the ASX Corporate Governance Council (Recommendations).

The responsibilities of the Board include:

- protection and enhancing Shareholder value;
- formulating, reviewing and approving the objectives and strategic direction of the Company;
- monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- approving all significant business transactions, including acquisitions, divestments and capital expenditure;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- identifying of significant business risks and ensuring that such risks are adequately managed;
- reviewing the performance and remuneration of executive Directors and key staff;
- establishing and maintaining appropriate ethical standards, and

- evaluating and, where appropriate, adopting with or without modification the Corporate Governance Principles and Recommendations.

The Company has considered the Recommendations to determine the system of control and accountability that, commensurate with those guidelines, best fits its business and operations.

The Company seeks to follow the Recommendations where this is appropriate for its size and operations. In cases where the Company determines it would be inappropriate to follow the Recommendations due to its circumstances, the Company will provide reasons for that in its annual report.

The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient, given the Company's circumstances, the nature of its operations and its size.

(b) Board Charter

The Board is responsible for guiding and monitoring the Company's activities on behalf of Shareholders to whom they are accountable. The Board is responsible for the strategic direction, policies and procedures of the Company, and for establishing goals for management and the operation of the Company.

The Board has adopted a Board Charter, which sets out requirements for the selection and re-appointment of Directors, composition of the Board, the role of the Chairman and Board committees and Board performance review. Details of the Board composition are set out in Section 9.1.

(c) Director Selection Procedure

The Board will ensure that it has the appropriate range and expertise to properly fulfil its responsibilities having regard to the Board Skills Matrix.

(d) Code of Conduct

The Code of Conduct sets out the general principles and standards that the Board, officers and employees are encouraged to adopt when dealing with each other, Shareholders, other stakeholders and the general community. The Company is to comply with all laws, customs and business practices where it operates. The Company will recognise the rights of individuals and create a culture of treating people fairly and with respect. In their dealings, the Board, officers and employees will value integrity and will not engage in deceptive, coercive or misleading practices.

The Code of Conduct sets out directives for Directors, officers and employees relating to conflicts of interests, protection and use of the Company's assets, and confidentiality. Where the interests of associates, or the personal interest of a Director or a Director's family, conflicts or may conflict with those of the Company, it requires the Director to immediately disclose any conflict and either eliminate the conflict or manage such conflict in an appropriate and lawful manner.

(e) Security Trading Policy

The Company has in place a Security Trading Policy that imposes trading restrictions on Securities by Directors, officers and employees (including associates) and, where considered appropriate, contractors and consultants of the Company. In addition to the overriding prohibition under the Corporations Act against dealing in Securities when a person is in possession of inside information, the policy also contains a prohibited period within which trading is prohibited except in exceptional circumstances and subject to obtaining prior written clearance. Those subject to trading restrictions under the policy are required to obtain written clearance prior to trading at all times and must not engage in short-term or speculative trading of Securities. The Company's Security Trading Policy complies with the requirements of the ASX Listing Rules.

(f) Continuous Disclosure Policy

The Company has adopted a Continuous Disclosure Policy to ensure that it complies with its obligations under the Listing Rules and the Corporations Act. It sets out the requirements for notification and the procedures for disclosure. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating the disclosure of information to, and communicating with, the ASX. All relevant information provided to the ASX will be posted on the Company's website once the ASX confirms the announcement has been made, to ensure that the information is easily accessible.

(g) Shareholder Communication Policy

The Company has adopted a Shareholder Communication Policy that outlines the processes through which the Company will endeavour to ensure effective communication with Shareholders and provide timely and accurate information to all Shareholders about the Company and its corporate strategies.

The Company supports Shareholder participation in general meetings. Mechanisms for enabling Shareholder participation will be reviewed regularly to encourage the highest level of Shareholder participation.



9.5 Corporate Governance (Cont.)

(h) Risk Management Policy

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal controls. The Company's process of risk management and internal compliance and control includes continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals, formulating risk management strategies to manage identified risks, and monitoring the performance of risk management systems and internal compliance and controls. A risk management register has been developed and provides a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole or specific business activities within the Company.

(i) Performance Evaluation Practices

The Board has established processes to review its performance and the performance of individual Directors and committees of the Board annually. As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive Directors is considered with regard to the practices of other public companies and the aggregate amount of fees approved by Shareholders. The Board also conducts an annual review of the Board, which considers such factors as the appropriate criteria for Board membership collectively, interactions between the Board and management and particular goals and objectives of the Board for the next year.

(j) Diversity Policy

The Board has adopted a Diversity Policy, which sets out the Company's commitment to ensuring that a diverse mix of skills and talent exists among its Directors, officers and employees, to contribute to the achievement of its corporate objectives. The Company considers that diversity includes, but is not limited to, gender, age, experience, ethnicity and cultural background. The Company is committed to setting measurable objectives for attracting and engaging women at Board level, in senior management and across the whole organisation. The Board is responsible for developing measurable objectives and strategies to meet its diversity objectives, and the Diversity Policy sets out the Company's diversity strategies. The Board is also responsible for implementing, monitoring and reporting on the measurable objectives annually.

9.6 Corporate Governance – Exceptions to Corporate Governance Principles and Recommendations

The Company sets out below those matters of corporate governance where the Company's practice departs from the Recommendations, as the Board presently considers they are not appropriate having regard to the current size and scope of operations of the Company.

Principle 2: Structure the Board to Add Value

Recommendation 2.1 – The board should establish a Nomination Committee

There is no nomination committee separate to the full Board. The role of the nomination committee is undertaken by the full Board. The Board considers that, given the Board is comprised of three Directors, and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate nomination committee.

Recommendation 2.4 – A majority of the board should be independent directors

The Board does not have a majority of independent Directors. Only one of the three current Directors is considered independent, as follows:

Phil Hearse: independent.

George Bauk: not independent.

Tom Revy: not independent.

The Board considers that the composition of the Board is adequate for the Company's current size and scale of operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

While the Company does not presently comply with Recommendation 2.1, the Company may consider appointing further independent Directors in the future. The Company believes that given the current size and scope of its operations, non-compliance by the Company with this Recommendation 2.1 will not be detrimental to the Company.

Independence is measured having regard to the relationships listed in Box 2.1 of the Corporate Governance Principles and Recommendations and the Company's materiality thresholds.

Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1 – The board should establish an Audit Committee and structure it in accordance with Recommendation 4.1

There is no audit committee separate to the full Board. The role of the audit committee is undertaken by the full Board. The Board considers that, given the Board is comprised of three Directors, and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate audit committee.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

Principle 7: Recognise and Manage Risk

Recommendation 7.1 – The board should establish a Risk Committee and structure it in accordance with Recommendation 7.1

There is no risk committee. The role of the risk committee is undertaken by the full Board. The Board considers that, given the Board is comprised of three Directors, and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate risk committee.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk committee.

Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1 – The board should establish a Remuneration Committee and structure it in accordance with Recommendation 8.1

There is no remuneration committee. The role of the remuneration committee is undertaken by the full Board. The Board considers that, given the Board is comprised of three Directors, and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate remuneration committee. No Directors participate in any deliberations regarding their own remuneration or related issues.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT GEOLOGICAL REPORT

FOR AN

INITIAL PUBLIC OFFERING

PREPARED FOR

BLACKEARTH MINERALS NL

Author: Brian J Varndell BSc (SpecHonsGeol), FAusIMM
Peer Review: Allen J. Maynard BAppSc(Geol), MAIG, MAusIMM
Company: Al Maynard & Associates Pty Ltd
Date: 24 November 2017

Executive Summary

BlackEarth Minerals NL (ACN 610 168 191) ("BEM" or "the Company") is a public unlisted company that has acquired interests in nine tenements covering 189 blocks for 561 square kilometres ("km²") within Western Australia. BEM has requested that Al Maynard and Associates ("AM&A") prepare an independent geological report ("IGR") on these nine tenements. This IGR has been prepared for inclusion in the Prospectus to be issued by BEM to raise up to \$6,000,000 by the issue of 30,000,000 shares at an issue price of \$0.20 each, with a minimum subscription of \$4,500,000 by the issue of 22,500,000 shares at an issue price of \$0.20 each*. One free partly paid share (paid to \$0.0001, unpaid to \$0.2499) will be issued for every two shares subscribed for.

BEM currently holds interests in four project areas (Figure 1); Donnelly River, Greenhills, Northern Gully and Yalbra The Company intends to conduct exploration mainly for graphite, but will also monitor any other mineralisation on its tenement package, which includes seven granted Exploration Licences ("ELs") and two applications for ELs with a current annual combined exploration commitment of \$138,000 per annum. These project areas are considered to have reasonable potential to host economic graphite mineralisation. In addition, some licences have the potential to host lithium or rare earth element ("REE") mineralisation.

The proposed work programmes, which aim to assist definition of resources capable of sustaining an independent, viable mining and processing operation for the projects, are summarised as follows.

- Broad-scale new imagery capture and interpretation to define lithology.
- Further geochemical surveys for the broad definition of mineralisation anomalism.
- Geophysical surveys, particularly utilising magnetic methods. This data will then be analysed to develop a detailed 3D prospectivity model of each project to target mineralisation at depth.
- Exploratory rotary air blast ("RAB"), reverse circulation ("RC") and diamond drill hole ("DDH") drilling at identified anomalies.
- RC and DDH drilling of any known mineralisation to a density at which resource estimation can be completed as a precursor to mine optimisation.

The estimated cost to conduct exploration over the BEM project areas in the first two years will be in the vicinity of \$660,000 under full subscription.

** All monetary references are presented in Australian dollar terms.*



Figure 1: BEM Western Australian Projects Location Plan.

Competent Person's Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Varndell has over 40 years of exploration and mining experience in a variety of mineral deposit styles, including gold, coal and iron ore mineralisation. Mr Varndell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Varndell consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

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Dear Sirs,

Introduction

As previously noted, AM&A was engaged by BEM to prepare an IGR of graphite prospects held within four projects located in Western Australia (Figure 1). Opinions are presented in accordance with the JORC Code (2012) and other regulations and guidelines that govern the preparation of such reports.

This IGR is not a valuation report and does not express an opinion as to the value of the mineral assets or tenements involved, or to the fairness and reasonableness of any transactions between BEM and any other party.

This IGR is to be included in a Prospectus to be lodged in support of a listing on the ASX. The Prospectus will offer 30 million Shares at an issue price of \$0.20 per Share to raise a total of up to \$6,000,000 before the cost of the issue, with a Minimum Subscription of \$4,500,000 by the issue of 22,500,000 Shares at an issue price of \$0.20 each. One free partly paid share (paid to \$0.0001, unpaid to \$0.2499) will be issued for every two shares subscribed for. These funds will be used primarily for the exploration, evaluation and development of the Tenements assembled in Western Australia, as outlined in this IGR, as well as the Company's Madagascan projects.

The legal status, including native title considerations associated with the tenure of the BEM mineral assets, is subject to a separate Solicitor's Report elsewhere in this Prospectus. These matters have not been independently verified by AM&A. The present status of the tenements listed in this IGR is based on information provided by BEM, and the IGR has been prepared on the assumption that BEM will have lawful access to the tenements for evaluation and development.

The BEM mineral assets include nine tenements that comprise seven granted ELs and two EL applications (Table 1). All the project areas have been partially explored by a number of companies in the past, with encouraging results reported from several locations. BEM researched the extensive historical Western Australian Mineral Exploration (WAMEX) database, which has already led to the identification of targets that warrant exploration.

Tenement ID	Location/ Project	Registered Holder	Date Granted	Expiry Date	Blocks	Area (km ²)	Graphite & Minerals	Rates (\$)	Rent (\$)	Commitment (\$)
E70/4824	Donnelly	LIT	22/09/2016	21/09/2021	18	51.08	All	862.00	2,331.00	20,000
E70/4825	Donnelly	LIT	08/11/2016	07/11/2021	28	79.19	All	862.00	3,626.00	28,000
E70/4972A	Donnelly	BEM	Pending	Pending	15	42.64	All	n/a	n/a	n/a
E70/4903	Greenhills	BEM	11/04/2017	10/04/2022	4	11.64	All	1,758.00	518.00	15,000
E70/4906	Greenhills	BEM	13/09/2016	12/09/2021	9	26.19	All	1,665.00	1165.50	20,000
E70/4811	Greenhills	LIT	26/08/2016	25/08/2021	4	11.65	All	1,430.00	518.00	15,000
E70/4812	Greenhills	LIT	26/08/2016	25/08/2021	15	43.67	All	1,430.00	1942.50	20,000
E66/95	N. Gully	LIT	18/11/2016	17/11/2021	16	48.18	All	1,460.00	2072.00	20,000
E09/2234A	Yalbra	BEM	Pending	Pending	80	247.16	All	n/a	n/a	n/a
Total					189	561.40			12,173.00	138,000

Table 1: BEM Projects – Tenement Details.

It is AM&A's opinion that the mineral properties and target commodities described in this IGR warrant the proposed evaluation exploration and testing programmes as described. It is noted that proposed programmes may be subject to change according to results yielded as work progresses. AM&A is also of the opinion that BEM has satisfactorily defined exploration and expenditure programmes that are reasonable, having regard to the stated objectives of BEM. Furthermore, it is considered that sufficient exploration has taken place within the past two years to justify the budgeted exploration and expenditure programme.

In the course of the preparation of this IGR, access has been provided to all relevant data held by BEM and various other technical reports and information quoted in the 6.0 References (page 22). AM&A has made all reasonable endeavours to verify the accuracy and relevance of the database. However, where discrepancies arise and no alternative comments are provided, data and interpretations provided by BEM have been used in this IGR.

The exploration history for the tenements was derived from previous exploration reports, as provided by BEM and government records of exploration activities within the project areas.

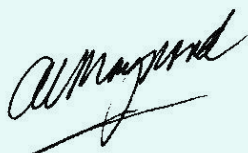
BEM has warranted to AM&A that full disclosure has been made of all material in its possession and that information provided is, to the best of its knowledge, accurate and true. None of the information provided by BEM has been specified as being confidential and not to be disclosed in this IGR. No recent site trips were deemed necessary, as the authors have previous working knowledge, including site trips, to areas near those covered by the BEM tenements. BEM has indemnified AM&A for any liability that may arise from AM&A's reliance on information provided or not provided by BEM.

This IGR was prepared by geologist B. J. Varndell BSc (SpecHonsGeol), Fellow of the Australasian Institute of Mining and Metallurgy and subjected to peer review by A. J. Maynard, MAIG and Corporate Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). The writer is qualified to provide such reports for the purpose of inclusion in public company prospectuses. This IGR has been prepared in accordance with the relevant requirements of the Listing Rules of the ASX, the Australian Securities and Investment Commission ("ASIC") Regulatory Guidelines 111 & 112 and the *Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports* ("VALMIN Code"), which is binding on members of AusIMM and the Australian Institute of Geoscientists ("AIG").

AM&A, an independent geological consultancy, was established 35 years ago and has operated continuously since then. Neither AM&A nor any of its directors, employees or associates has any material interest, either direct, indirect or contingent, in BEM, in any of the mineral properties included in this IGR or in any other asset of BEM; nor has such interest existed in the past. This IGR has been prepared by AM&A strictly in the role of an independent expert. Professional fees payable for the preparation of this IGR constitute AM&A's only commercial interest in BEM. Payment of fees is in no way contingent upon the conclusions of these documents.

AM&A has given, and has not before lodgement of the Prospectus with ASIC, withdrawn its written consent to being named author of this IGR and to the inclusion of this IGR in the Prospectus.

Yours faithfully,



Allen J. Maynard

BAppSc (Geol), MAIG, MAusIMM.



Brian J. Varndell

BSc (SpecHonsGeol) FAusIMM

Disclaimer

The opinions expressed in this IGR have been based on the information supplied to AM&A by BEM. The opinions in this IGR are provided in response to a specific request from BEM. AM&A has exercised all due care in reviewing the supplied information. While AM&A has compared key data supplied, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. AM&A does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions and actions resulting from them.

1.0 DONNELLY RIVER PROJECT

1.1 INTRODUCTION

The Donnelly River Project comprises three exploration licences, E70/4824, 4825 and 4972A in the far southwest of Western Australia, immediately to the north and northwest of the regional town of Manjimup (Figure 2). The South West Highway, a major transport corridor, passes through E70/4825 and secondary roads and forestry tracks provide internal access. Collectively, the three projects attract an estimated annual exploration commitment of \$70,000.

The project area lies on the Pemberton (SI50-10) 1:250,000 map sheet and the Donnelly (2029) and Manjimup (2129) 1:100,000 map sheets and comprises three non-contiguous ELs having a total area of 172.9 km². E70/4824 and E70/4825 were granted for an initial five-year term in 2016, while E70/4972A is pending grant.

The holdings cover large areas of state forest, including dieback-quarantined areas that will restrict some exploration activities to summertime dry periods.

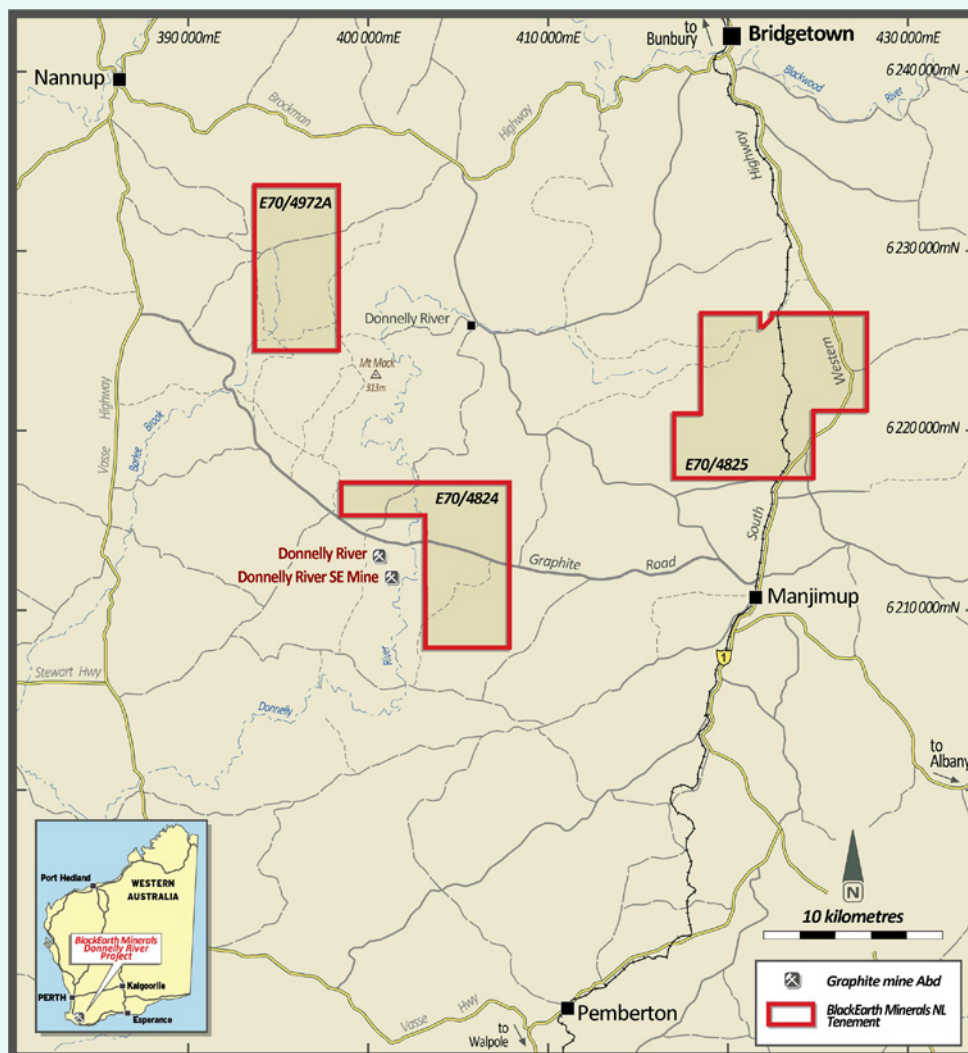


Figure 2: BEM Donnelly River Project – Tenement Location Map.

The tenements overlie the Balingup Gneiss Complex, where regional metamorphism of graphitic sediments has produced several deposits of graphite. The Donnelly River Graphite Mines, 2.4 km west of E70/4824, have a history of small-scale graphite mining dating back to 1904.

Public domain geophysical surveys clearly show several conductive units within E70/4972A and E70/4824 that may represent graphitic horizons. These are significant and present immediate zones of interest. Favourable lithologies underlie the project area and there is potential for the tenements to host graphite deposits of a commercial scale.

1.2 REGIONAL GEOLOGY

The tenements are located almost entirely within an area of high-grade metamorphic rocks known as the Balingup Gneiss Complex ("BGC") situated on the southwest margin of the Archean Yilgarn Craton (Figure 3). The Darling Fault bounds the BGC from the Phanerozoic Perth Basin to the west, while the Manjimup Fault marks the boundary between the BGC and the mid-Proterozoic Albany Mobile Belt to the south.

The BGC is described by Meyers (1990) as consisting mainly of metasedimentary rocks comprising inter-layered quartzite, quartz–mica schist, banded quartz-feldspar-biotite-garnet gneiss and banded iron formations ("BIF"), together with minor quartzo-feldspathic gneiss, amphibolite, calc-silicate gneiss and ultramafic rock. In addition, about 30% of this area is orthogneiss largely derived from deformed porphyritic granite. The metamorphic grade of most rocks is amphibolite facies.

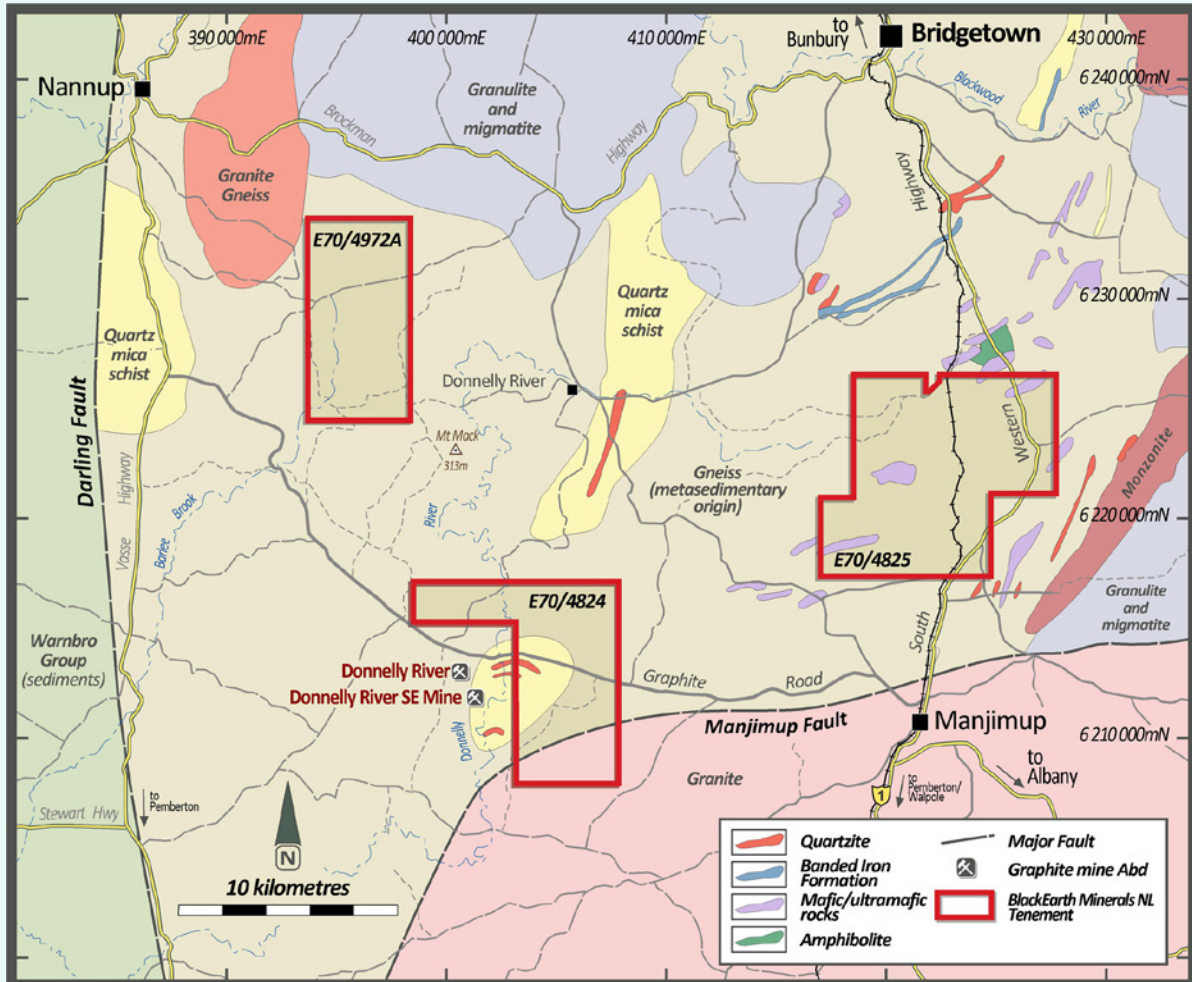


Figure 3: BEM Donnelly River Regional Geological with Tenement Outline.

1.3 LOCAL GEOLOGY

At Donnelly River, graphite occurs in several graphitic horizons up to 11 m wide. At the surface, the graphite is found within a clayey ferruginous duricrust overlying a clayey, graphitic chlorite schist (Figure 4). The graphite mineralisation has formed as a result of high-grade regional metamorphic processes. Such deposits are produced by metamorphism of carbonaceous shale, limestone and sandstone that may contain from 20% to 60% TC (total carbon) and have been altered by pressure and high temperature to form graphitic phyllites, schists, marbles and quartzites. The process commonly results in the formation of beds, veins and lenses containing graphite that ranges from low-grade amorphous material to deposits of high-grade, large-flake graphite. Most of the world's flake graphite production comes from this style of deposit.



Figure 4: Graphite in Ferruginised Duricrust at the Donnelly River Graphite Mine.

1.4 HISTORICAL MINING

Graphite was noted at Donnelly River in 1888 (*Western Mail*, 10 Nov. 1916). In 1902, trial ore parcels were sent to London but met with limited acceptance. However, efforts continued between 1904 and '16 to develop the deposits into a commercial enterprise.

At Donnelly River Southeast, a mining operation was established in 1905, with at least four shafts sunk on the leases. The limited records indicate that 180 bags of graphite were shipped from the leases via Fremantle.

Mining of the Donnelly River deposit started around 1905 and continued until 1916. Production records are poorly documented but historical newspaper reports for 1910 state that the operator had arranged to ship 20 t of graphite to England and had on site stockpiles that included 90 t of first-grade and 200 t of second-grade ore. Unfortunately, at this time suitable applications for the Donnelly River graphite were limited. Operations restarted in 1943, likely due to wartime demands, and a further 18 t of graphite were produced. Mapping of the area in 1984 identified an adit and several shafts to 15 m deep, with an associated washing plant.

The Donnelly River material is described as composed mostly of a very finely divided graphite component and only a small proportion of flake material, from which the best flake component of 5.4% assayed 99.6% (Simpson 1951). Subsequent testing of material from this deposit showed that it ranges from extremely fine- to medium-grained flake graphite.

1.5 PREVIOUS EXPLORATION

Parts of E70/4972A and E70/4824 were explored from 1968-71 by Kennecott Explorations (Australia) Pty Ltd, using mapping, sampling and geophysical surveys to target nickel, cobalt and platinum based on the occurrence of favourable host-rock lithology. The group was discouraged by the comparatively low geochemical signature related to the target elements, as well as the apparently limited dimensions of ultramafic bodies.

The Donnelly River mining area was explored from 1984-86 by O'Brien and Giacci Bros Pty Ltd, which undertook programmes of costeaning and RC drilling. Five graphite lodes were identified, with the principal body having a strike length greater than 100 m and a true thickness that varied from 6 m to 11 m. Lode samples yielded a carbon content ranging from 25% to 30% TGC (total graphitic carbon); however, it was estimated that the overall grade would be closer to 20% TGC. Based on a minimum depth of 10 m, it was estimated that about 9,000 m³ of ore could be extracted from the Lower Lode orebody, with the potential to yield about 2,000 m³ of high-grade, fine-grained (amorphous) graphite after processing.

Cable Sands (WA) Pty Ltd ("Cable Sands") explored the area from 1986 to '88, with a ground frequency domain electromagnetic ("EM") survey identifying additional conductors. In total, three primary and two secondary targets were identified. These were used to estimate a potential tonnage and grade for the deposit. During 1988, within its Yanmah gold, base-metal, tin and tantalum project, Cable Sands conducted an aeromagnetic survey at 200 m spacing, along with laterite sampling and drilling in areas of interest. The low-grade gold and gold-tantalum anomalies failed to return any significant drill intercepts.

Pancontinental Mining Limited explored the area of the BEM tenements as part of its South West Project between 1990 and '95. Exploration included laterite sampling and aircore and RC drilling of geochemical targets. Surface gold and arsenic anomalies did not have significant results at depth.

From 2000 to '11, a consortium that included Teck Australia Pty Ltd, BHP Billiton Limited and Hampton Hill Mining NL explored an area between and partially overlapping E70/4972A and E70/4824, using various airborne, ground and downhole EM surveys. Drilling in areas of interest intersected significant sulphide bodies containing low levels of zinc, lead, copper and gold. Later exploration included laterite sampling, which produced anomalism in antimony, arsenic, chrome and gold, indicating the possible hydrothermal origin of the multi-element anomalism. Drilling again intersected only low-grade gold values.

1.6 EXPLORATION PROGRAMME AND BUDGET

BEM proposes to undertake work programmes aimed at discovering repetitions of the known graphite occurrences at Donnelly River. Historical exploration activity in the area has also targeted base metals, gold and tin-tantalum, but no primary targeting of graphite has occurred. Given the extent of favourable host lithologies, it appears there is potential to discover new deposits of commercial-grade graphite.

First-pass exploration will assemble a digital dataset of all work conducted in the immediate area of the tenements. Extensive regolith cover over much of the tenement area, together with seasonal movement restrictions, dictates that exploration is likely to focus on remote techniques, concentrating on appropriate geophysical methods. EM surveys have proved particularly effective in the delineation of highly conductive graphitic units.

BEM has commenced interpretation of open-file EM surveys. While overlapping coverage is limited, there is strong evidence of untested conductors within the project tenure. These anomalies are significant and present for immediate investigation. A transient EM ("TEM") image shows an area of public domain surveys in relation to the tenements (Figure 5). Of significance are several well-defined conductive zones within E70/4972A and E70/4824 that are significant and comprise immediate areas of interest.

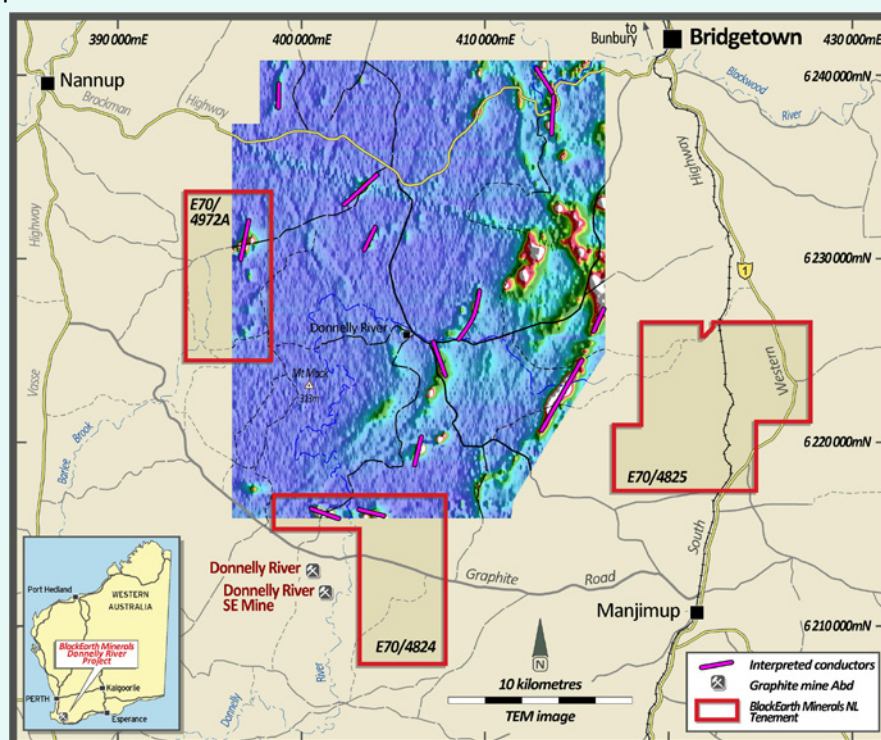


Figure 5: Donnelly River Project Area – Interpreted Conductors in TEM Image.

[Open-file data]

The programme of work will include the following.

- Database compilation.
- Acquisition and interpretation of existing third-party geophysical data.
- EM surveys and data modelling over potential host.
- Drill testing of conductive targets.

The proposed budget for this work is \$90,000 in year 1 and \$90,000 in year 2.

2.0 GREENHILLS PROJECT

2.1 INTRODUCTION

The Greenhills Project consists of four ELs – E70/4811, 4812, 4903 and 4906 – located 20 km east of the township of York, Western Australia (Figure 6). Three tenements are contiguous and collectively the project attracts an annual exploration commitment of \$70,000.

The project area lies on the Kellerberrin (SH50-15) and Perth (SH50-14) 1:250,000 and the Cunderdin (2334) and Northam (2234) 1:100,000 map sheets and covers an area of approximately 92.82 km². The sealed Quairading-York, Doodenanning and Cubbine Roads traverse the project area. Since this is principally a wheat-growing region, numerous gravel roads and tracks cross the tenements.

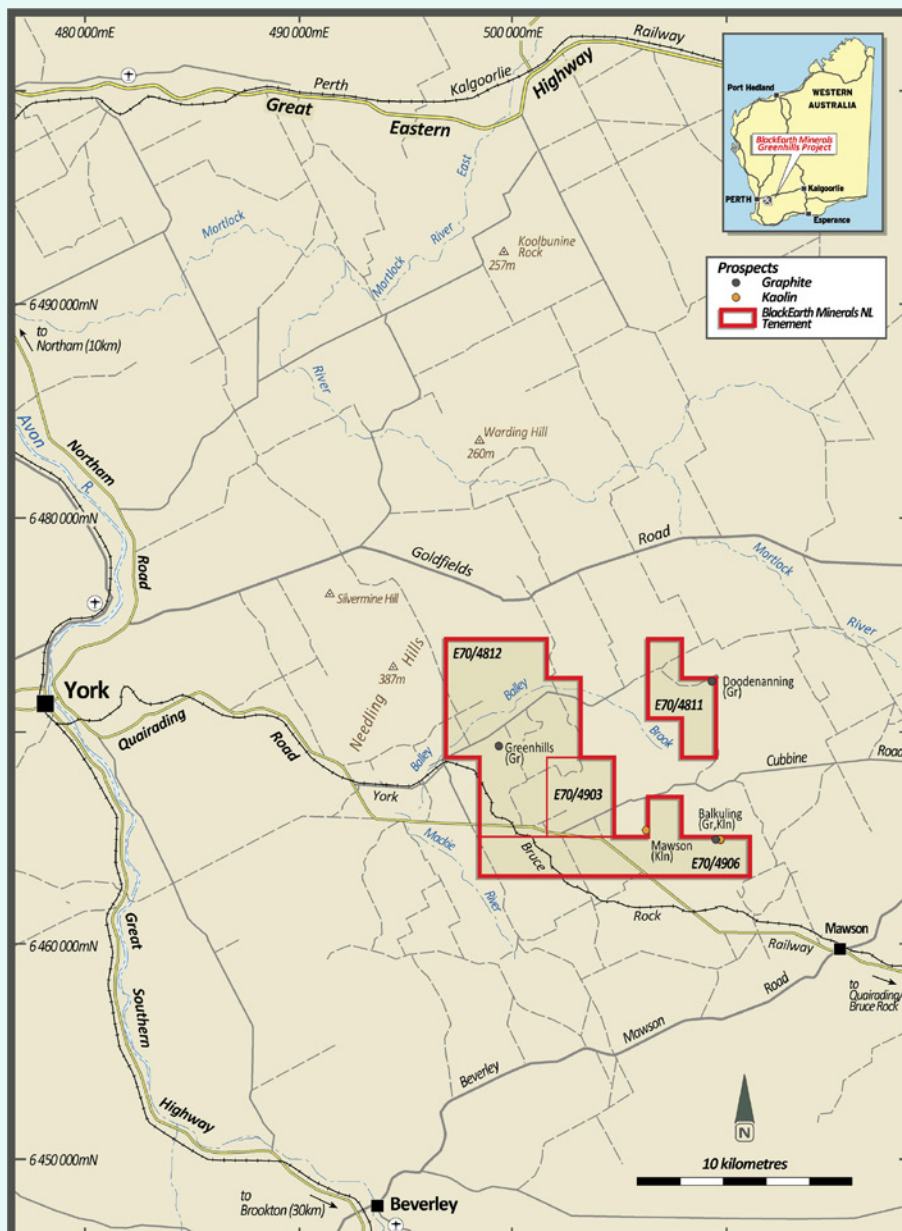


Figure 6: BEM Greenhills Project – Tenement Location Map.

2.2 REGIONAL GEOLOGY

The project area lies in the northwest-southeast trending Archaean Jimperding Metamorphic Belt, which is part of the South Western Gneiss Terrain. The local geology is dominated by heterogeneous foliated and banded gneiss and an adamellite-granodioritic and tonalitic gneiss (Figure 7). Subordinate to these two units are foliated porphyritic adamellite, quartzite and small stocks of seriate adamellite and granite. The heterogeneous, foliated and banded gneiss is thought to be of sedimentary rock origin and small enclaves of accessory graphite have been recorded regionally. Migmatites composed of varying portions of the dominant and subordinate rock units of the area are also present.

Palaeozoic dolerite dykes of varying orientation but generally northeast-trending are a feature of the area, especially through the gneissic terrain in the western part of the project. Moderately well-exposed BIF occur between the two tenement portions of the project and this rock is parallel to a southeast-trending structure.

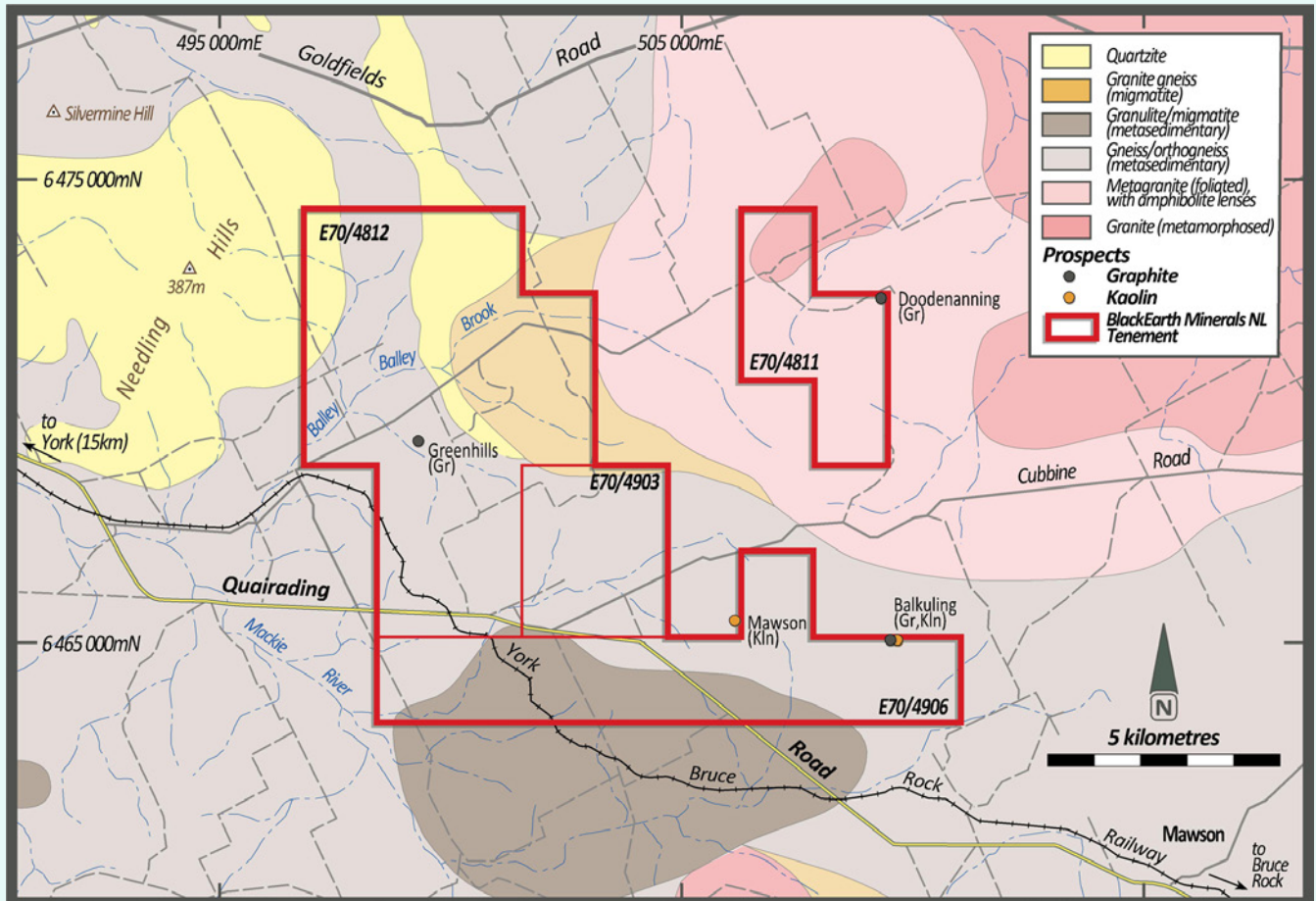


Figure 7: BEM Greenhills Project Regional Geological with Tenement Outline.

The tenure lies in the South Western Gneiss Terrain, which is partly composed of several highly deformed, Archaean gneissic complexes comprising metasedimentary rocks, quartzo-feldspathic gneiss, amphibolite, calc-silicate gneiss and ultramafic rock. Most have metamorphosed to amphibolite facies with local granulite of orthogneiss and paragneiss assemblages. The favourable gneissic lithologies and the presence of a known graphite occurrence indicate the potential of the project area to host graphite mineralisation.

2.3 LOCAL GEOLOGY – MINERALISATION

The graphite, often described as 'flaky', has been defined in weakly- to well-foliated, kaolinite rocks interpreted as originally gneiss, metasedimentary rocks in contact with the gneiss, and intruding leucogranite with adamellite stocks.

There is a structural component to the known graphite mineralisation, being proximal to faults and interpreted shear zones. A graphite zone has been interpreted as extending from the Greenhills area approximately 20 km in an east-northeasterly direction towards Doodenanning (Simpson 1951).

2.4 HISTORICAL MINING

There has been no recorded mining of any minerals within the project area.

Three recorded graphite occurrences, at Balkuling, Doodenanning, and Greenhills, lie within the project area. A single sample from Balkuling contained 5% graphite flakes of less than 0.2 millimetres ("mm") in diameter with 10% TGC (Simpson 1951). The host is a completely kaolinised, foliated metasedimentary rock.

Simpson also inspected the Doodenanning occurrence, taking two samples with flake graphite of various sizes that returned assays of 5.6% and 18.7% TGC.

Simpson defined the Greenhills graphite zone, which is interpreted to be a 20 km east-northeast trending zone from Greenhills railway siding towards Doodenanning. The host rock is a completely kaolinised, foliated rock containing fine- to medium-grained flake graphite with accessory mica and limonite. This graphite returned an 8.7% TGC assay from 10% flake graphite exceeding 0.6 mm in diameter.

2.5 PREVIOUS EXPLORATION

The project area has been explored for numerous minerals and other commodities from the mid-1970s. Exploration has centred predominately on kaolin, gold, base-metal and iron mineralisation. No systematic exploration for graphite has been conducted across the project area.

Under MC70/16019-25 and MC70/16699-705, Otter Exploration NL conducted geological mapping, rock-chip sampling and ground magnetics to explore for base-metal mineralisation following a Prieska-style copper-lead deposit model. Four base-metal anomalous schistose gneiss gossans and several small magnetic anomalies were identified. Auger soil, airborne magnetics and both airborne and ground EM surveys were conducted over the mineral claims. Two RC holes were drilled on coincident geochemical-magnetic-EM anomalies but failed to define any economic base-metal intervals.

Graphite as small, massive inclusions in the gossanous schistose gneiss rocks was reported, but no context on the origin, distribution or exact location was provided. It is possible the graphite was defined in Gossans 3 and 4, which are both contained within the very northern portion of E70/4811, north of Doodenanning Road and approximately 2.5 km northwest of the Doodenanning graphite occurrence.

From 1996 to '99, exploration by CRA Exploration Pty Ltd ("CRAE") and WA Kaolin Holdings Pty Ltd centred around airphoto interpretation to define areas of 'white exposures' that indicated possible areas of kaolin across a large tenement package where that company's E70/1493 overlies almost the entire Greenhills Project. Aircore drilling was used to follow up priority target areas, with 13 aircore holes drilled around the E70/4906 area. No kaolin above an 80% ISO Reflectance ("ISOR"), the minimum brightness for economic cut-off, was intersected within E70/4906; however, the nearby Mawson Kaolin occurrence was defined by a single aircore hole of 7 m at a brightness of 84.9% ISOR.

From 2003 to '10, Minerals Corporation Ltd ("MinCorp") held E70/2359 for kaolin exploration, initially following up kaolin anomalies defined by CRAE. Detailed geological mapping and additional aircore drilling were undertaken to further test these anomalies. Most of the anomalies were confirmed and expanded but none extended into the current project tenements. In some of the drill logs there is mention of 'black flaky specs' in a kaolinised saprock, but no identification has been applied to these specks. The saprock was interpreted to be weathered banded gneiss, as there were remanent quartz bands in the rock. It is possible that the 'black flaky specs' may be graphite, since these aircore holes are only 350-600 m distant from the Balkuling graphite occurrence.

Consolidated Copper Pty Ltd ("ConsCop") used rock-chip sampling to define base-metal anomalism within E70/2359 during 2005-07. A programme of RAB drilling defined supergene copper-gold anomalies between the current project tenure. The public domain aeromagnetic data were remodelled to define a possible source of this supergene mineralisation. Although magnetic targets were generated, no further work was undertaken.

From 2007, MinCorp also explored for bauxite by re-assaying some of the RAB intervals from ConsCop. A peak value of 38.9% aluminium oxide (" Al_2O_3 ") was returned with several others $>30\%$ Al_2O_3 . These results prompted a comparison to the Darling Range bauxites; however, after a year of inaction the licence was surrendered in 2010.

From 2004 to '06, Sipa Exploration Ltd ("Sipa") held the very northern sub-block of E70/4811, under E70/2519, although joint-venture partner Placer Dome Asia Pacific Ltd ("Placer") undertook all exploration. A line of auger holes was drilled along Doodenanning Road to test for gold anomalism but none was defined. There is, however, mention of a massive, silvery mineral infilling small fractures and voids in the highly weathered and gossanous schistose gneiss. This mineral was not identified but could be massive graphite. An aeromagnetic survey on 200 m spaced flight lines was flown in 2004. The survey covered all but the very southern portions of the current project tenure. Although images are provided, no interpretation of the aeromagnetic data was completed. When Placer withdrew from the joint venture in late 2005, Sipa prepared an information memorandum to attract another partner.

In 2007 Mindax Energy Pty Ltd ("Mindax") joint ventured with Sipa and Quasar Resources Pty Ltd ("Quasar") to explore the former Placer Dome project area. Exploration consisted of rock-chip, stream-sediment, soil and auger sampling, selective detailed geological mapping, selective heliborne Versatile Time Domain EM ("VTEM") surveys and selective ground Fixed Loop TEM ("FLTEM") surveys that followed up on the VTEM anomalies. Most the work was concentrated to the north of the Greenhills Project. Work was planned for E70/2519, which lies in the northern portion of E70/4811, but it was never completed. The lack of appreciable base-metal or gold anomalies led Mindax to withdraw from the project and surrender all remaining tenure in 2013.

A small area of E70/3521 lies within the very northern portion of E70/4812. Fleet Street Holdings Pty Ltd undertook rock-chip and soil sampling over gossanous BIF exposures and ultramafic gneiss, exploring for copper-molybdenum and nickel-cobalt-palladium-platinum mineralisation. No anomalism was defined within E70/4812.

Mindax held E70/3820 from 2010 to '13, to investigate a reasonably well-defined coincidental gravity and aeromagnetic anomalies delineated in the Department of Primary Industries Victoria's airborne FALCON gravity and Geoscience Australia's aeromagnetic surveys in 2012. The anomalies are contained almost completely within E70/4903, with the very northern parts lying in E70/4812. Anomalous previous explorers' aircore base-metal assays were coincidental with the position of a gravity/aeromagnetic anomaly. Although soil programmes were designed to test the geophysical trends, Mindax could not undertake exploration due to cropping activities. The exploration programme was withdrawn and the tenement surrendered in 2013.

During 2011-12, rock-chip sampling by Timbak Holdings Pty Ltd over E70/3920 defined kaolinised gneissic rock with black flakes, possibly of carbon. A rock chip targeting copper-molybdenum and nickel-cobalt-palladium-platinum mineralisation was taken from a dam wall between BEM tenements E70/4811 and E70/4906; however, no anomalism was defined and the tenement was surrendered in 2013.

In 2011-12, Magnetic Resources NL ("MagRes") undertook roadside sampling of iron-rich stratigraphy across E70/3922-l. Public-domain aeromagnetics were remodelled and rock-chip samples taken from iron-rich exposures interpreted to be related to the aeromagnetics. The sampling was along public access roads, so not all of it was optimal in relation to the aeromagnetic anomalies. Four of the aeromagnetic anomalies were sampled and a peak iron assay of 19.1% Fe (iron) was returned. Sampling was restricted to iron-rich laterites, weathered BIF and magnetic 'granite'. No iron anomalies warranting further exploration were defined and the licence was surrendered.

MagRes was granted E70/4508 in 2013. It is one of a pair of tenements, the other being E70/4528, that were applied for based on their iron potential. Exploration Licence 70/4508 lies between E70/4811 and 4906. After remodelling the public-domain aeromagnetic survey data, three magnetic targets were defined. A ground magnetic survey was undertaken across the 'Central Targets', the largest of the aeromagnetic zones. Five RC drill holes and a single DDH were drilled to test this target.

2.6 EXPLORATION PROGRAMME AND BUDGET

BEM proposes to undertake exploration work programmes designed to discover an economic graphite deposit. Historical exploration activity in the area has targeted predominately kaolin, base metals and gold, with lesser attention paid to iron mineralisation and no primary targeting of graphite. Previous explorers have identified a black, flaky mineral in both aircore and rock chips in kaolinised, banded gneiss. These samples were taken during kaolin exploration near the Balkuling graphite occurrence. A massive silvery-grey mineral noted in both rock chips and aircore chips from gossanous schistose gneissic rocks near the Doodenanning graphite occurrence could be another graphite occurrence.

The extent of favourable host lithologies and known graphite occurrences in the area warrants a dedicated exploration programme, using appropriately focused techniques, that may discover further graphite deposits within the tenements.

Phase 1 exploration would involve compilation of all previous digital datasets for work completed within the project area. There is no public-domain EM geophysical data covering the Greenhills Project. Other public-domain geophysical data will be obtained and remodelled to help understand the structural geological setting of the project area, more than 95% of which is covered by cultivated fields that obscure much of the geology; consequently, remote-sensing techniques will be especially important. Airborne EM surveys will be required to complete a desktop target-generation exercise. Ground-truthing of these targets will follow, using detailed geological mapping and geochemical sampling.

The Phase 1 exploration programme will include the following.

- Previous exploration database compilation.
- Acquisition and interpretation of existing public-domain geophysical data.
- Airborne EM surveys and modelling.
- Desktop target generation.
- Detailed geological mapping and geochemical sampling.
- Mineralogy analysis.

Phase 2 exploration will only be undertaken if the results from Phase 1 warrant further work. Phase 2 will include detailed ground EM surveys and drill-testing of any conductive targets generated. The ground EM survey will only be undertaken if conductors generated from the airborne EM survey are well-defined enough to allow immediate drill-testing.

The Phase 2 exploration programme will include the following.

- Ground EM surveys and modelling (if warranted).
- Drill testing of conductive targets.
- Metallurgical testing of drill samples.

The proposed budget for this work is \$90,000 in year 1 and \$80,000 in year 2.

3.0 NORTHERN GULLY PROJECT

3.1 INTRODUCTION

The Northern Gully Project comprises a single Exploration Licence located 26 km west-southwest of Geraldton, Western Australia (Figure 8). The tenement attracts an annual exploration expenditure commitment of \$20,000.

The project area, which lies on the Geraldton (SH50-1) 1:250,000 and Geraldton (1840) 1:100,000 map sheets, covers an area of approximately 48.18 km². The Geraldton-Mt Magnet Road is 5 km south of the tenement area, so the road distance from site to the Geraldton port is 35 km. Numerous minor gravel roads and tracks traverse the tenement.

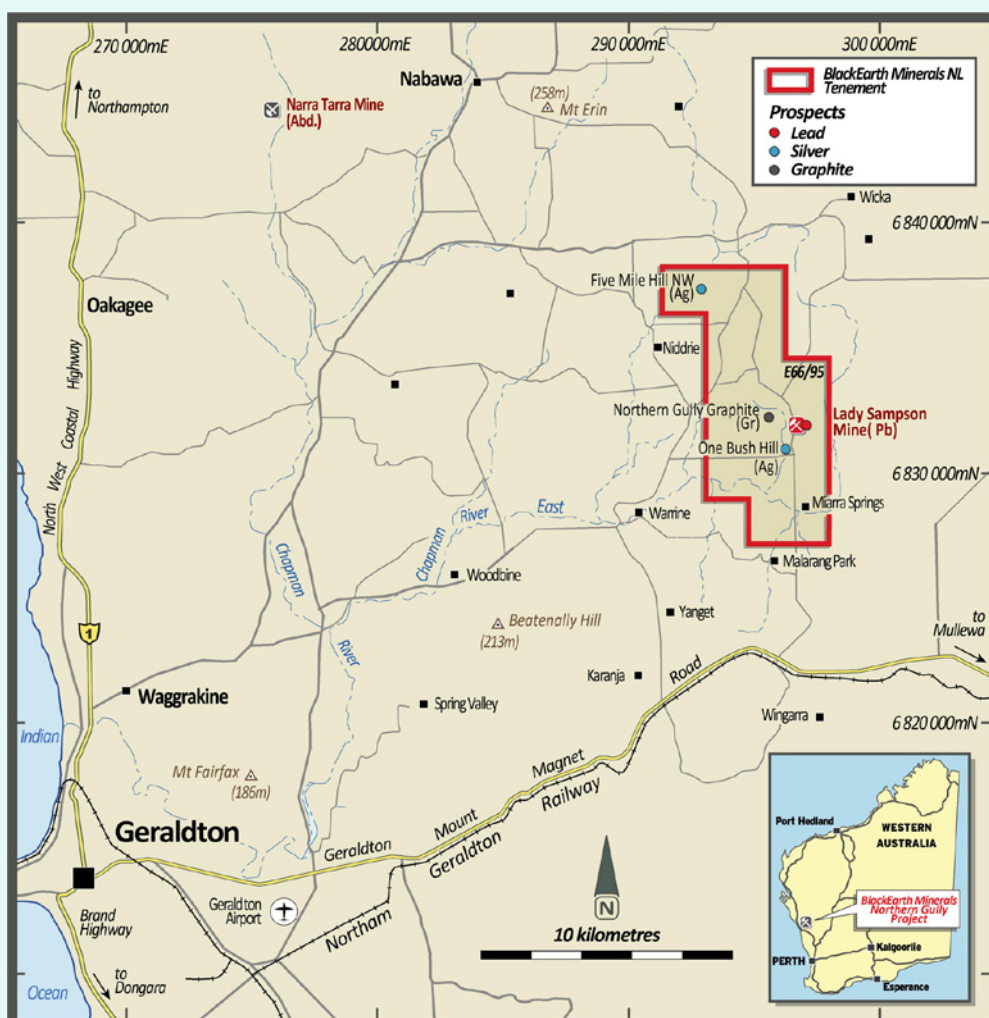


Figure 8: BEM Northern Gully Project Tenement Location Map.

The tenement lies in the southeastern corner of the Northampton Mineral Field and is dominated by the largely sedimentary-derived, granulite facies paragneisses of the Northampton Inlier, which host lead, copper, silver and graphite mineralisation. Public-domain airborne geophysics indicate bedrock conductors that are coincidental with the known graphite and lead mineralisation. The gneissic lithology of the area, with known graphite occurrences, augurs well for economic graphite mineralisation.

3.2 REGIONAL GEOLOGY

The project lies in the Mesoproterozoic Northampton Inlier, which forms part of the Palaeozoic Pinjarra Orogen, a migmatite-paragneiss composed of predominantly granulite metasedimentary rocks, with varying amounts of quartzite and porphyritic granite. In the project area, the gneiss is wholly contained within a porphyritic granite, with the formation of the gneiss partly controlled by a basement fault and cross-cutting, northeast-trending faults that cut through the Northampton Inlier (Figure 9). The Northampton Dolerite has intruded along most of these cross-cutting faults.

A north-south trending fault separates the Pinjarra Orogen from the Phanerozoic Perth Basin Tumblagooda Sandstone (feldspathic quartz sandstone, conglomerate, and siltstone) and the Holmwood Shale (shale, siltstone, and thin limestone beds).

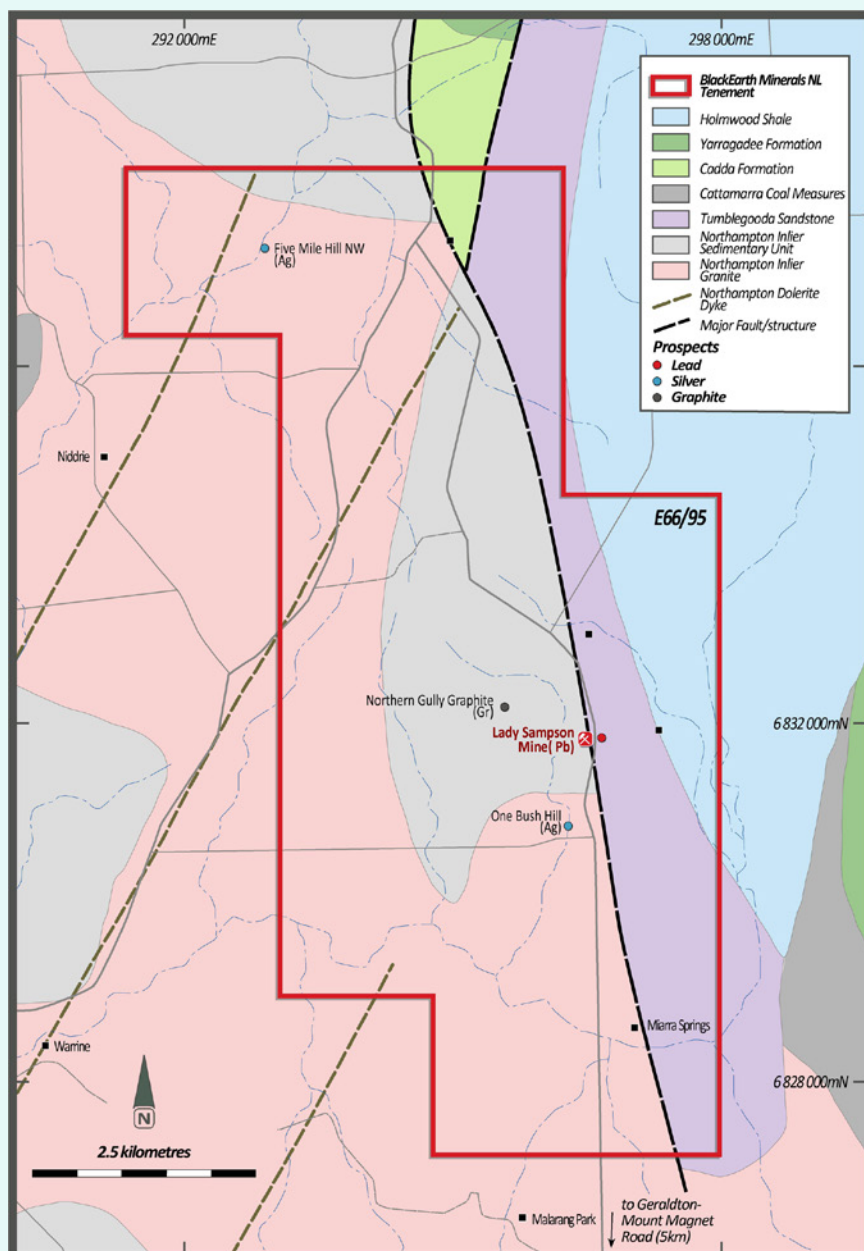


Figure 9: BEM Northern Gully Regional Geological with Tenement Outline.

3.3 LOCAL GEOLOGY

Exposures of pegmatite, quartz reefs and dolerite dykes are prevalent as topographic highs. All three units have experienced several shearing and brecciation events, which are well-displayed at the Lady Sampson ("Samson") mine area.

Flake graphite is contained within an iron-rich rock consisting of limonite and mica proximal to shear zones related to the movements along the fault and numerous tension, cross-cutting faults and drag/dilation zones. The graphite also occurs in association with tension-related quartz and pegmatite veins at and adjacent to the Samson mine. The paragneiss has disseminated graphite throughout the unit but it appears to be more an accessory than a primary mineral.

3.4 HISTORICAL MINING

Two graphitic samples from the Sampson pegmatite returned assay grades of 16.5% and 19.4% TGC (Simpson 1951). The greatest concentration of graphite is exposed at the Northern Gully mine, within graphite-silica matts infilling strain zones in pegmatites, gneiss and migmatites (Hourigan 1972).

During the period 1926 to '49, the Sampson lead mine in the southeastern corner of the Northampton Mineral Field recorded a total of 13.4 t Pb (lead) produced from 53.8 t of ore. Mining predating 1926 did occur; however, no records of production were kept. Host rocks comprise sheared to brecciated, garnet-rich, hypersthene gneisses and graphitic schist.

3.5 PREVIOUS EXPLORATION

The project area has been explored for numerous minerals and other commodities (phosphate, bentonite clay, iron ore and mineral sands) since the mid-1960s. Predominately, exploration has focused on lead, zinc and copper mineralisation of the Sampson mine and defining extensions to this lead mineralisation, with secondary considerations for gold and silver.

In 1972, under MC66/447-51, Tin Creek Mining Corporation Pty Ltd ("Tin Creek") completed a soil-sampling programme covering an area of approximately 2,400 x 600 m at 60 x 30 m spacing, with some infill at 15 x 15 m. The programme defined a discontinuous lead soil anomaly with an approximate 2 km strike length and up to 300 m wide. The soil anomalism is open to the north and south. The main lead anomaly is centred over the Sampson mine. Sixty-two costeans were dug across this lead soil anomaly, exposing quartz veining containing lead carbonate to pervasive fresh galena mineralisation within a kaolinitic gneissic granulitic host rock. Fresh disseminated galena also occurs within the gneiss, away from the quartz veins.

Tin Creek's costeaning programme was based on 3 m samples where bulk wall samples returned several +1% Pb zones, including 15 m at 3.25% Pb and 9 m at 3.51% Pb north of the Sampson mine, and 4.5% at 2.3% Pb and 3 m at 3.8% Pb to the south.

During the period 1990 to '92, West Australia Metals NL ("WAM"), in E70/448, undertook stream-sediment sampling to define Broken Hill-style mineralisation. Several +70 ppm (parts per million) Pb anomalies peaking at 185 ppm Pb were identified. Interpretation of the local geological controls indicate that the lead anomalism is derived from narrow quartz stockwork vein systems that host the Sampson mine. Due to the small size of the Northampton Inlier stratigraphy within the tenement, no further work was undertaken. The One Bush Hill anomaly with 1.0-1.5 g/t Ag (silver) and Five Mile Hill anomaly with 12,500 g/t Ag stream-sediment anomalies were also defined, but neither has ever been followed up.

CRAE held a large landholding in the Geraldton region from 1993-96. The very southeastern portion of its E66/25 and southern portion of E70/1329 cover most of the current tenement. A regional GEOTEM®/aeromagnetic survey was undertaken to define areas of possible stratabound base-metal mineralisation. Eleven weak bedrock conductors were identified within the current tenement, one being coincidental with the Northern Gully Graphite occurrence (Figure 10).

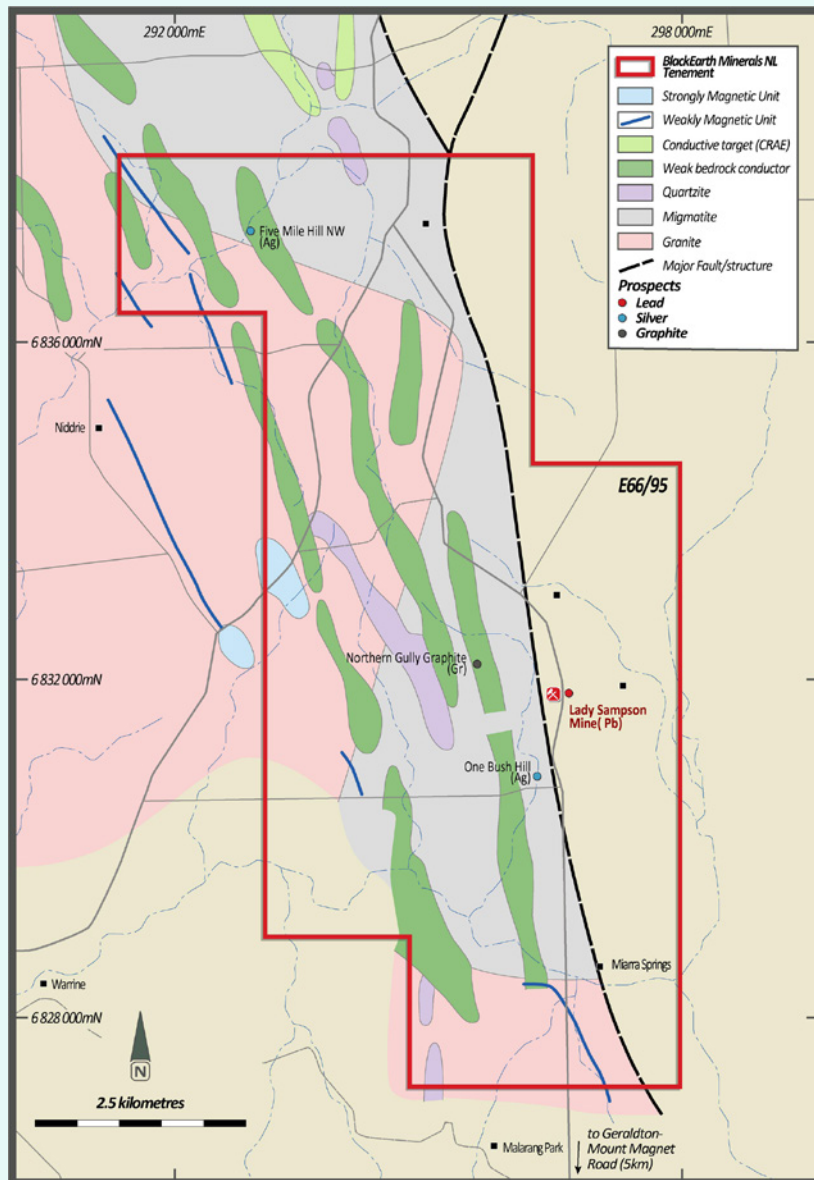


Figure 10: BEM Northern Gully Project – Airborne GEOTEM® Interpreted Conductors.

During the period 2009 to '11, Eagle Nickel Ltd's contiguous E66/57-58 covered the northern portion of the project area to the west of the current tenement. The exploration targets were some of the CRAE GEOTEM® conductors; however, little ground work was completed.

In the period 2010 to '15, Askins re-examined the Tin Creek soil and costean sampling within E70/4367 and, by plotting the 3 m bulk samples from the costeans exceeding 0.2% Pb, determined that the lead anomalism splits broadly into two zones. In addition, a second, possibly parallel lead anomaly was defined in the WAM stream sediment samples to the west of the Lady Sampson lead mineralisation trend. The indecision regarding the proposed location of the Oakajee Railway curtailed all exploration.

3.6 Exploration Programme and Budget

BEM will undertake exploration work programmes aimed at discovering an economic graphite deposit. Historical exploration activity in the area has targeted predominately base metals and gold, with lesser attention paid to iron mineralisation and kaolin and with no primary targeting of graphite. The extent of favourable host lithologies and known graphite occurrences in the area warrants a dedicated exploration programme, using appropriately focused techniques, that may discover further graphite deposits within the tenements.

Phase 1 exploration will involve compilation of all previous exploration digital datasets for work completed within the project area. Any public-domain electromagnetic data will be obtained and remodelled. Based on this work, desktop target generation will be completed before ground-truthing of these targets in the field using detailed geological mapping and geochemical sampling. Cultivated fields cover a large part of the area, obscuring much of the geology in low-lying parts; accordingly, remote-sensing techniques will be especially important.

The Phase 1 exploration programme will include the following.

- Previous exploration database compilation.
- Acquisition and interpretation of existing public-domain geophysical data.
- Desktop target generation.
- Detail geological mapping and geochemical sampling.
- Mineralogy analysis.

Phase 2 exploration will only be undertaken if the results from Phase 1 warrant further work. Phase 2 will include detailed ground EM surveys and drill-testing of any conductive targets generated. The ground EM survey will only be undertaken if conductors generated from the airborne EM survey are well-defined enough to allow immediate drill-testing.

The Phase 2 exploration programme will include the following.

- Ground EM surveys and modelling (if warranted).
- Drill testing of conductive targets.
- Metallurgical testing of drill samples.

The proposed budget for this work is \$70,000 in year 1 and \$80,000 in year 2.

4.0 YALBRA PROJECT

4.1 INTRODUCTION

The Yalbra Project consists of the single, ungranted, 247.16 km² E09/2234, located some 280 km east of Carnarvon, Western Australia (Figure 11).

The project area lies on the Glenburgh (SH50-06) 1:250,000 and the Yalbra (2146) 1:100,000 map sheets. The gravel Carnarvon-Mullewa Road passes through the northwest corner of the tenement and provides access to the Port of Carnarvon. Access within the tenement area is limited to the Glenburgh Station tracks.

The project area covers a portion of the Errabiddy Shear Zone in the Gascoyne Province and contains mixed lithologies, including granite, granitic gneiss, ultramafic igneous rocks and metasedimentary rocks, among them paragneiss and micaceous, graphitic schists.

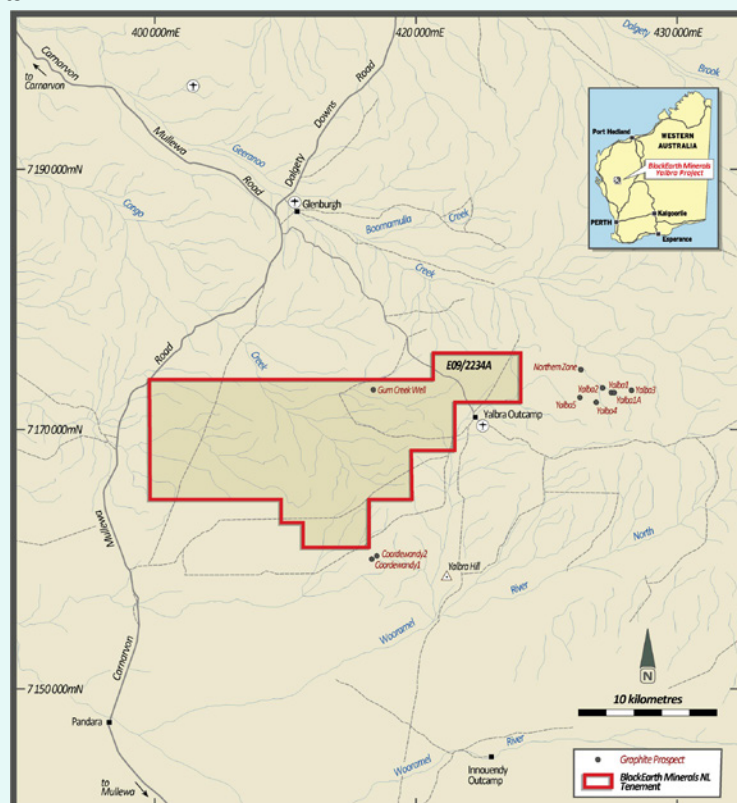


Figure 11: BEM Yalbra Project – Tenement Location Map.

4.2 REGIONAL GEOLOGY

The project area covers part of the Errabiddy Shear Zone in the Gascoyne Province. The shear zone defines the boundary between the Proterozoic Glenburgh Terrane in the southwestern portion of the Gascoyne Province and the Archean Narryer Terrane in the northwestern portion of the Yilgarn Craton. This zone of intense shearing and interleaving of lithologies from the Yilgarn Craton and the Glenburgh Terrane includes granite, granitic gneiss, ultramafic igneous rocks and metasedimentary rocks, including paragneiss and micaceous, graphitic schists. Thin ironstones, quartzite lenses and amphibolite also occur.

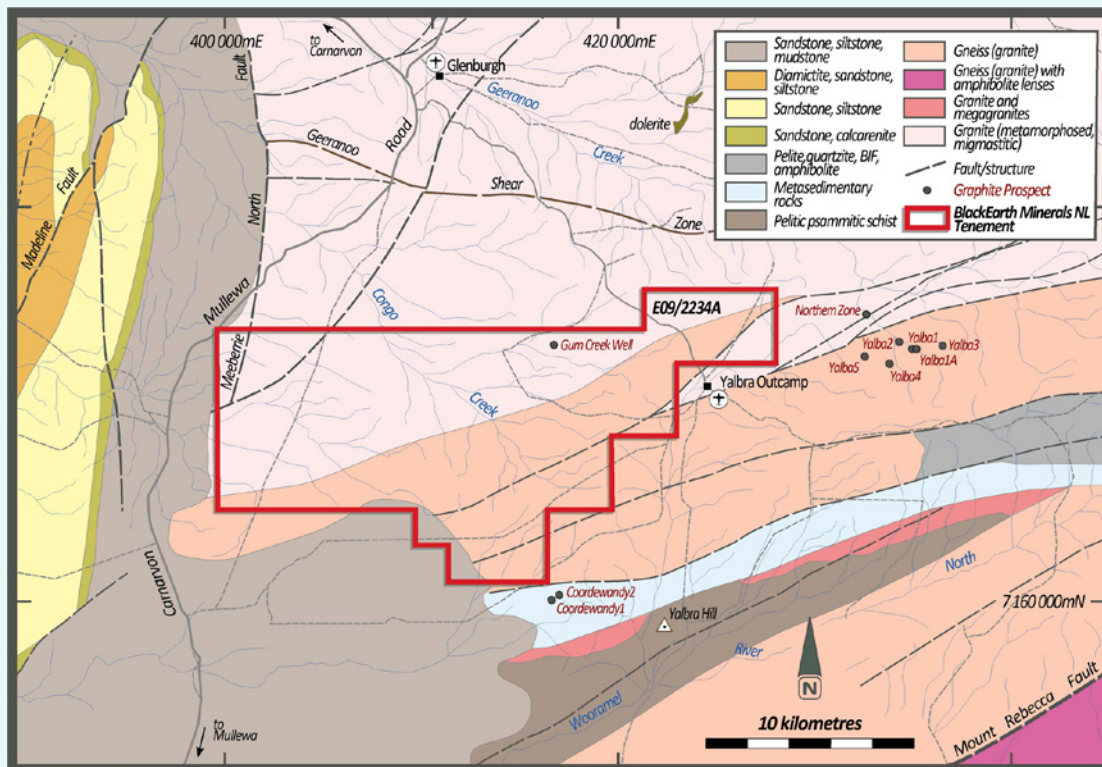


Figure 12: BEM Yalbra Regional Geological with Tenement Outline.

4.3 LOCAL GEOLOGY

In the western part of the tenement, the Phanerozoic Lyons Formation unconformably overlies the older gneissic rocks, usually forming mesas. The Lyons Formation is dominated by an immature sandstone, with secondary siltstone and shale interbeds (Figure 12).

Numerous Proterozoic dolerite dykes trending east-northeast and south-southeast criss-cross the gneissic sequences. Large rafts of laterite overlying calcrete are common in the northern part of the area.

There are two graphite occurrences within 10 km of the licence area, at Coordewandy and Yalbra, where amorphous to coarse-flake graphite occurs in a graphitic gneiss.

4.4 HISTORICAL MINING

There are no records of any mining or instances of graphite within the tenement area.

The Coordewandy graphite occurrence lies 950 m south of E09/2234A and was discovered by Urangesellschaft Australia Pty Ltd ("Urangesellschaft") in the late 1970s. The graphite is low-grade and mainly amorphous, with a peak assay of 19.85% TC in drill hole CPDH16 (O'Shea, 1980). This occurrence occurs proximal to the faulted contact between the partly retrograde quartz-sericite-muscovite-chlorite-(magnetite-tourmaline-biotite) schist of the Camel Hill Metamorphics (originally termed the Morrissey Metamorphic Suite) and the meta-granites of the Bertibubba Supersuite.

The Yalbra graphite occurrence is 6.3 km to the east of E09/2234A and consists of six graphite prospects over a strike length of 4 km. The graphite is contained as multiple bands in schist that strikes generally east-west with sub-vertical dips. It was first investigated in the early 1970s by Carpentaria Exploration Company Pty Ltd ("Carpentaria"). Since then, Buxton Resources Ltd (2014b) has defined an Inferred JORC (2012) Code Mineral Resource of 4 Mt at 16.2% TGC over a strike length of 600 m. A airborne VTEM survey has defined strong graphite conductors over a strike length

exceeding 6 km. Most the mineralisation remains open at depth and along strike and ranges from amorphous to medium-coarse flakes greater than 1 mm in length. Typical coarse-flake graphite is greater than 150 microns in length.

4.5 PREVIOUS EXPLORATION

The project area has been explored for numerous minerals and other commodities since the mid-1970s. Exploration has centred predominately on base metals, gold, diamonds and uranium. Secondary exploration for coal and nickel has also been undertaken. No systematic exploration has been conducted for graphite within E09/2234A.

Under MC09/969 and MC09/1038-41, Canadian Superior Mining (Aust) Co Ltd, operator of a six-way joint venture between McIntyre Mines (Aust) Pty Ltd, Australian Superior Oil Co Ltd, Ocean Resources NL, Agip Nucleare (Aust) Pty Ltd and Australian Uranium Resources Exploration Co Ltd, undertook uranium exploration from 1972 to '74 at the Gum Creek Well prospect. The prospect covers the central north of E09/2234A, where an extensive area of calcrete is overlain by a lateritic cap. Exploration included geological mapping, rock-chip sampling, ground magnetic and radiometric surveys and auger drilling. Moderate radiometric anomalies were auger-drilled but failed to define economic uranium or thorium.

During 1973 to '75, MC09/1560-69 over the Yalbra graphite occurrence were explored by Carpentaria using detailed geological mapping, stream-sediment sampling, costeaning, air-flush RAB, petrology and simple floatation and grinding testing. Initially the exploration concentrated on the definition of base-metal and tungsten mineralisation, but switched to graphite exploration when no base-metal or tungsten anomalies were generated by the stream-sediment sampling.

The mapping defined a graphitic gneiss with strong east-northeast to west-southwest foliation, axial planar to a series of folds that plunge shallowly to the west-southwest. The fold limbs are dislocated by axial planar faults. Migmatites were observed along some of the faults. The graphitic schist weathers to a magnesite-rich unit. The major constitute minerals of the schist, besides graphite, are quartz, feldspar, mica and tremolite-chlorite. The graphite is resistant to weathering, with only minor breakdown of flakes to an amorphous mass being recorded.

Metallurgical testing of the drill graphite samples showed that the abundant mica content made beneficiation of the graphite from the weathered portions of the schist difficult. Partial chemical analysis returned carbon assays ranging from 3.4% to 12.7% TGC, with float tests returning carbon assays ranging from 37.6% to 47.2% TGC at a 4% TGC lower cut-off grade (Buxton, 2014a). Sieve analysis showed that, on average, 96.96% of the carbon passed 300 microns. The intergrowths of mica and clay made processing the graphite difficult and this, coupled with the lack of local infrastructure, downgraded the project. Carpentaria withdrew from the project in 1975 and the mining claims lapsed in 1976.

The extreme northwestern corner of E09/2234A was explored for diamonds as the Coordewandy Project by CRAE from 1979-80, under MC09/2927-34. Aeromagnetic-survey anomalies were interpreted to be the result of shallow basement and the company failed to identify any kimberlite pipes. Consequently, the mining claims were surrendered in 1980.

Urangesellschaft undertook uranium exploration under TR70/7410H, which partly covered the central south of E09/2234A. All samples were also assayed for copper, lead, zinc and gold. Exploration included geological mapping, costeaning, airborne and ground magnetic and radiometric surveys, a ground EM survey, rock-chip sampling and percussion and diamond drilling. The retrograde quartz-chlorite schists and gneisses were targeted due to their similarity to the Key Lake region of Saskatchewan, Canada. Targets generated through the geological mapping and airborne and ground geophysics were drilled. No uranium, base metal or gold anomalism was returned from this drilling. However, all drill holes intersected graphitic schist, and closer ground inspection of the EM anomalies shows that all are related to exposed graphitic schists. Assays for the graphite samples ranged from 0.11% to 19.86% TC, with an average of 6.66% TC. This work resulted in identification of the Coordewandy graphite occurrences.

Five intervals from CPDH1 and four intervals from CPDH4 were combined into a single composite sample from each drill hole for mineralogy and metallurgical testing. The calculated head grades for graphite from CPDH1 and CPDH4 were 11.1% TC and 12.4% TC respectively. All slime fractions contained clay, mica and quartz grains with the graphite. The flakes of graphite were commonly less than 0.2 x 0.05 mm in size. Additional exploration was recommended to identify fresh flake graphite, but this work was not conducted.

The northeastern corner and most of E09/2234A were held under E09/743 and E09/697 by Helix Resources NL from 1995 to '96. A BLEG (bulk cyanide leach) stream-sediment programme was completed over the metasedimentary migmatites, granodiorite gneiss and amphibolite lenses to target gold anomalism. Of the 66 stream-sediment samples, 10 returned gold assays greater than 1 ppb. Due to the broad scatter of the results, no further work was undertaken.

Astro Mining NL held central and eastern portions of E09/2234A under E09/836 from 1997 to '99. Exploration included remodelling of public-domain aeromagnetic, SPOT (French high-resolution satellite) and LandSat (US satellite) remote sensing imagery and stream-sediment sampling for diamond and diamond-indicator micro-probing. Of the 27 stream-sediment samples taken from the current tenement area, 16 were processed and the minerals observed included garnet, zircon, monazite, ilmenite, rutile, epidote and leucoxene. No diamond-indicator minerals were defined within E09/836. The tenement was surrendered in late 1999.

During 1998 to 2000, Foster Pty Ltd held E09/900, which covered the central north of E09/2234A. The company originally explored for gold but, due to a downturn in the gold price, shifted its exploration focus to black dolerite dimension stone. A field visit and samples were collected from a large dolerite dyke now known as the Gum Creek Well dimension stone occurrence. No further work was undertaken.

From 2003 to '04, portions of three exploration tenements, 09/1071-73, covered E09/2234A, where Western Mining Corporation Resources Ltd ("WMC") had their Yalbra Project. Geological mapping, rock-chip, LAG (geochemical sampling of laterites) and soil-sampling of ultramafic units targeted nickel mineralisation. Sporadic nickel lag and soil anomalies were restricted to ultramafic rock units and interpreted as only background, with peak nickel and copper assays of 1570 and 265 ppm respectively. Rock-chip sampling failed to define any nickel or copper anomalism away from the unit contacts. Consequently, the project was surrendered in late 2004.

During 2006 to '09, the Glenburgh Project of Helix Resources Ltd ("Helix") under E09/1286-88 covered most of E09/2234A. The principal target was gold, with a secondary priority of copper-lead-zinc mineralisation. Previous explorers defined high-grade gold mineralisation around the Victoria Bore area. Helix reapplied for the ground it had held in the mid-1990s, to re-evaluate its work and undertake more detailed geochemical sampling. Five gold prospects were defined but none are contained within E09/2234A.

Aurora Minerals Ltd, with joint venture partner Desert Mines and Metals Ltd, held the current project area within a large tenement holding of E09/1634-635, E09/1595-96 and E09/1321 from 2009 to '12. The target commodities were gold and base metals. Much of the ground had been explored previously by Helix, and the remaining gold and base-metal anomalies that had not been followed up were investigated. The only work reported within E09/2234A was geological reconnaissance and rock-chip sampling.

4.6 EXPLORATION PROGRAMME AND BUDGET

BEM will undertake exploration work programmes aimed at discovering an economic graphite deposit. Historical exploration activity in the area has predominately targeted base metals and gold, with less attention paid to iron mineralisation and kaolin and with no primary targeting of graphite. The extent of favourable host lithologies and known graphite occurrences in the area warrants a dedicated exploration programme, using appropriately focused techniques, that may discover further graphite deposits within the tenements.

Phase 1 exploration will involve compilation of all previous exploration digital datasets for work completed within the project area. Any public-domain electromagnetic data will be obtained and remodelled. Based on this work, desktop target generation will be completed before ground-truthing of these targets in the field with detailed geological mapping and geochemical sampling. The majority of the area is covered by cultivated fields that obscure much of the geology in low-lying parts and, accordingly, remote-sensing techniques will be especially important.

The Phase 1 exploration programme will include the following.

- Previous exploration database compilation.
- Acquisition and interpretation of existing public-domain geophysical data.
- Desktop target generation.
- Detail geological mapping and geochemical sampling.
- Mineralogy analysis.

Phase 2 exploration will only be undertaken if the results from Phase 1 warrant further work. Phase 2 will include detailed ground EM surveys and drill-testing of any conductive targets generated. The ground EM survey will only be undertaken if conductors generated from the airborne EM survey are well-defined enough to allow immediate drill-testing.

The Phase 2 exploration programme will include the following.

- Ground EM surveys and modelling (if warranted).
- Drill testing of conductive targets.
- Metallurgical testing of drill samples.

The proposed budget for this work is \$80,000 in year 1 and \$80,000 in year 2.

5.0 Conclusions

The BEM projects are located in close proximity to some previously operating mines and historic mining centres in the region.

Many of the tenements in the project areas have not previously undergone systematic, modern-day exploration for graphite, so their potential has never been fully evaluated.

The tenements cover sections of Archaean greenstone belts or gneissic terranes that are of a favourable age and lithological type to host graphite mineralisation.

Major lineaments, faults and shear systems dissect the project areas and are the structural controls for the primary mineralisation on the tenements.

Table 2 below lists the proposed two-year exploration budgets in the event of the minimum subscription of up to \$4,500,000 and in the event of the maximum subscription of up to \$6,000,000.

Project	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	<i>Minimum Subscription</i>	<i>Maximum Subscription</i>	<i>Minimum Subscription</i>	<i>Maximum Subscription</i>	<i>Minimum Subscription</i>	<i>Maximum Subscription</i>
Donnelly River, WA	70,000	90,000	70,000	90,000	140,000	180,000
Greenhills, WA	70,000	90,000	70,000	80,000	140,000	170,000
Northern Gully, WA	50,000	70,000	50,000	80,000	100,000	150,000
Yalbra, WA	60,000	80,000	60,000	80,000	120,000	160,000
TOTAL WA	250,000	330,000	250,000	330,000	500,000	660,000

Table 2: BEM Projects – Proposed Exploration Budgets.

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7.0 Glossary TECHNICAL TERMS and Abbreviations

Aeromagnetic survey	A survey made from the air for the purpose of recording the magnetic characteristics of rocks.
Al₂O₃	Aluminium oxide
Amphibolite	A crystalloblastic rock consisting mainly of amphibole and plagioclase. Quartz is usually absent. Considered a medium- to high-grade metamorphic rock.
Anomaly	A value that is higher or lower than the expected.
Anomalous	Outlining a zone of potential exploration interest but not necessarily economic significance.
Archaean	The oldest rocks of the Precambrian Era, prior to 2500 million years ago.
Base metal	Generally, a metal inferior in value to the precious metals; e.g. copper, lead, zinc, nickel.
Bedrock	Any solid rock underlying unconsolidated material.
Banded Iron Formation (BIF)	Iron formation that shows marked banding, generally iron-rich minerals and chert or fine-grained quartz.
BGC	Balingup Gneiss Complex
BLEG	Bulk Leach Extractable Gold, a geochemical sampling/analysis tool used during exploration for gold.
Calcrete	A hard pan layer in which surface debris is cemented by calcium carbonate.
Complex	An assemblage of rocks or minerals intricately mixed or folded together
Craton	A relatively immobile part of the earth, generally of large size. Synonymous with shield area.
DDH	Diamond drill hole.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Dolerite	A medium-grained intrusive rock composed mainly of feldspar and pyroxene.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
EM (survey)	Electromagnetic (survey).
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Fold	A bend in the rock strata or planar structure.
Foliation	Laminated structure resulting from the parallel arrangement of different minerals.
Geochemical	Systematic study of the variation of chemical elements in survey rocks and soil.
Geophysical	Systematic study of the variation of physical properties in surveying rocks and soils.
Geophysics	Study of the earth by quantitative physical methods.

Grade	Average quality of ore or metal in a specified quantity of rock.
Granite	A coarse-grained igneous rock consisting essentially of quartz, with more alkali feldspar than plagioclase.
Greenstone belt	Elongate belts in Precambrian terrains characterised by major zones of altered or metamorphosed basic igneous rocks.
g/t	Grams per tonne; 1.0 g/t = 1.0 parts per million (ppm).
Hydrothermal/ Hydromorphic	Mineralising process associated with igneous activity that involves heated or superheated water, usually originating from a vent above or below the earth's surface.
Igneous	Rock formed by the solidification of magma from a molten state.
Imagery	Photographic images in real or false colour combinations.
Intrusive	Rock formed from magma that has been injected into the earth's crust and has solidified before reaching the surface.
Joint Ore Reserves Committee (JORC)	Australasian Code for Reporting of Identified Resources and Ore Reserves.
Laterite	Red, residual soil, cemented in place, containing iron and aluminium oxides but leached of quartz.
Lineament	Naturally occurring major linear feature in the earth's crust, often associated with mineral deposits.
Lithological	Pertaining to the physical characteristics of a rock.
Lithology	Composition and texture of rock.
Mafic	A loosely used group name for silicate minerals rich in iron and magnesium, and for rocks in which these minerals are abundant.
Magnetic survey	Systematic collection of readings of the earth's magnetic field.
Mineral Resource	A tonnage or volume of rock or mineralisation of economic value.
Mineralisation	In economic geology, the presence of valuable elements in a body of rock.
Ore	A mixture of minerals, host rock and waste material that is expected to be mineable at a profit.
Pegmatite	Very coarse grained- igneous rock formed at a late stage of magmatic differentiation.
Plunge	Angle of the axis of folding with a horizontal plane (of fold axis).
ppb	Parts per billion (as used in assays = 1000 million).
ppm	Parts per million (same as g/t in resource calculations).
Quartz	A common rock-forming mineral composed of silicon dioxide (SiO ₂).
RAB	Rotary air blast (as related to drilling). A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.

RC	Reverse circulation (as relating to drilling). A pneumatic drilling technique in which dry cuttings are recovered through the drill rods, thereby minimising sample losses and contamination.
REE	Rare earth elements, a group of chemically similar metallic elements comprising the lanthanide series and (usually) scandium and yttrium. They are not especially rare but tend to occur together in nature and are difficult to separate from one another.
Regolith	A mantle of loose, incoherent rock material, regardless of its origin, that usually forms the land surface and rests on bedrock.
Reserve	An in-situ mineral occurrence that has had mining parameters applied to it and from which valuable or useful minerals may be recovered.
Resource	An in-situ mineral occurrence from which valuable or useful minerals may be recovered but about which there is only a broad knowledge, based on relatively few samples or measurements, of the geological character of the deposit.
Sediment	Rocks formed by the deposition of solids from water.
Schistose	Descriptive of foliated rocks.
Shear (zone)	Zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated upwards or downwards in a vein.
Silica	Silicon dioxide (SiO ₂) (c.f. Quartz).
Silt	Sediment in which most of the particles are between 0.0625 and 0.0039 millimetres in diameter.
Soil sampling	Systematic collection of soil samples at a series of different locations, in order to study the distribution of soil geochemical values and so identify geochemical anomalies.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Sulphide	A group of minerals in which one or more metals is found in combination with sulphur.
Supergene enrichment	Descriptive of a mineral deposit or enrichment formed near the earth's surface, generally by descending groundwater.
Terrane	A fault-bound area or region with a distinctive stratigraphy, structure and geological history.
Ultramafic	Igneous and meta-igneous rocks with a very low silica content (less than 45%), generally >18% MgO, high FeO, low potassium, and composed of usually greater than 90% mafic minerals. Synonymous with ultrabasic.
Vein	A narrow, intrusive mineral body.
VTEM (survey)	Versatile time domain electromagnetic (survey).

Chemical Symbols

Ag	Silver	Fe	Iron
As	Arsenic	Mn	Manganese
Au	Gold	Ni	Nickel
Ca	Calcium	Pb	Lead
Ce	Cerium	Zn	Zinc
Cu	Copper		

Abbreviations

g	gram	m ³	cubic metre
kg	kilogram	mm	millimetre
km	kilometre	M	million
km ²	square kilometre	oz	troy ounce
m	metre	t	tonne
m ²	square metre		

APPENDIX 1: JORC CODE, 2012 EDITION – TABLE 1 REPORT

Section 1: Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	Commentary
<i>Sampling techniques</i>	Aircore drilling is undertaken to bit refusal; i.e. to bedrock. Samples are collected at 1 m intervals through a cyclone and quarter splitter. Generally, 4 m composites are taken from each hole and dispatched for analysis. In RC drilling, samples are collected through a cyclone at 1 m intervals and split into a quarter. Composite 4 m samples are collected using a spear and dispatched for analysis. Wet samples are speared for both the 1 m samples and composites. Diamond holes are drilled to gain metallurgical information from the mottled clay, saprolitic clay, and transitional zone and bedrock.
<i>Drilling techniques</i>	Standard procedures were followed by previous explorers.
<i>Drill sample recovery</i>	There is no detailed information or data.
<i>Logging</i>	Cuttings have been geologically logged and the information compiled into a coded system for use in computer-coded analysis. Lithological logs of the significant mineralisation are available for all holes.
<i>Sub-sampling techniques and sample preparation</i>	Where possible, samples were split with a riffle splitter; away from the mineralised zones the samples were speared. Sub-sample preparation followed standard practice for this type of sampling.
<i>Quality of assay data and laboratory tests</i>	Standard, duplicate and replicate sampling may have been used but this is not enumerated.
<i>Verification of sampling and assaying</i>	No data is available, apart from the repeat assays undertaken by the laboratories.
<i>Location of data points</i>	Drilling on various grid systems has been tied to Australian Map Grid (AMG) and Australian Height Datum (AHD) and a consistent set of accurate and reliable drill-hole collar data has been generated.
<i>Data spacing and distribution</i>	Data spacing sufficient to establish mineralisation but not Resources
<i>Orientation of data in relation to geological structure</i>	No bias in reported results
<i>Sample security</i>	No information is available.
<i>Audits or reviews</i>	No audits appear to have been carried out.

Section 2: Reporting of Exploration Results

(Criteria in this section apply to all succeeding sections.)

Criteria	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Exploration Licence Applications for the Donnelly River (E70/4972A) and Yalbra (E09/2234A) Projects are wholly owned by BEM. Granted Exploration Licences for the Greenhills Project (E70/4903 and E70/4906) are wholly owned by BEM. Granted Exploration Licences for the Donnelly River (E70/4824 and E70/4825), Greenhills (E70/4811 and E70/4812), and Northern Gully (E66/95) are the subject of a Tenement Sale and Purchase Agreement between the owner and vendor of these exploration licences Lithium Australia NL and the purchaser, BEM subsidiary BlackEarth Australia Pty Ltd. All tenements are in good standing.
Exploration done by other parties	<ul style="list-style-type: none"> Various historical exploration work as described under the "Previous Exploration" headings. BEM has not conducted its own exploration prior to listing.
Geology	<ul style="list-style-type: none"> The Donnelly River Project lies in almost entirely within an area of high-grade metamorphic rocks known as the Balingup Gneiss Complex ("BGC") situated on the southwest margin of the Archean Yilgarn Craton. The Darling Fault bounds the BGC from the Phanerozoic Perth Basin to the west while the Manjimup Fault marks the boundary between the BGC and the mid-Proterozoic Albany Mobile Belt to the south. The Greenhills Project lies in the northwest-southeast trending Archaean Jimperding Metamorphic Belt which is part of the South Western Gneiss Terrain. The local geology is dominated by heterogeneous foliated and banded gneiss and an adamellite-granodioritic and tonalitic gneiss. Subordinate to these two units are foliated porphyritic adamellite, quartzite, and small stocks of seriate adamellite and granite. The heterogeneous, foliated and banded gneiss is thought to be of sedimentary rock origin and small enclaved of accessory graphite has been recorded regionally. A migmatite composed of varying portions of the dominate and subordinate rock units of the area. The Northern Gully Project lies in the Mesoproterozoic Northampton Inlier which forms part Palaeozoic Pinjarra Orogen and is a migmatite-paragneiss composed of predominantly granulite metasedimentary rocks with varying amounts of quartzite and porphyritic granite. In the project area, the gneiss is wholly contained within a porphyritic granite and the formation of the gneiss is partly controlled by a basement fault and cross-cutting, northeast-trending faults which cut through the Northampton Inlier. The Northampton Dolerite has intruded along most of these cross-cutting faults. The Yalbra Project lies within the Errabiddy Shear Zone of the Gascoyne Province. The shear zone defines the boundary between the Proterozoic Glenburgh Terrane (southwestern portion of the Gascoyne Province) and the Archean Narryer Terrane (northwestern portion of the Yilgarn Craton). This zone of intense shearing and interleaving of lithologies from the Yilgarn Craton and the Glenburgh Terrane. The lithologies in this zone includes granite, granitic gneiss, ultramafic igneous

Criteria	Commentary
	rocks, and metasedimentary rocks including paragneiss and micaceous, graphitic schists. Thin ironstones, quartzite lenses, and amphibolite also occur.
<i>Drill hole information</i>	historical drill hole info was gleaned from Open File and Company reports as described above
<i>Data aggregation methods</i>	Individual 1.0 metre assay data provided from samples
<i>Relationship between mineralisation widths and intercept lengths</i>	Where possible the historical drilling was aligned to provide true widths. Where not possible appropriate adjustments were made to not exaggerate true widths.
<i>Diagrams</i>	<ul style="list-style-type: none"> • Figures 1, 2, 6, 8, and 11 show the location of the various project tenure. • Figures 3, 7, 9, and 12 show the regional geology of the project tenure. • Figure 4 displays an example of the graphite mineralisation from the Donnelly River Graphite Mine. • Figure 5 displays the interpreted TEM anomalies within and around the Donnelly River Project. • Figure 10 displays GEOTEM magnetic units and bedrock conductors within the Northern Gully Project.
<i>Balanced reporting</i>	The report written to provide an objective, accurate and balanced viewpoint for the reader.
<i>Other substantive exploration data</i>	No other substantive exploration data was encountered or referred to other than what is in the report
<i>Further work</i>	<ul style="list-style-type: none"> • All projects require reconnaissance and detail geological mapping and geochemical sampling phase.

INDEPENDENT GEOLOGISTS REPORT

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Ampanihy Graphite Project – Madagascar ("Project")

24 November 2017

The Directors

BlackEarth Minerals NL
(ACN 610 168 191)
Level 1, 675 Murray Street
WEST PERTH WA 6005

Dear Sirs,

INDEPENDENT GEOLOGISTS REPORT ON MINERAL EXPLORATION PROPERTIES

I, Donald Huntly of Omni GeoX Pty Ltd, have been engaged by BlackEarth Minerals NL ("Black Earth" or "Company") to prepare an Independent Geologist's Report ("Report") for Black Earth's proposed mineral exploration properties that are further identified in the Report. The purpose of the Report is for it to be relied upon in Black Earth's Prospectus dated 3 November 2017] for the offer of up to 30,000,000 Shares at an issue price of \$0.20 to raise approximately \$6,000,000 (before costs) ("Public Offer"). The Public Offer has a Minimum Subscription of \$4,500,000. One free partly paid share (paid to \$0.0001, unpaid to \$0.2499) will be issued for every two shares subscribed for.

This Report was prepared by Mr Donald Huntly, BSc MSc and MAIG, ("Author") of OMNI GeoX Pty Ltd. The Report has been prepared in accordance with the requirements of the *Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for the Independent Expert Reports*, also known as the *Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Petroleum Assets*, collectively known as the *VALMIN Code of 2005* ("VALMIN" or "VALMIN Code"). The Author of this Report is a Member of the Australasian Institute of Geoscientists ("AIG") and, as such, is obliged to prepare mineral asset valuations in accordance with the Australian reporting guidelines as set out in the VALMIN Code. The Author has more than 5 years' experience that is relevant to the style of mineralisation or type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 edition of the *Australasian Code for Reporting of Exploration*.

All monetary references are presented in Australian dollar terms.

All trench and drilling mineralization intercepts quoted are true widths.

For the purpose of Section 716 of the *Corporations Act 2001*, the Author was involved in the preparation of the Report for inclusion in Black Earth's Prospectus and has not been involved in the preparation, authorisation or issuance of any other part of the Prospectus.

The Author assumes responsibility for the Report, having more than 28 years' relevant experience and being a member of the AIG.

The Author has no material interest in any of the mineral assets under review. The Author is receiving a fee to produce this Report; the deemed fee for the production of this Report is \$5,000 cash, as set out in the Prospectus.

The Author has had no input into any of the mineral Tenements under review. The Report has been prepared strictly as an independent technical report. It has been prepared in return for professional fees, based upon agreed commercial rates, and the payment of these fees is in no way contingent on the results of this Report, nor on the outcome of the proposed Prospectus.

The contents of the Report are based on reports and data provided by Black Earth and additional open source information. Documents and reports reviewed in the preparation of this Report are cited in the Bibliography, which constitutes part of the Report. Unpublished material, not publicly available, is held at the office of Black Earth. A specific site visit was not undertaken for the purpose of this Report, as the Author was of the opinion that such a site visit would not add to the Author's knowledge of the Project following discussions with consulting groups involved with the Project for the last 4 years.

The Directors have confirmed the full disclosure of all material information in Black Earth's possession and further confirmed that Black Earth has made disclosures, to the best of its Directors' knowledge and understanding, completely, accurately and truly. The Directors, and advisors, have stated that all the information provided may be presented in the Report and that none of it is regarded as confidential. Black Earth has reviewed a draft of the Report for correction and matters of fact and notification of material omissions.

All material used in the preparation of this Report is judged to be reliable. In instances where work undertaken is poorly documented and potentially not reliable, such instances will be noted in the body of the Report.

BlackEarth has a clearly defined exploration and expenditure program for the first 2 years that is reasonable having regards to its stated objectives. The project areas warrant the exploration and expenditure programs based on historic exploration activities which demonstrate the potential for the discovery of graphite mineralisation. The exploration budget is set out in this Report.

This Report does not deal with the legal ownership status of the Tenements; Investigations relating to present or future title claims by traditional owners, and agreements with freehold landowners, have not been undertaken in this Report. Potential consequences of exploration and mining on areas containing rare and endangered flora and fauna have not been assessed.

Matters related to the Company's potential responsibility for environmental rehabilitation arising from previous mining activity in the Project areas have not been examined.

The Author has given his consent in writing to the inclusion of this Report in the Prospectus, including this Report in the form and context in which it appears, and has not withdrawn consent prior to the lodgment of the Prospectus with the ASX or ASIC.

Commissioned as true and accurate,



Donald Huntly – Consultant, OMNI GeoX Pty Ltd

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1. OVERVIEW

The broader Ampanihy Project ("Project"), located in southern Madagascar, consists of two primary exploration areas: the main Maniry project ("Maniry") in the south, and the Ianapera project ("Ianapera") in the north. The Project is highly prospective for large-scale, high-quality graphite deposits and is currently at an advanced evaluation stage pending additional work to establish an initial resource base.

The Republic of Madagascar ("Madagascar") is not a traditional or particularly well-known exploration and mining destination and is mostly under-explored, with the country subject to only very little modern-era, systematic exploration.

Madagascar is the largest island in the Indian Ocean and the fourth largest island in the world (after Greenland, New Guinea and Borneo). It is located to the southeast of the African continent, from which it is separated by the Mozambique Channel. The country extends over 1,570 kilometres ("km") from north to south, and is over 575 km wide, with a surface area of 587,040 km² and a 5,000 km long coastline.

The capital of Madagascar is Antananarivo, a city of approximately 1,500,000 people. It is located in the central eastern area of the island, approximately 150 km inland from the central-east coast, at an elevation of just over 1,200 metres ("m") above mean sea level. Madagascar is officially bilingual, with French being the language of government and business. Malagasy (Malgache), a language of Malayo-Polynesian origin, is the official national language. English is taught in schools but is not widely spoken outside of business and government circles.

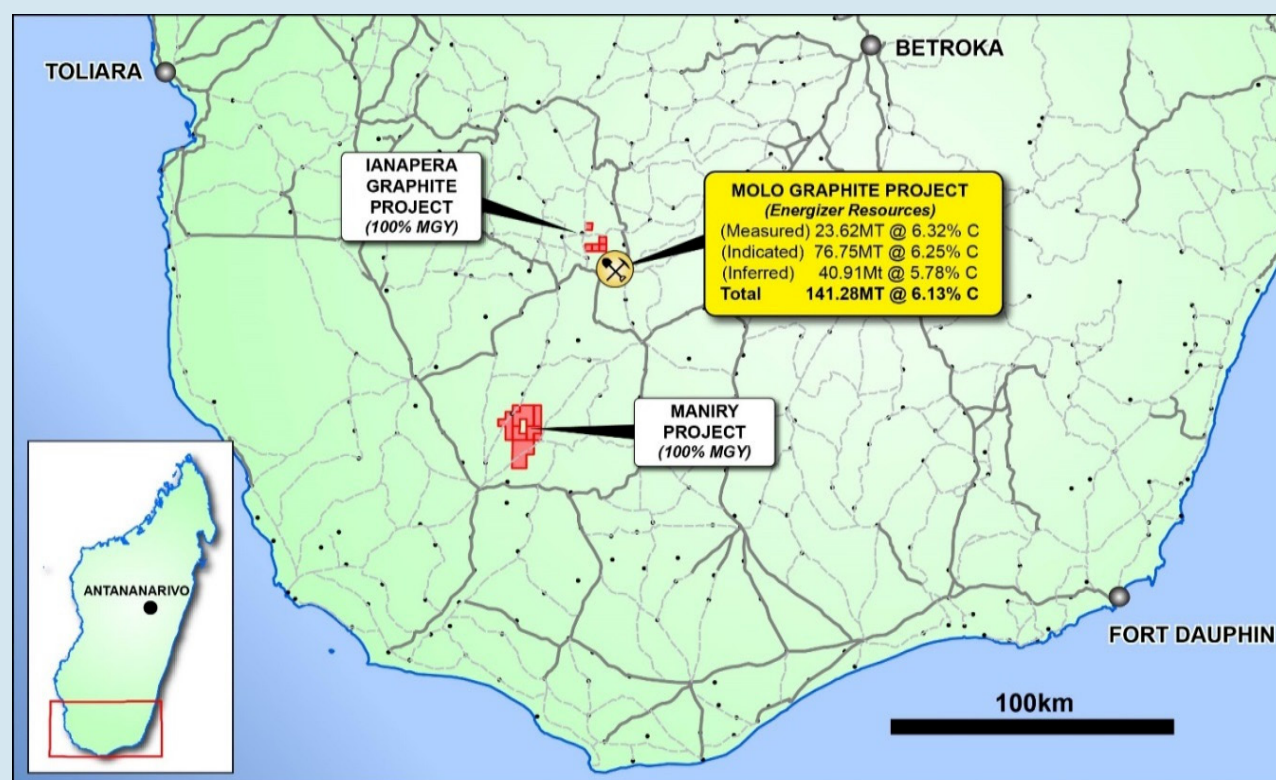


Figure 1: Project Location

2. INTRODUCTION

2.1. Location

The Project is located in the southern part of Madagascar, some 180 km southeast of the country's administrative capital (and major port) of Toliara and 200 km northwest of Fort Dauphin (a significant port city on the east coast). Two regional towns/villages support the Project area: Fotadrevo in the north, and the township of Ampanihy in the south.

The northern Project area is located immediately north of the advanced large-scale Molo Graphite Project of NextSource Materials Inc. ("NEXT"), which is currently considering the construction of a demonstration plant in order to mine and treat a large-scale, marketable parcel of graphite flake concentrate for final product test verification purposes (Figure 1).

2.2. Access and Infrastructure

Southern Madagascar is accessed by daily commercial flights (Air Madagascar, approximately 1 hour flight) between Antananarivo and the port of Toliara) or the main all-weather sealed southern highway (a 2-day drive).

Access to Ampanihy from Toliara is initially via a 70-km paved road to the village of Andranovory. From Andranovory, secondary all-season roads continue south through the major towns of Betioky and Ejeda for a distance of 200 km to access the large regional town of Ampanihy. This route is used by heavy transport and general traffic and may, at the height of the rainy season, be largely impassable.

Ampanihy is supported by a local airstrip and fuel supply and is a centre for limited government administration services and supplies.

Ianapera is located 75 km to the north, near the town of Fotadrevo, and can be reached by secondary dirt roads. The town has an all-weather airstrip.

Maniry is then accessed by secondary dirt roads (average travel speeds of 25 km/hour) for 40 km north of Ampanihy. The only infrastructure in the region is a labradorite quarrying operation owned by a private Indian company (SQNY). Basic accommodation is available at the quarry and there is limited power through an onsite electrical generator.

Cellular mobile coverage is available in most villages and can be accessed at times from high geographic positions. No potable water has been accessed at this point at time.

2.3. Climate

The Project area falls within the arid, semi-desert southern zone of Madagascar. The climate is considered moderate too hot, with elevated temperatures year-round peaking in the hot season at an average of over 30°C. The climate is dominated by southeast trade winds originating in the Indian Ocean anticyclone, a centre of high atmospheric pressure that seasonally changes its position over the ocean.

The Project area is subject to two distinct seasons: a hot, rainy season from December to March, and a cooler dry season from April to November. Annual rainfall in the area is typically low, ranging from 30 centimetres ("cm") to 50 cm. The wet season is typified by short-term, large-volume rainfall that causes short-term flooding of the river and creek systems. This results in difficulty in travelling off the main highways and for exploration, effectively limiting drilling to the dry season.

Dengue and malaria are endemic to the region; however, the use of physical precautions and medications can manage this effectively.

2.4. Geography

The vegetation of Madagascar is highly varied, ranging from dense tropical rainforest in the east of the country to savannah in the central plateau and western coastal plain and spiny, dry vegetation in the southern areas, which is where the Project is located.

The Project area is covered by sparse vegetation. Grass cover is widespread and trees widely spaced overall, with increased populations focused on drainage lines and streambeds. In areas of lower relief, alluvial cover is generally shallow and bedrock and/or float are readily observable. Elevations range between 536- 565 m above mean sea level.

Typical of the tropics, the surface is subject to lateritic weathering. Full laterite profiles are, however, rarely developed within the southern climatic zone. Previous drilling on the Project indicated that the weathered profile is typically less than 10 m thick in the region, which is roughly one-third of that seen in other parts of Madagascar and on the adjacent African continent.

2.5. Habitation and Land Use

In 2012, the population of Madagascar was estimated at just over 22 million, 90% of whom live on less than \$2 per day. The majority of the population adheres to traditional beliefs, Christianity or an amalgamation of both.

The Project area is typical of a large part of southwest Madagascar, with the populace living in small, isolated villages and family compounds supported by larger, regional towns. Travel is difficult and is generally limited to communal transport ('*Taxi Brus*' or 'bush taxi'), zebu (cattle) carts, bicycles and walking.

Farming practices are largely subsistence-based, with rice and cassava (*Manioc*) produced as staples. Most areas are also utilised for zebu grazing, with zebu considered a store of wealth.

Artisanal mining is common, with semi-precious gemstones (garnet, etc.) and gold the main targets. Operations are typically small-scale and short-lived and do not impact on the integrity of the mining and exploration titles.

The land is non-titled; however, there is a strong system and protocols in place that require close and detailed consultation with the local people at all times for any access and programmes of work. So, negotiations for infrastructure surface rights will be conducted with local communities, as well as regional and national authorities.

3. TENURE

The three (3) types of mineral permits available to commercial operators in Madagascar are as follows.

A **Temporary Exploration Permit ("AERP")** is valid for 3 months and is not renewable. Only surface prospecting and remote sensing are authorised. Drilling and pitting are not allowed on an AERP. Until granting of a Research (Exploration) Permit, all AERP converted into Research (Exploration) Permits remain valid.

A **Research (Exploration) Permit or Exploration Permit / Tenement ("PR")** allows its holder to:

- ☐ conduct exploration activities for minerals within the perimeters and during the period of validity of the PR for all substances mentioned in the PR, and

- have a priority right in filing an application for a PR on the perimeters, subject to conducting exclusive prospecting work on the area covered by the PR.

A PR does not allow its holder to commercialise products extracted from the premises during the prospecting work. The initial term of a PR is 5 years, renewable for two periods of 3 years each. A PR is a movable asset, in that it can be transferred, leased or used as security.

An **Exploitation Permit or Tenement ("PE")** gives a holder an exclusive right to exploit authorised minerals and to continue exploration and research of such minerals inside the perimeters during the period of validity of the PE. No other person than the holder can claim any right over any valid PE in respect of related minerals or substances to which the PE relates.

PE permits are valid for 40 years and renewable an unlimited number of times for a period of 20 years. A PE allows its holder to commercialise product extracted from the premises. A PE permit is an immovable asset, which cannot be transferred, leased or mortgaged.

Annual administration fees are payable on all mineral licences in Madagascar, with the proceeds largely going to fund the operations of the BCM (Madagascan Mines Department). These fees are charged per square annually, invoiced at December each year and payable by end of March the following year. There are currently no statutory annual expenditure requirements on mineral permits in Madagascar.

The mineral permits that make up the Project are listed below.

Table 1: Project Mineral Permit Summary

Sub-project	Permit Type	Permit Number
Ianapera	PE	5391
Ianapera	PE	5392
Ianapera	PE	5393
Ianapera	PE	25093
Ianapera	PE	25094
Maniry	PE	5394
Maniry	PR	39750
Maniry	PR	39751
Maniry	PR	3432
Maniry	PR	25605
Maniry	PR	25606

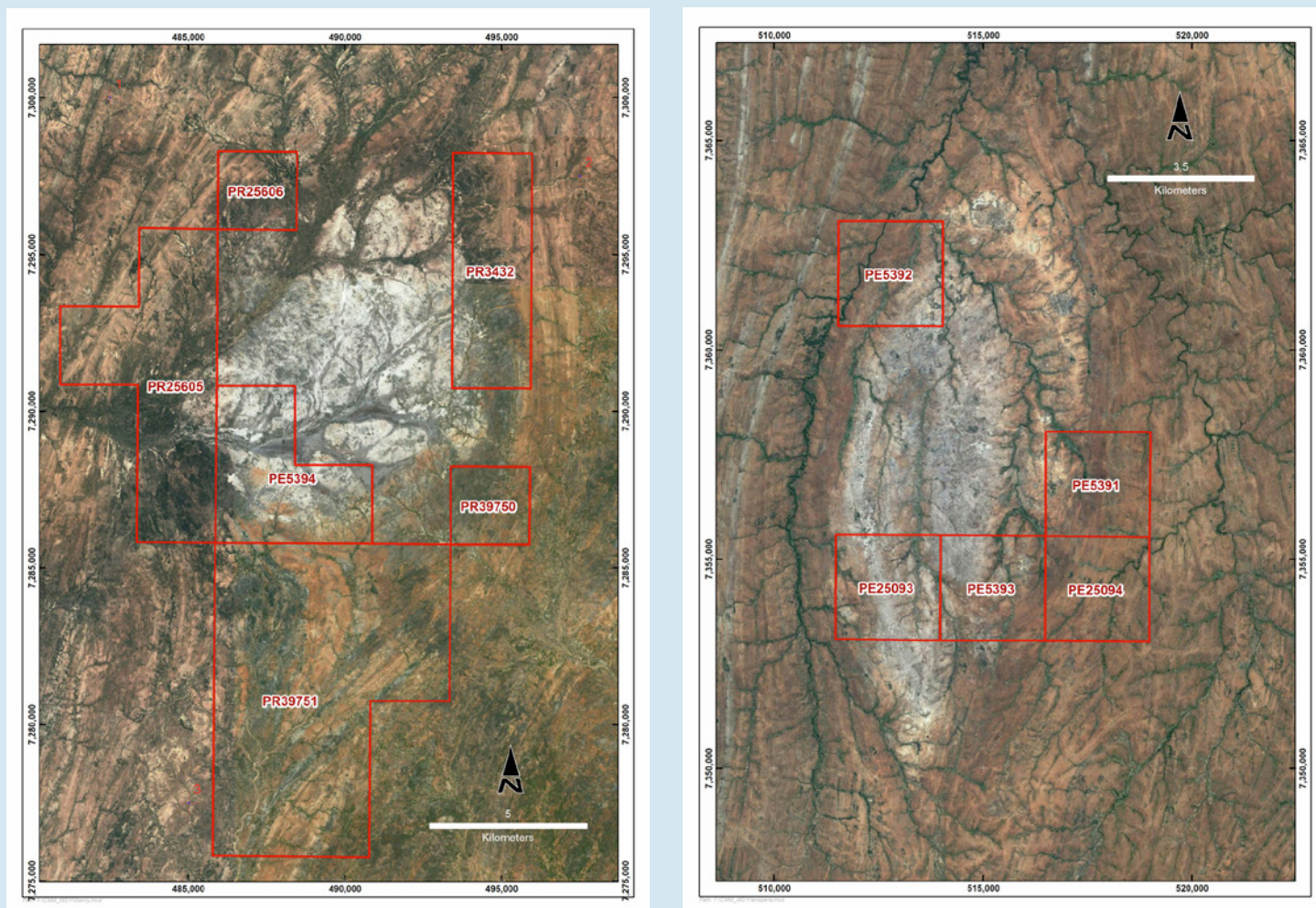


Figure 2: Project Mineral Permit Plans – Maniry (left) and Ianapera (right)

4. REGIONAL GEOLOGY

Madagascar comprises a fragment of the African Plate, which rifted from Tanzania at the time of the breakup of Gondwana, ~ 180 million years ago. Initially Madagascar remained joined with India and moved in an east and south direction until the Late Cretaceous (~70 million years ago), whereupon the land mass split apart.

On a regional scale, Madagascar can be described as being formed by two geological entities: Precambrian crystalline basement, and a much younger Phanerozoic sedimentary cover (Figure 3). The central and eastern two-thirds of the island are mainly composed of Neoproterozoic-aged, crystalline basement rocks, comprising a complex mélange of metamorphic schist and gneiss intruded by younger granitic and basic igneous rocks. The Phanerozoic sedimentary cover is largely restricted to the western side of the island and is dated as Carboniferous to Permo-Triassic in age. These rocks correlate with the Karoo Supergroup successions of Sub-Saharan Africa, which were widespread in the former supercontinent of Gondwana.

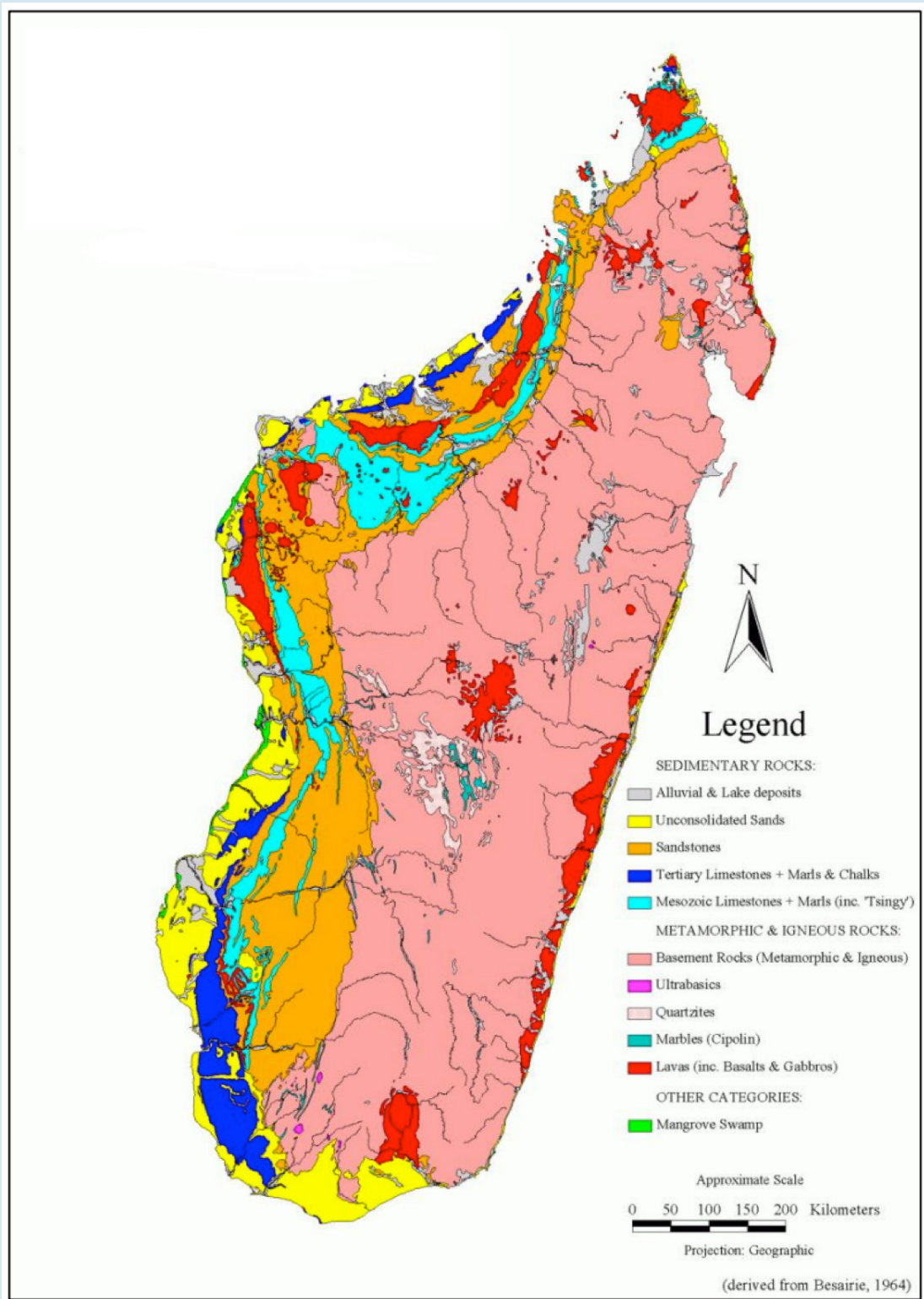


Figure 3: Geological Map of Madagascar [source: Besarie (1964)]

The geology of the basement of Madagascar is composed of intercontinental tectonic blocks made up of ancient poly-deformed, high-grade metamorphic rocks and later igneous intrusions. The tectonic and metallogenic basement framework was originally subdivided into four blocks (Besarie, 1967), these being the northern Bemarivo Block, the northeastern Antongil Block, the central Antananarivo Block and the southern Bekily Block. Both the Project and the Molo deposit lie entirely within the bounds of the Bekily Block (Figure 4).

Later authors (e.g. Pitfield *et al*, 2006) divided the Precambrian basement of Madagascar in a somewhat different manner, with nine tectono-metamorphic units (Figure 5). In the case of the Ampanihy region, the tectonic blocks and the tectono-metamorphic units cover a nearly identical area, and as such these divisions can be used interchangeably.

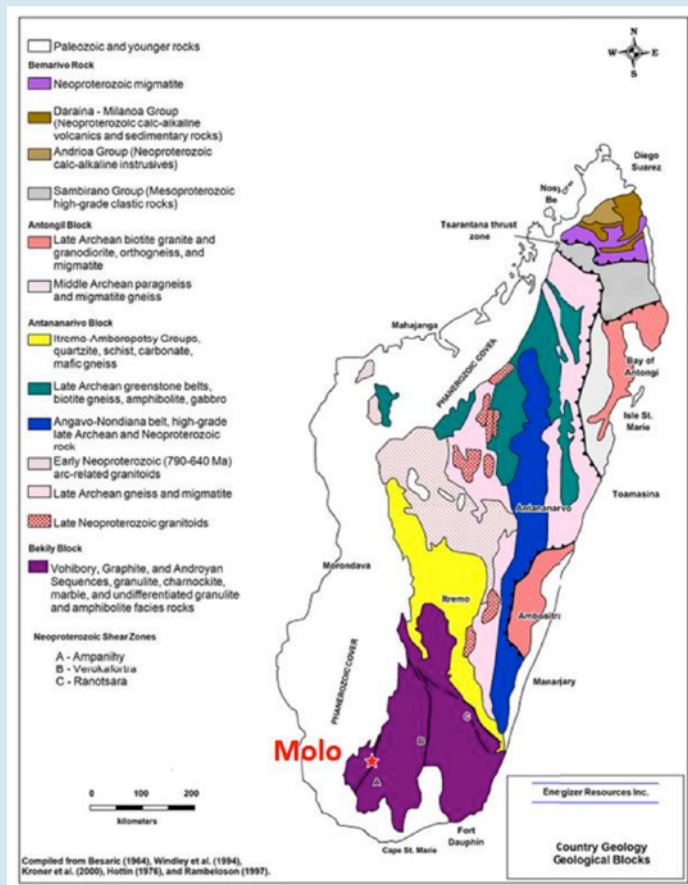


Figure 4: Madagascar Geology – Tectonic Blocks

[Source: AGP Mining Consultants (2011)]

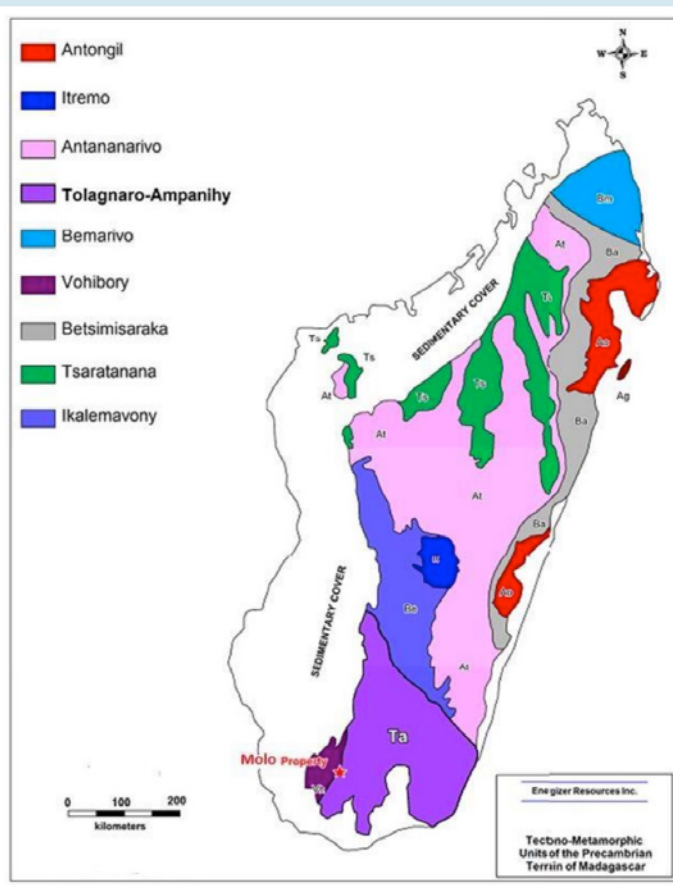


Figure 5: Tectono-metamorphic Units

[Source: AGP Mining Consultants (2011)]

4.1. Southern Madagascar

Southern Madagascar forms part of the Mozambique Mobile Belt and is made up of a section of Lower Proterozoic crust that underwent granulite-facies metamorphism during the Pan-African Orogeny (Paquette *et al*, 1994). Three crustal units, separated by north-south trending vertical shear zones, make up this area (Figure 6). Each of these units experienced granulite facies metamorphism with temperatures between 750°C and 800°C. The associated pressures during the Pan-African Orogeny in this area range from 3 to 11 kilobars, with a decreasing trend from west to east (Pili *et al*, 1997). The Bekily block (also referred to as the Androyan region, or the Tolagnaro-Ampanihy tectono-metamorphic unit) forms a vast, high-grade meta-sedimentary (paragneiss) terrane that has been metamorphosed to granulite facies conditions. This region comprises a complex Neoproterozoic terrain of high-grade metamorphic rocks with a history of polyphase deformation. Two prominent north-south trending late Neoproterozoic ductile shear zones, the Ampanihy and Vorokafotra Shear zones, cross-cut the region. A third set of en-echelon shears forms part of the early Palaeozoic Ranotsara Shear Zone that cuts the basement in a northwest-southeast direction over a strike length of over 400 km. De Wit *et al* (2001) recognise four episodes of deformation and metamorphism. The two early episodes of simple shear deformation (D1 and D1), during which northeast verging, recumbent sheath folds and ductile thrusts were formed, are dated between 647 to 627 Ma. Early prolate mineral fabrics (L1/L2) are preserved in massif-type anorthosite bodies and their marginal country rocks. D1 and D2 deformation was followed by a 10 to 15 Ma period of static, annealing metamorphism when bulk shortening (D3) took place. D2 and D3 deformations are coaxial, but are separated in time by leucocratic dykes that intruded between 620-610 Ma. Between 609 and 607 Ma, D3 deformation was focused zonally, forming the prominent north-south shear zones. Oblate strain resulted in a strong composite D2/D3 fabric defined by sub-vertical S-tectonites and sub-horizontal intersection lineations. A variety of post-D3 pegmatites accompanied the following 85 million years of relatively static annealing and metasomatic/metamorphic mineral growth. Numerous occurrences of phlogopite, uranium and rare earth elements are associated with these pegmatitic bodies. A continuum of concordant monazite dates of between 605 and 520 Ma suggests that this thermal event is part of an extended period of low pressure (3 to 5 K bar) charnockite-producing event. The D4 deformational event recorded within the Ranotsara Shear zone overlaps with the youngest parts

of the regional metamorphic conditions. Between 530 and 490 Ma, prevailing low-pressure, high-temperature amphibolite-granulite facies rapidly gave way to greenschist facies conditions.

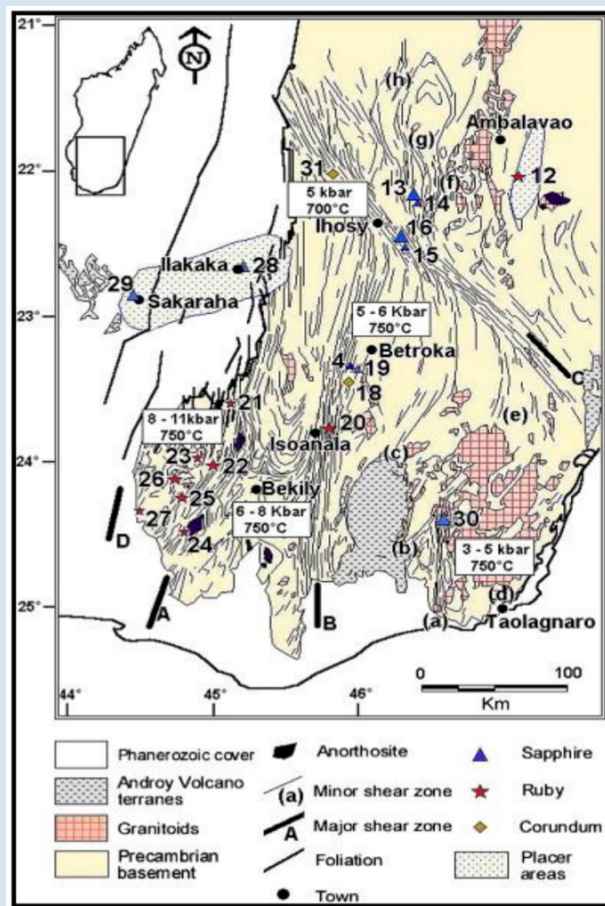


Figure 6: Litho-structural Map of Southern Madagascar

[From Rakotonirafy et al (2008)]

The presence of extensive, large-scale zones of graphite has been well-documented throughout the Bekily tectonic block over a long time. It is likely the graphite was formed during peak metamorphic conditions and, where it has been remobilised into low-strain zones, it has accumulated into potentially economic concentrations.

4.2. The Project

The Project is located within the regional Ampanihy Shear Zone. The most conspicuous feature of rocks found within this shear zone is the pervasive north-south foliation and vertical to sub-vertical nature. Martelat *et al* (2000) state that this observed bulk strain pattern is clearly related to a transpressional regime during bulk horizontal shortening of heated crust, which resulted in the exhumation of lower crustal material. The Project area is underlain by supracrustal and plutonic rocks of late Neoproterozoic age. The rocks were metamorphosed under upper amphibolite facies and deformed into a dominant, upright, north-northeast-trending fold belt.

The supracrustal rock succession includes migmatitic quartzo-feldspathic gneiss, marble, chert, quartzite, and amphibolite gneiss. The metaplutonic rocks include migmatitic (\pm hornblende/diopside, biotite, garnet) feldspathic gneiss of monzodioritic to syenitic composition, biotite granodiorite and leucogranite.

The large-scale anorthosite intrusions adjacent to both the Maniry and Ianapera areas have had a profound effect on the structural framework; they have acted as 'pressure shadow' positions that became preferred structural sites for the concentration of graphite mineralisation.

5. PREVIOUS EXPLORATION

Previous exploration across the Project has been very limited and should in no way be considered effective or systematic. Historically, the French Geological Survey (*Bureau de Recherches Géologiques et Minières* or "BRGM") undertook excellent programmes of regional geological mapping, producing high-quality maps.

The original project area covered an approximate 100 km strike length and extended from Ianapera in the north to Maniry in the south (Figure 7). That project was subsequently reduced in area and the Project is now focused over the Ianapera and Maniry areas.

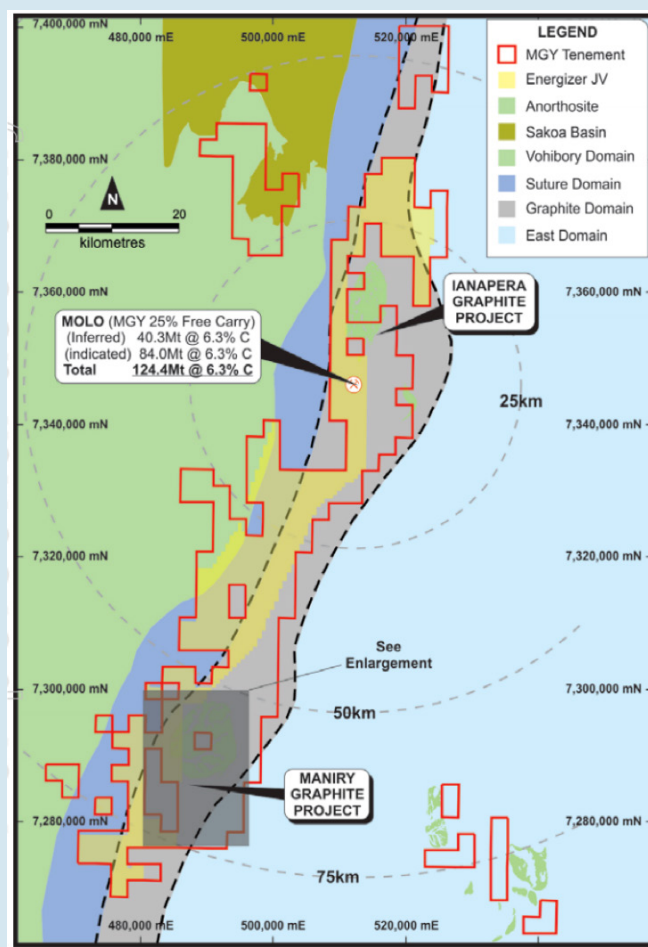


Figure 7: Original Expression of the Project

The key datasets available over the wider project area include the following.

- Extensive, high-quality regional mapping by the BRGM.
- Government regional airborne magnetic data (800 m flight lines).
- Airborne VTEM (electromagnetic survey) data over lanapera.
- An extensive regional multi-element portable XRF geochemical data set.
- A limited drilling database covering historical nickel-copper-platinum group metal ("Ni-Cu-PGM") drilling and the more recent graphite drilling at Maniry.

5.1. Graphite

The potential for significant graphite mineralisation was identified by Next in December 2011, when it formed a joint venture with Malagasy Minerals Limited to explore for graphite across part of the Project. Through 2012, NEXT systematically undertook exploration that resulted in the discovery of the large-scale Molo graphite deposit. Since then NEXT has advanced its Molo Project through to a full feasibility status. Key metrics of the project, as released by NEXT (Hancox *et al*, 2015) are set out below.

Table 2: Molo Project – Mine and Process Data

Proven reserves	14,170,000	Tonnes @ 7.0% C grade
Probable reserves	8,367,000	Tonnes @ 7.04% C grade
Grade (graphitic carbon ("C"))	7.04%	Average plant head feed over life of mine
Waste-to-ore ratio	0.81:1	
Processing rate	856,701	Tonnes per annum
Mine life	26 years	
Recovery	87.8%	
Average annual product tonnes	53,017	

Table 3: Molo Project – Mineral Resource Statement September 2014

Classification	Material Type	Tonnes	Grade (% C)	Graphite (T)
Measured	"Low Grade"	13,048,373	4.64	605,082
Measured	"High Grade"	10,573,137	8.40	887,835
Total Measured		23,621,510	6.32	1,492,916
Indicated	"Low Grade"	39,539,403	4.73	1,871,075
Indicated	"High Grade"	37,206,550	7.86	2,925,266
Total Indicated		76,745,953	6.25	4,796,341
Measured + Indicated	"Low Grade"	52,587,776	4.71	2,476,157
Measured + Indicated	"High Grade"	47,779,687	7.98	3,813,101
Total Measured + Indicated		100,367,464	6.27	6,289,257
Inferred	"Low Grade"	24,233,267	4.46	1,080,677
Inferred	"High Grade"	16,681,453	7.70	1,285,039
Total Inferred		40,914,721	5.78	2,365,716

% C = percentage of carbon; Graphite (T) = tonnes of graphite

Notes:

- ☐ Mineral Resources classified according to the Canadian Institute of Mining, Metallurgy and Petroleum definitions.
- ☐ "Low Grade" Resources are stated at a cut-off grade of 2% C.
- ☐ "High Grade" Resources are stated at a cut-off grade of 4% C.
- ☐ Eastern and Western high-grade assays are capped at 15% C.
- ☐ A relative density of 2.36 tonnes per cubic metre (t/m³) was assigned to the mineralised zones for the resource tonnage estimation.

Table 4: Molo Project – Mineral Reserves

Category	Tonnage	C Grade (%)
Proven	14,170,000	7.00
Probable	8,367,000	7.04
Proven and Probable	22,437,000	7.02

Proven Reserves have been reported as the Measured Resources inside the designed open pit and above the grade cut-off of 4.5% C. Similarly, the Probable Reserves are reported as the Indicated Resources inside the designed open pit and above the grade cut-off of 4.5% C.

Malagasy Minerals Limited: Graphite Exploration

Malagasy Mineral's Limited ("MGY") is the pre-cursor company to ASX-listed Capricorn Metals Limited and the vendor of the Madagascan mineral assets. Exploration commenced in 2008 and focused on mafic-ultramafic intrusive related Ni-Cu-PGM deposits.

Subsequent to the discovery of the Molo graphite deposit by NEXT in 2012, MGY commenced a programme of reconnaissance exploration across the remainder of its 100%-owned Project. The exploration consisted of mapping and rock-chip sampling to identify areas for more focused follow-up assessment. It was the results of this work that identified the potential at both Maniry and Ianapera. Key results included the following (ASX announcement 3 September 2012).

Table 5: MGY Reconnaissance Graphite Sample Results

Site Coordinates		No. Samples	Maximum % C	Minimum % C	Average % C
E517461	N7377561	1	23.94	23.94	23.94
E517553	N7358206	1	13.66	13.66	13.66
E516950	N7355995	10	44.52	5.07	19.78
E489603	N7283464	6	28.11	8.8	14.31
E489535	N7282419	3	12.94	10.12	11.53
E488842	N7285220	7	23.07	9.96	15.48
E486627	N7279776	1	50.78	50.78	50.78

Detailed information for both Maniry and Ianapera is provided below.

5.2. Nickel-Copper-Platinum

As mentioned previously, the original exploration focus by MGY was on mafic-ultramafic intrusive related Ni-Cu-PGM deposits applying the Voisey's Bay exploration model.

Exploration initially focused on the Ianapera area and consisted of mapping, an airborne electromagnetic survey ("AEM"), geochemical sampling and a targeted gravity survey. The AEM survey data was swamped by multiple conductive responses generated by the extensive graphite horizons that were noted in the mapping through the area; however, a number of responses were closely associated with low-level coincident nickel-copper anomalies. These were subsequently mapped and a number of ex-sulphide gossans identified. Modelling of the AEM conductor and the gravity data resulted in a number of targets being selected for diamond drilling.

In September 2010, MGY announced that diamond drilling had intersected pyrrhotite-pyrite-rich massive, stringer and disseminated sulphides hosted by a pyroxenitic rock unit. Even though the sulphides were considered to be of magmatic origin, they were subsequently determined to be very low tenor (i.e. very low Ni-Cu values). In total, eight holes were drilled for a total of 1,220 m.

Following a technical review that confirmed the overall potential of the Project to host Ni-Cu-PGM deposits, the focus shifted to assessing the wider project. Mapped mafic and ultramafic rocks were targeted and systematic geochemical programmes completed. This phase of exploration generated a series of targets, based on strong coincident Ni-Cu-PGM anomalism, that were further assessed but could not be elevated to drilling status. The tenure over these areas was progressively relinquished, as they were deemed non-prospective.

5.3. Other

Vanadium: NEXT discovered and completed a feasibility study on a large vanadium project they named Green Giant (Desautels *et al*, 2011). The mineralogical and metallurgical characteristics of the deposit are highly complex, so the project has not been advanced.

Molybdenum ("Mo") and rare earth elements ("REE"): a large Mo-REE anomaly was generated from the pXRF data collected over Maniry (ASX announcement 23 July 2013). Field inspection identified a suite of intrusive rocks that appear to be spatially associated with the anomalous geochemistry; however, due to the exploration focus on the graphite potential, this work was never advanced.

The general area is subject to a small-scale, artisanal collection of semi-precious gemstones (e.g. garnet). The operations are limited to near-surface pits and mining is never prolonged.

6. THE PROJECT

The Project consists of two sub-projects: Maniry in the south and Ianapera in the north (Figure 8).

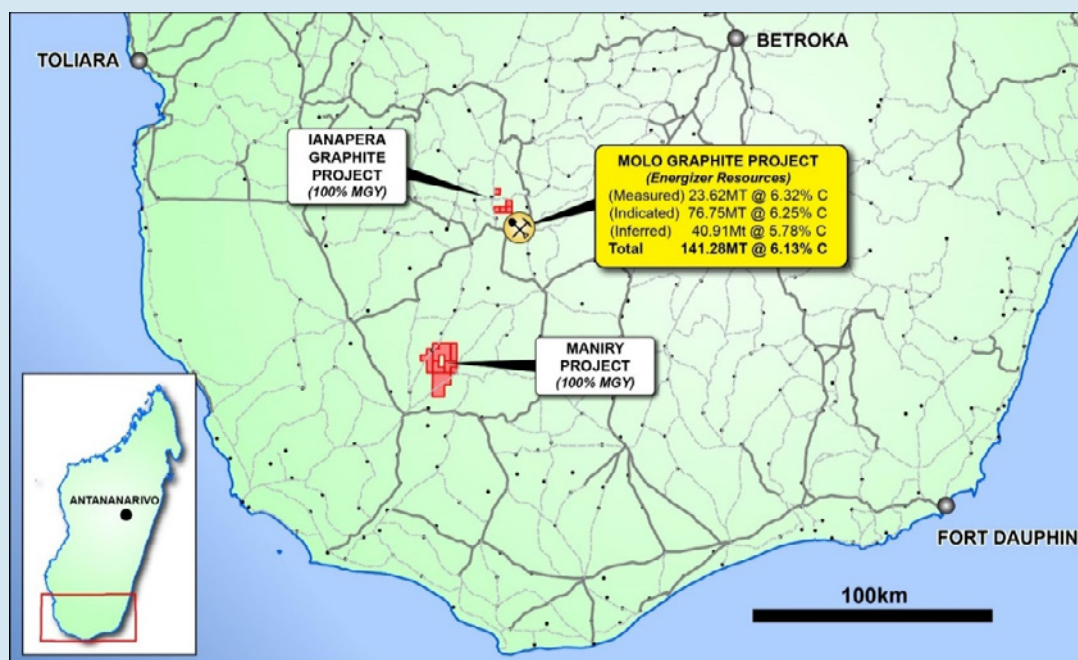


Figure 8: Project Summary Plan

6.1. Maniry

Exploration summary – work to date

Table 6: Summary of Previous Exploration Completed by MGY

Date	Activity	Key Results	
September 2012	Regional mapping and rock-chip programme (Figure 9)	Maniry identified as high-potential area Multiple high-grade rock-chip results 50.8% C, 20.5% C, 24.9% C, 14.7% C, 12.9% C, 28.1% C, 23.1% C	
August 2013	Detailed mapping and rock-chip sampling (Figure 10)	Multiple large-scale, outcropping graphite lenses mapped Outcrops identified over an area of 8 x 4.5 km VTEM data used to amp out conductive graphite lenses	
November 2013	Traverse sampling over 14 selected graphite lenses (Figures 11 and 12)	Surface, composite rock-chip sampling returned a series of thick high-grade results:	
		125 m @ 6.18% C 150 m @ 8.28% C 75 m @ 6.51% C 175 m @ 11.75% C 250 m @ 8.67% C 150 m @ 6.42% C 125 m @ 7.96% C & 275m @ 7.34% C 150 m @ 4.46% C	90 m @ 12.13% C 100 m @ 9.8% C 150 m @ 10.18% C 175 m @ 7.26% C 75 m @ 7.76% C 75 m @ 7.51% C 150 m @ 6.17% C 75 m @ 4.87% C
June 2014	Razafy Prospect (Lens L) selected for detailed mapping and sampling (Figure 13)	Six extensive outcropping lenses identified over 1.6 km Graphite horizons mapped at widths ranging from 20-70 m Consistent grade/low variability Sample results: 12.6% C, 12.8% C, 4.9% C, 10.7% C, 11.1% C, 9.1% C, 8.8% C, 11.5% C, 3.5% C, 11.3% C, 8.6% C, 6.7% C, 8.4% C, 7.5% C, 11.1% C, 10.1% C, 9.6% C, 6.6% C, 6.1% C, 5.1% C	
	Preliminary petrographic studies	Confirm high-quality nature of the graphite mineralisation Graphite flake size generally >0.7 millimetre ("mm"), with some material as coarse as several mm Graphite largely free from inclusions	
February 2015	Diamond drilling at four prospects: 17 holes for 1,588.6 m	Significant intersections returned from the following <input type="checkbox"/> Razafy Prospect <input type="checkbox"/> Haja Prospect <input type="checkbox"/> Ivan Prospect <input type="checkbox"/> Fitia Prospect (See next section for details)	
	Razafy Prospect trenching	13 trenches for ~800 m Average spacing ~100 m (See next section for details)	
Source Information			
See Appendix (1) for all sample locations and assay results. Malagasy Minerals Limited ASX announcement dated 3 September 2012. Malagasy Minerals Limited ASX announcement dated 26 August 2013.		Malagasy Minerals Limited ASX announcement dated 21 November 2013. Malagasy Minerals Limited ASX announcement dated 13 June 2013. Malagasy Minerals Limited ASX announcement dated 12 February 2015. Refer to JORC Code 2012 Edition Table 1	

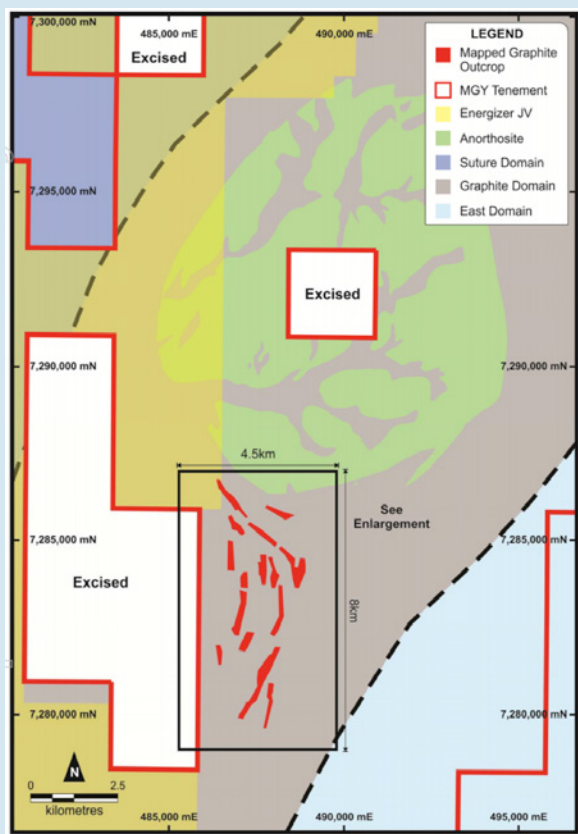


Figure 9: Maniry Summary Plan

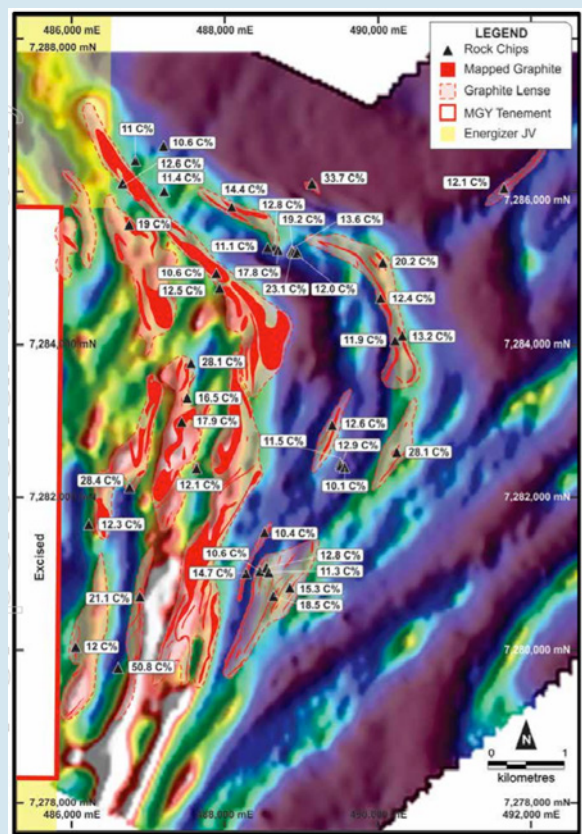


Figure 10: Regional Rock-chip Samples Over VTEM Data

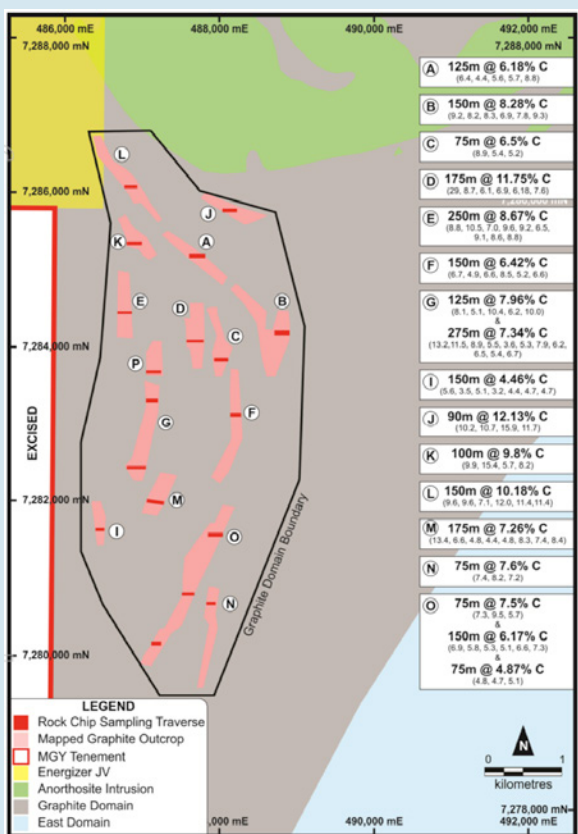


Figure 11: Traverse Sampling Locations and Results



Photo 1: Close-up photograph of high-grade graphite sample (note coarse flake size of graphite).



Photo 2: Field sample of high-grade graphite mineralisation.



Photo 3: Photomicrograph of coarse graphite mineralisation taken from the Maniry Project (note 500-micron scale bar).

Project Potential

Through programmes of systematic exploration, MGY has demonstrated that Maniry hosts a large-scale graphite mineralised system. Only preliminary work has been completed on the majority of the defined targets, with only the Razafy Prospect considered to be at an advanced stage (Figure 12).

The following section provides detail on each of the prospects – Razafy, Haja, Ivan, and Fitia – that have been advanced to drilling stage. Results are considered and proposed activities and budgets provided.

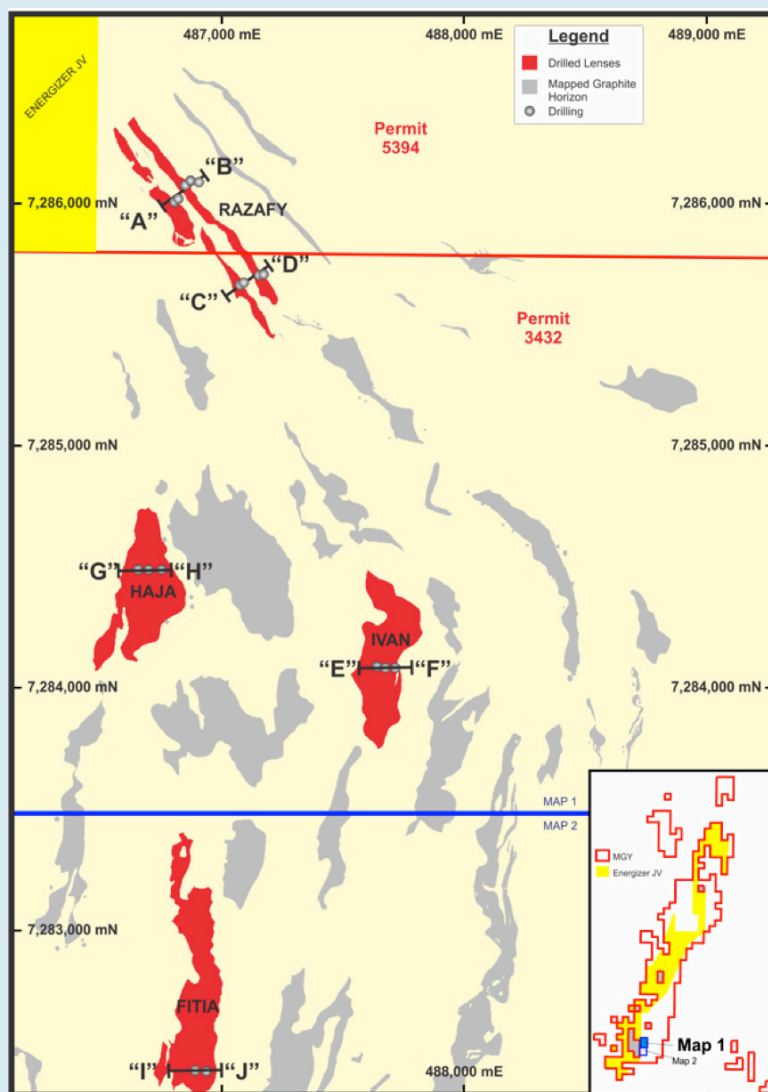


Figure 12: Drilling Targets

Razafy Prospect

The Razafy Prospect was originally identified through regional mapping and rock-chip sampling over at least 1.6 km, with six graphite lenses ranging in width from 20 to 70 m. The results of this work were encouraging enough to justify a drilling programme to evaluate the potential of the prospect to host a significant graphite resource.

Two traverses of drilling (nine holes – see Appendix 3 and Appendix 4: JORC Code, 2012 Edition, Table 1) were completed approximately 500 m apart to provide an initial test of the central portion of the ~1.6 km long Razafy Target. The drilling focused on the two central lenses of mineralisation (Figure 13), while the remaining four parallel lenses remain untested.

The key outcomes of the drilling include the following.

- Confirmation of consistent, thick, outcropping, high-grade graphite horizons hosted by felsic gneissic rocks (Figures 15 and 16).
- Field assessment confirmed the coarse-grained nature of the graphite mineralisation.
- Carbon grades within the horizons are generally consistent from hole to hole and from section to section.
- Surface sampling has provided an accurate guide as to the expected grades in the sub-surface.
- Diamond drilling is a cost-effective way (approximately \$50/m) of drill-testing the targets.

Table 7: Maniry Project – Drilling Results (see Appendix 2)

Hole No.	Intersection	Internal High-grade Zone	Downhole Depth (m)
MNDD001	26 m @ 7.3% C	(Includes 10 m @ 10.2% C)	2
	14 m @ 5.1% C		52
MNDD002	32 m @ 7.0% C	(Includes 8 m @ 9.7% C)	18
	16 m @ 5.1% C		72
MNDD003	26 m @ 6.8% C	(Includes 8 m @ 8.8% C)	0
	16 m @ 6.1% C		94
MNDD004	34 m @ 8.5% C	(Includes 12 m @ 11.6% C)	14
MNDD010	34 m @ 6.4% C	(Includes 10 m @ 8.1% C)	0
MNDD011	44 m @ 6.4% C	(Includes 10 m @ 9.2% C)	10
MNDD012	24 m @ 7.0% C	(Includes 10 m @ 8.4% C)	0
MNDD013	50 m @ 6.9% C	(Includes 26 m @ 9.1% C)	2
MNDD017	38 m @ 8.3% C	(Includes 14 m @ 11.3% C)	34

The next phase of work involved systematic trenching on 100 m sections over approximately 1 km of the Razafy Prospect (total strike 1.6 km) (Figure 14 and Table 7). This work clearly demonstrates that trenching is an effective proxy for drilling (Figure 17) and provides a large data set that can be utilised to assess the size and grade potential of the graphite lenses at Maniry.

Trenching results at Razafy are reported in Table 8 (see Appendix 3 and Appendix 4: JORC Code, 2012 Edition, Table 1).

Table 8: Razafy Prospect – Trenching Results

Trench No.	Results
MNT001	12 m @ 5.1% C
MNT002	26 m @ 5.3% C
MNT003	34 m @ 5.0% C and 30 m @ 5.0% C
MNT004	42 m @ 6.9% C
MNT005	22 m @ 5.4% C
MNT006	58 m @ 5.4% C
MNT007	30 m @ 8.5% C
MNT008	10 m @ 5.4% C
MNT009	30 m @ 5.1% C
MNT010	14 m @ 5.0% C
MNT011	Pegmatite
MNT012	36 m @ 5.4% C
MNT013	46 m @ 5.0% C
MNT014	38 m @ 5.0% C and 35 m @ 5.6% C
MNT015	44 m @ 5.3% C and 14 m @ 5.0% C
MNT016	40 m @ 5.5% C

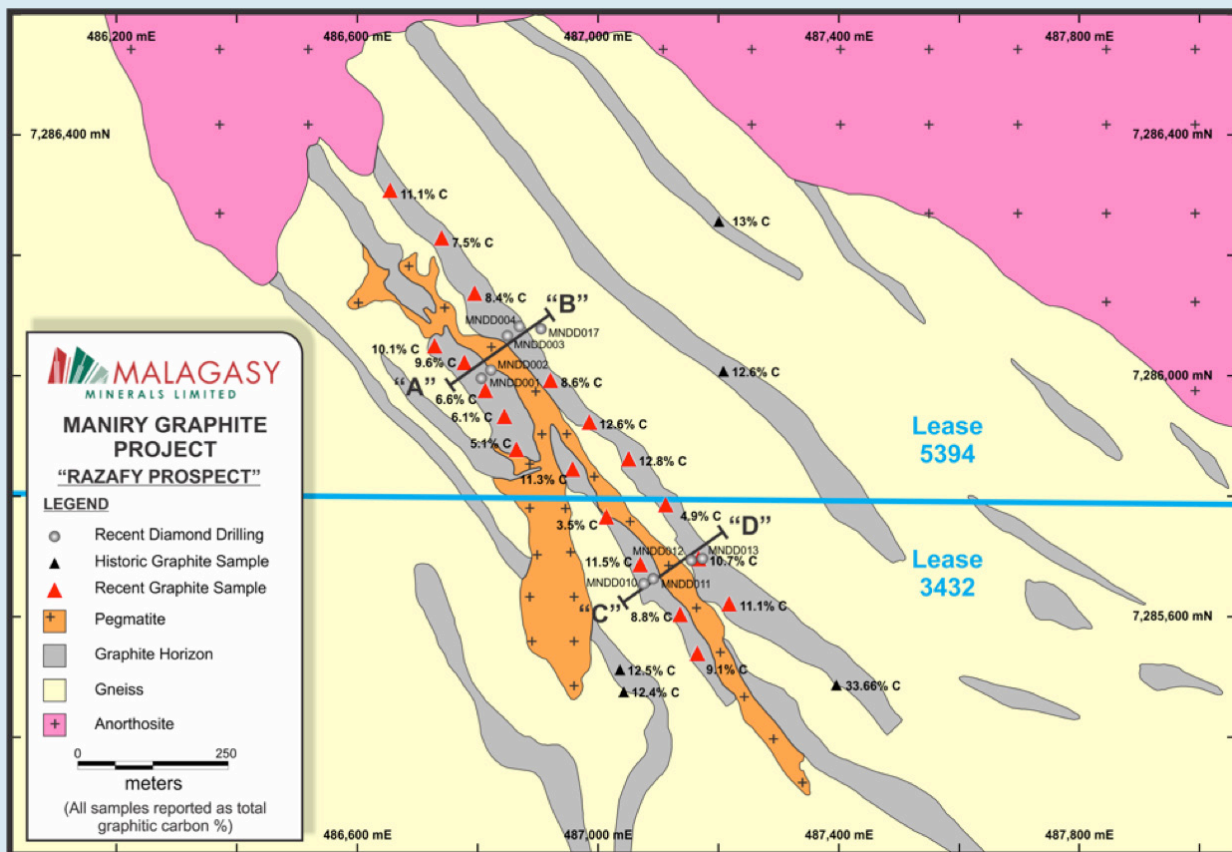


Figure 13: Razafy Prospect – Geology, Sampling and Drill Location



Figure 14: Razafy Prospect – Trenching Results

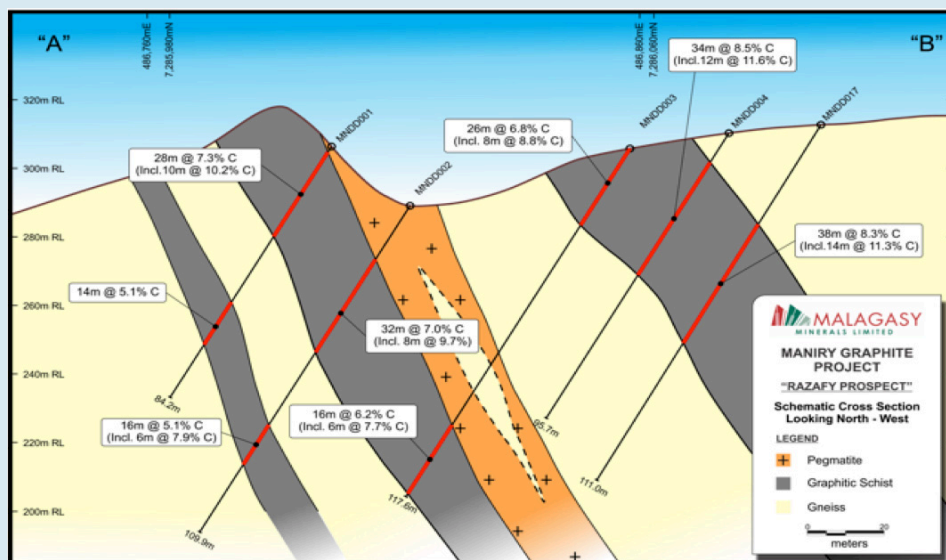


Figure 15: Razafy Prospect – Drilling Cross-section

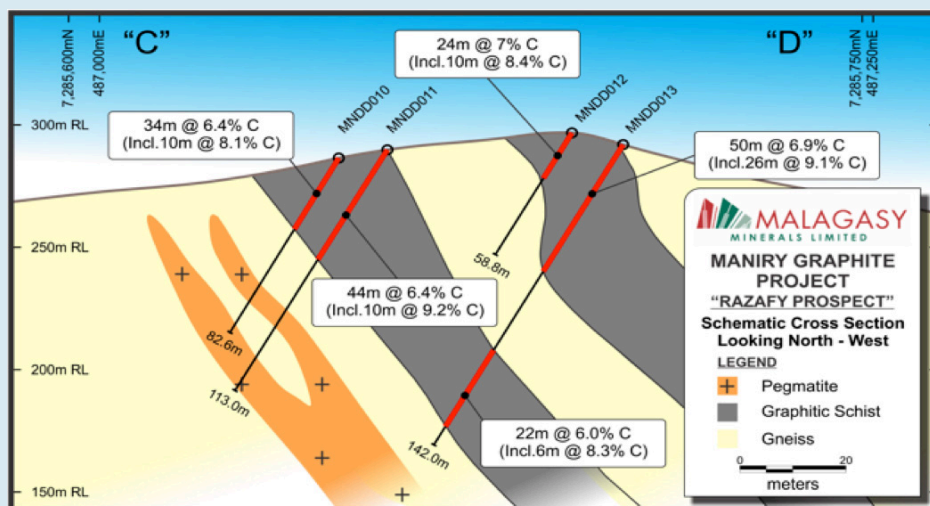


Figure 16: Razafy Prospect – Drilling Cross-section

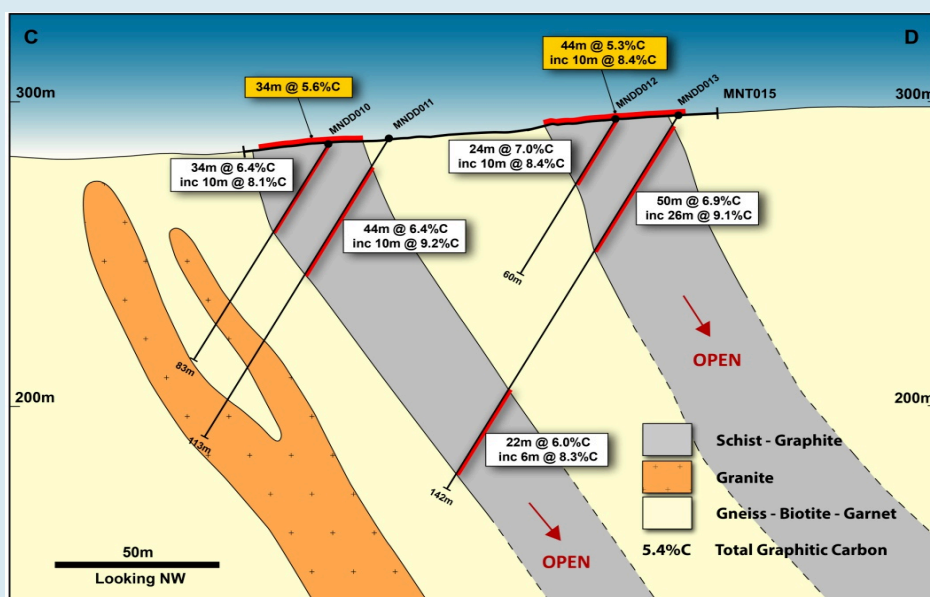


Figure 17: Razafy Prospect – Drilling Cross-section Showing Trenching Results

Haja Prospect

The Haja Prospect is located approximately 2 km south of Razafy. Outcropping graphite has been mapped and sampled on a low-lying hilltop over a strike length of approximately 800 m and up to a width of 276 m (Figure 18). An initial assessment phase has involved the drilling of three diamond holes (324 m) and four trenches on 400 m spacing (see Appendix 3 and Appendix 4: JORC Code, 2012 Edition, Table 1).

Table 9: Haja Prospect – Drilling Results

Hole No.	Intersection	Internal High-grade Zone	Downhole Depth (m)
MNDD008	50 m @ 5.2% C	(Includes 7 m @ 7.8% C)	0
MNDD009	70 m @ 5.3% C	(Includes 6 m @ 9.2% C)	0
MNDD016	18 m @ 6.0% C		0

Table 10: Haja Prospect – Trenching Results

Trench No.	Results
MNT017	130 m @ 5.5% C
MNT018	226 m @ 5.2% C
MNT019	276 m @ 5.2% C
MNT020	68 m @ 5.2% C and 14 m @ 5.6% C

The trenching results demonstrate that they correlate well with the grade of the drilling, and as such provide confidence when assessing the potential size and grade of the prospects.

Based on the available data, the Haja Prospect is considered to have excellent potential to have a resource estimate completed through a combination of additional drilling and surface trenching.

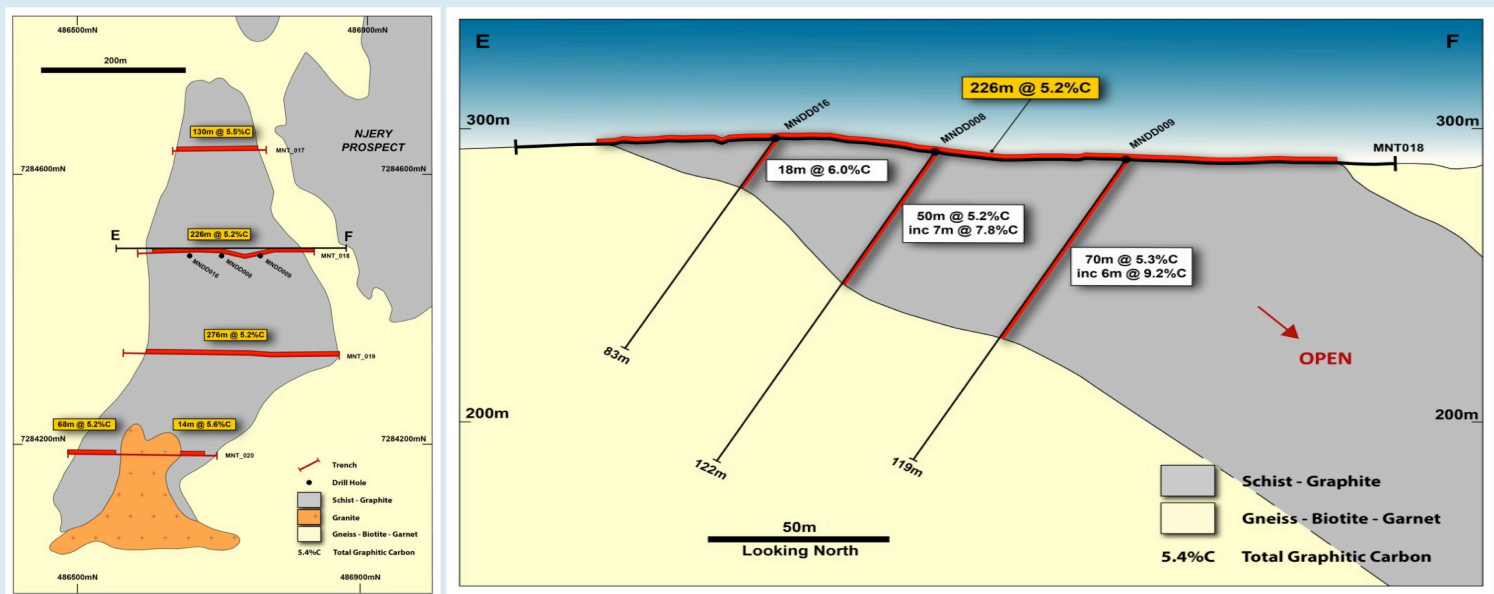


Figure 18: Haja Prospect – Drilling and Trenching Results

Ivan Prospect

The Ivan Prospect is located approximately 1.5 km to the immediate south of Razafy. The graphite deposit has a mapped width of up to 200 m and strike of 600 m and is located on a prominent hill (Figure 19). Three diamond holes were completed on a single traverse to provide an initial test of the target (see Appendix 3 and Appendix 4: JORC Code, 2012 Edition, Table 1).

The drilling intersected extensive, flat-lying graphite mineralisation overlying a gneissic basement. The results confirm the tenor of the mineralisation that had been identified by mapping and rock-chip sampling.

Table 11: Ivan Prospect – Drilling Results

Hole No.	Intersection	Internal High-grade Zone	Downhole Depth (m)
MNDD005	2 m @ 5.5% C		0
MNDD006	20 m @ 7.2% C	(Includes 8 m @ 7.9% C)	0
MNDD007	16 m @ 6.0% C	(Includes 4 m @ 8.1% C)	0

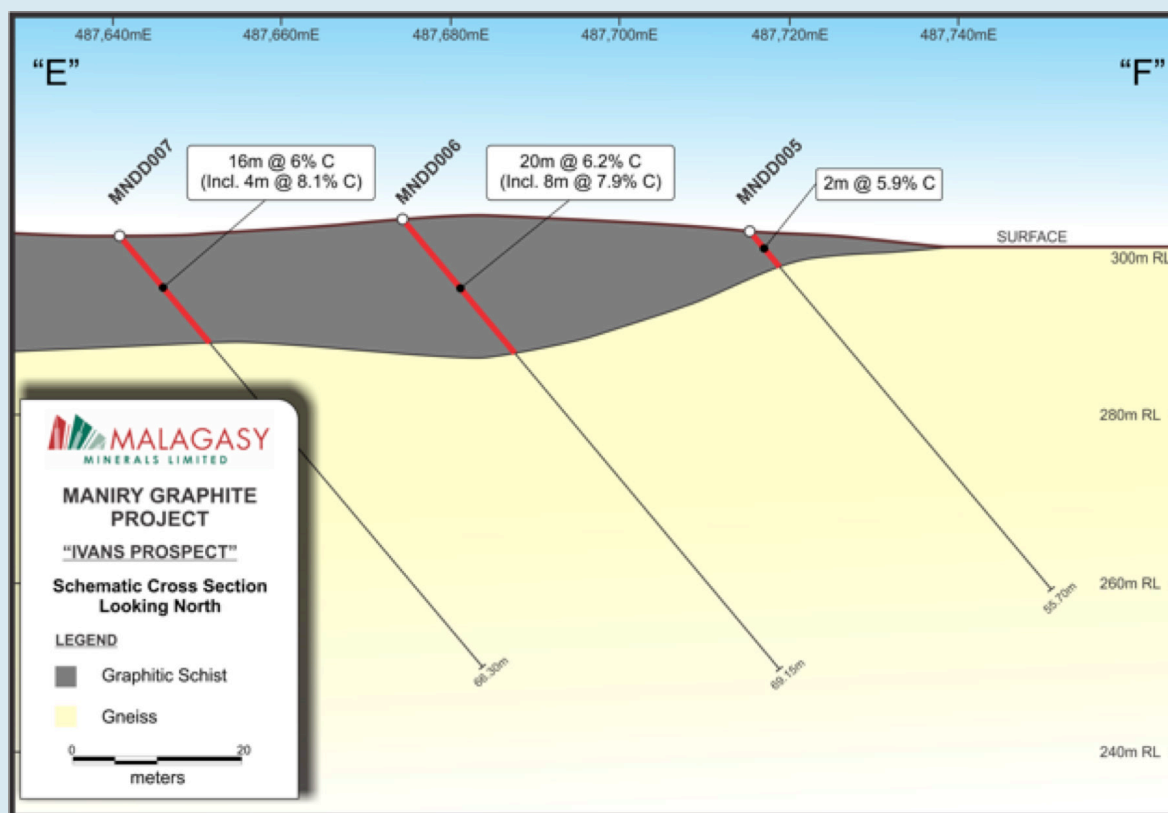


Figure 19: Ivan Prospect – Drilling

Fitia Prospect

The Fitia Prospect is located approximately 3.5 km to the immediate south of Razafy. The graphite deposit has a mapped width of up to 150 m and strike of 1.2 km and is located on a prominent hill. Two diamond holes were completed on a single traverse to provide an initial test of the target (Figure 20) (see Appendix 3 and Appendix 4: JORC Code, 2012 Edition, Table 1).

The drilling intersected extensive, flat-lying graphite mineralisation overlying a gneissic basement. The thickness appears to be significantly increasing to the west and the results confirm the tenor of the mineralisation that had been identified by mapping and rock-chip sampling.

Table 12: Fitia Prospect – Drilling Results

Hole No.	Intersection	Internal High-grade Zone	Downhole Depth (m)
MNDD014	16 m @ 6.1% C	(Includes 6 m @ 7.7% C)	0
MNDD015	46 m @ 5.0% C		0

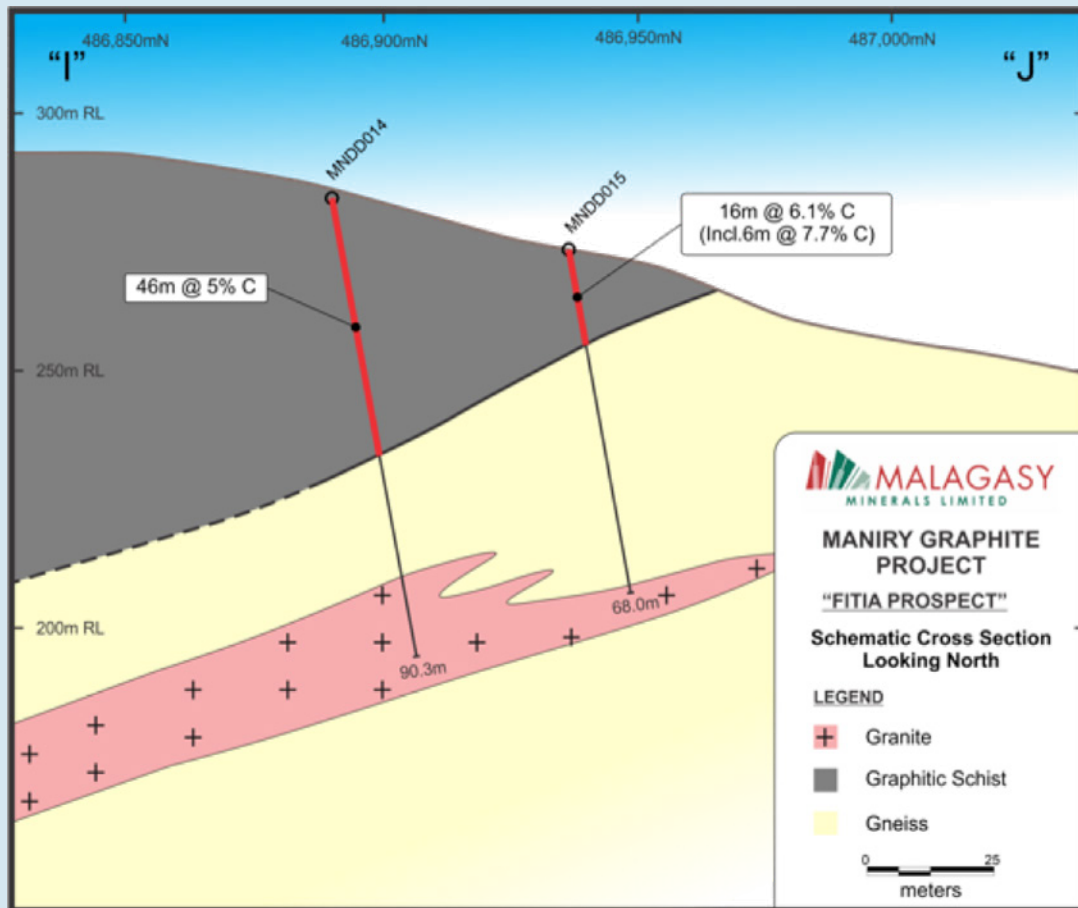


Figure 20: Fitia Prospect – Drilling

Resource Potential and Assessment

Maniry is considered to be at an advanced stage of exploration. The follow-up drilling and trenching have confirmed that the mapping and sampling completed to date can be considered a very good guide to the extent and quality of the mineralisation.

The large aerial extent, outcropping nature and in most cases flat-lying nature of the graphite mineralisation provide confidence that the prospects can be upgraded to JORC Code 2012 compliant resources. This process will also be aided by the fact that the variability of the mineralisation appears highly predictable, based on the data at hand.

MGY proposed drilling the Razafy Prospect to a spacing of 100 m by 25 m to estimate an initial resource. A similar approach at the Haja, Ivan and Fitia Prospects could deliver a large-scale, near-surface resource in a short period of time at Maniry.

In addition to the drilling component, a programme of metallurgical testwork will be required to confirm the quality of the graphite mineralisation.

6.2. Ianapera

Ianapera, a sub-project under the Project, is located within 10 km of the Molo graphite deposit (Figure 2). It consists of a series of high-grade outcrops of graphite mineralisation within a broader graphite trend. These high-grade, near-surface exposures of graphite mineralisation have the potential, collectively, to meet the stated resource target. Importantly, they lie over the top of a large conductive body, as defined in the airborne VTEM (Figure 12). As graphite is highly conductive, this may indicate the presence of a large graphitic mineralised system.

Previous exploration, consisting of geophysical interpretation, detailed mapping and outcrop sampling, has identified three target areas with currently delineated dimensions of up to 800 m long by 30 m wide. Rock-chip results of over 15% C have been consistently collected across these positions.

Key attributes of lanapera are as follows.

- Strategic position to potentially provide higher-grade feed to the Molo Graphite Project (5 to 15 km haulage).
- Consistently high-grade sampling results of up to 37.8% C are a premium over the Molo average of 6.3% C.
- Geophysical evidence indicates a larger concealed system beneath the known mapped extent of the mineralisation.

Resource Potential and Assessment

Ianapera is considered a strategic asset that could come into play when NEXT develops the Molo Graphite Project to the south. Based on the existing sampling data, the outcropping graphite mineralisation is at a consistently higher grade than the average of the Molo resource. If it can be established that the metallurgical characteristics at Ianapera are similar to those at Molo, then Ianapera would represent an alternate, higher-grade feed source.

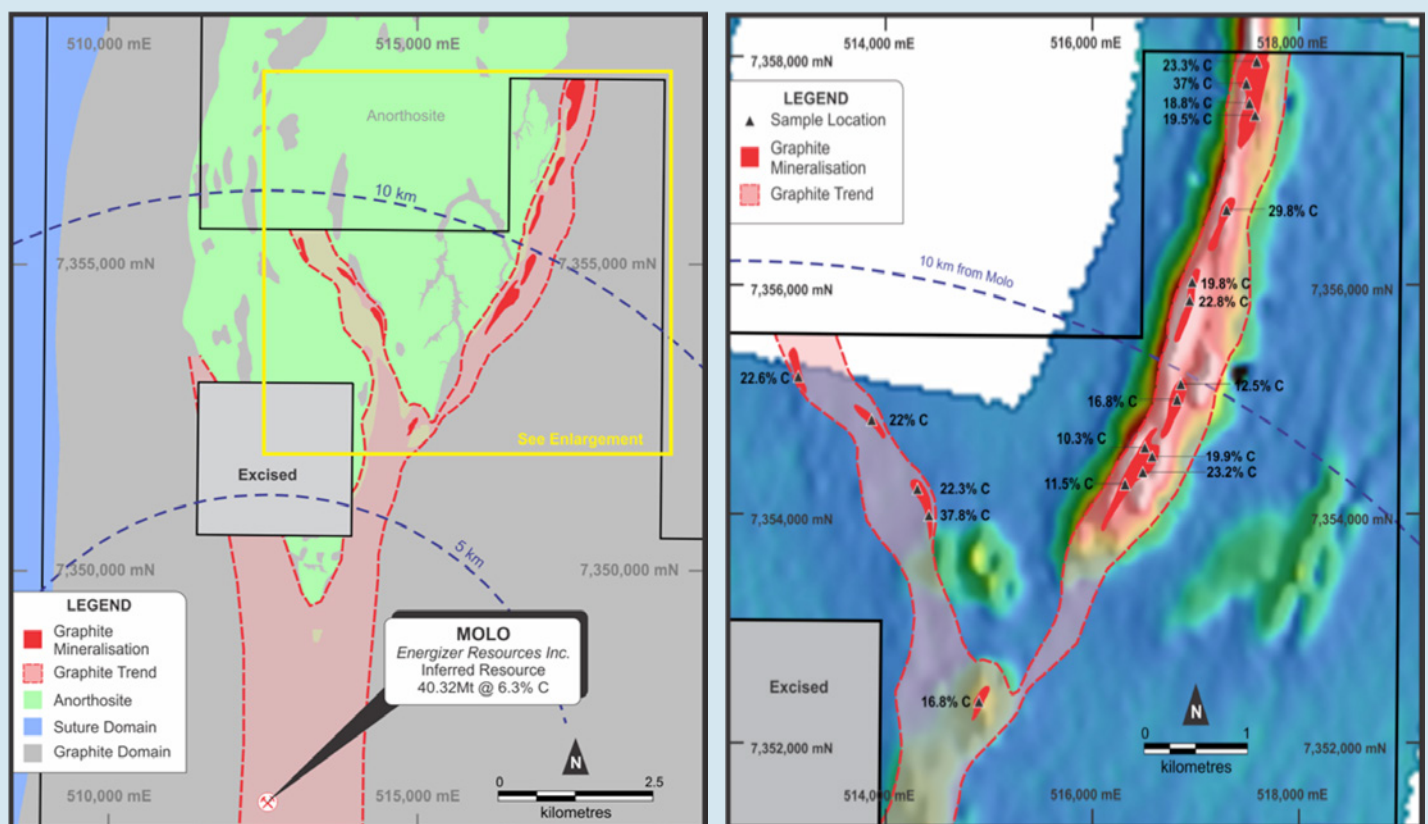


Figure 21: Ianapera – High-grade Graphite Mapped Outcrops

7. CONCLUSIONS

BlackEarth's Project in southern Madagascar is considered to have the potential to host a series of large-scale graphite deposits. Both Maniry and Ianapera have been the focus of quality exploration that will allow a quick transition to resource evaluation.

The mineralisation in most cases is outcropping, which will allow relatively shallow drilling and trenching to quickly delineate resources. Metallurgical testwork is required to understand the quality of the graphite mineralisation; however, the preliminary petrographic work is encouraging, as is the understanding of the characteristics of NEXT's Molo graphite deposit, located in the same geological setting.

Access to the sites is reasonable and local professional and operating experience readily available.

8. BUDGETS

During the first year, it is proposed that the focus will be delineating the graphite resources at the Razafy, Haja, Fitia and Ivan Prospects through programmes of drilling, trenching and subsequent metallurgical testwork.

Assessment of the advanced Razafy Prospect will include diamond drilling of approximately 36 holes (2,880 m) on a nominal 25 by 100 m spacing. Historically, an all-in drilling cost (drilling, labour, support and assays) of \$100/m has been incurred. Metallurgical samples can be taken from existing core to commence this critical component of the assessment.

At the Haja Prospect, the flat-lying nature of the mineralisation should allow a wider-spaced drilling pattern (100 by 50 m) as a first-pass resource assessment. Approximately 24 holes (2000 m) will be required.

The assessment of both the Fitia and Ivan Prospects would be completed during the second year. An allocation of 2000 m of drilling has been allocated, which would be expected to advance both these positions to initial resource status.

The second-year programme would involve additional infill drilling to increase resource classification levels, as well as a significant amount of expenditure on a programme of definitive metallurgical testwork.

Table 13: Proposed 2-year Budget

Exploration Activity	Year 1		Year 2	
	Min.	Full	Min.	Full
Trenching & first-pass drilling – Ianapera	\$100,000	\$200,000	\$100,000	\$100,000
Resource drilling – Razafy & Haja	\$300,000	\$700,000	\$200,000	\$250,000
Resource drilling – Fitia & Ivan	\$200,000	\$350,000	\$150,000	\$350,000
Metallurgical testwork	\$50,000	\$200,000	\$100,000	\$200,000
Madagascar – support service costs	\$225,000	\$300,000	\$225,000	\$250,000
Consulting	\$125,000	\$150,000	\$125,000	\$150,000
TOTALS	\$1,000,000	\$1,900,000	\$900,000	\$1,300,000

Min. = minimum IPO subscription of \$4,500,000

Full = full IPO subscription of \$6,000,000

Year 1 Totals exclude the \$75,000 payment to the vendor of the Madagascar Projects on listing

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APPENDIX 1 – PROJECT ROCK-CHIP RESULTS

Sample No	Easting	Northing	% C
MD05745	517525	7357979	23.3
MD05747	517397	7357743	37
MD05748	517540	7357500	19.5
MD05753	517294	7356612	29.8
MD05755	516971	7355945	22.83
MD05759	514664	7353457	10.3
MD05769	516871	7355038	16.83
MD05770	516360	7354360	11.5
MD05771	516429	7354373	23.2
MD05773	513170	7355149	22.6
MD05774	513866	7354800	22
MD05775	514351	7354153	22.3
MD05784	516854	7355192	12.49
MD05786	516611	7354421	19.9
MD05789	514394	7353987	37.85
MD05792	514920	7352389	16.76
MD05883	489148	7286108	33.70
MD05888	486744	7282097	28.40
MD05886	487557	7283740	28.10
MD05889	486885	7280652	21.10
MD05918	490079	7285071	20.20
MD05930	488644	7280660	18.50
MD05887	487435	7282960	17.90
MD05934	487504	7283278	16.50
MD05931	488858	7280769	15.30
MD05892	488091	7285801	14.40
MD05949	485966	7286158	13.00
MD05917	489415	7282919	12.60
MD05947	487930	7284732	12.50
MD05920	490049	7284600	12.40
MD05884	491679	7286047	12.10
MD05903	487625	7282345	12.10
MD05925	486038	7279987	12.00
MD05910	488457	7280991	10.60
MD05945	487888	7284922	10.60
MD05933	488527	7281500	10.40
MN36728	488885	7285221	19.15
MD37729	488890	7285200	13.57
MD36730	488911	7285177	23.07
MD36731	488951	7285186	12.01
MD36732	488656	7285257	12.81
MD36733	488708	7285224	17.79
MD36734	488570	7285252	11.05
MD36735	490318	7284103	13.16

MD36736	490228	7284041	11.88
MD36742	490249	7282590	28.11
MD36743	488554	7281089	12.83
MD36738	489510	7282446	11.53
MD36739	489523	7282420	12.94
MD36740	489573	7282391	10.12
MD36745	488586	7281019	11.25
MD36746	488294	7281010	14.69
MD36750	485605	7281412	24.92
MD36751	485608	7281580	15.68
MD36752	486249	7281645	12.30
MD36755	486627	7279776	50.78
MD36758	487220	7286575	10.55
MD36759	486851	7286388	10.95
MD36763	486397	7286528	15.71
MD36762	486418	7286564	20.53
MD36766	486690	7286089	12.08
MD36767	486690	7286089	12.62
MD36768	486773	7285551	19.00
MD36769	487225	7285983	11.35
MD36770	487225	7285983	10.64

[Analysis completed by Genalysis-Intertek Laboratories (Perth). The analytical method was CSA (Total Carbon and Sulphur by CS analyser) detection limit of 0.01–50% C.]

APPENDIX 2 – MANIRY TRENCH RESULTS

LENS	No. of Composite Samples	Traverse Length (m)	Grade (%C)	Sample Grade	Sample No.	Easting	Northing
A	5	125	6.18	6.4	MD09195	487,780	7,285,150
				4.4	MD09196	487,755	7,285,150
				5.6	MD09197	487,730	7,285,150
				5.7	MD09198	487,705	7,285,150
				8.8	MD09199	487,680	7,285,150
B	6	150	8.28	9.2	MD09200	488,850	7,284,200
				8.2	MD09201	488,825	7,284,200
				8.3	MD09202	488,800	7,284,200
				6.9	MD09203	488,775	7,284,200
				7.8	MD09204	488,750	7,284,200
C	3	75	6.50	9.3	MD09205	488,725	7,284,200
				8.9	MD09206	487,985	7,283,860
				5.4	MD09207	487,960	7,283,860
				5.2	MD09208	487,935	7,283,860
				29.0	MD09209	487,740	7,284,077
D	7	175	11.75	8.7	MD09210	487,715	7,284,077
				6.1	MD09211	487,690	7,284,077
				6.9	MD09212	487,665	7,284,077
				6.0	MD09213	487,640	7,284,077
				18	MD09214	487,615	7,284,077
E	9	250	8.67	7.6	MD09215	487,590	7,284,077
				8.8	MD09216	486,600	7,284,410
				10.5	MD09217	486,625	7,284,410
				7.0	MD09218	486,650	7,284,410
				9.6	MD09219	486,675	7,284,410
F	6	150	6.42	9.2	MD09220	486,700	7,284,410
				6.5	MD09221	486,725	7,284,410
				9.1	MD09222	486,750	7,284,410
				8.6	MD09223	486,800	7,284,410
				8.8	MD09224	486,825	7,284,410
G	5	125	7.96	6.7	MD09230	488,060	7,283,122
				4.9	MD09231	488,085	7,283,122
				6.6	MD09232	488,110	7,283,122
				8.5	MD09233	488,135	7,283,122
				5.2	MD09234	488,160	7,283,122
H	5	125	7.96	6.6	MD09235	488,185	7,283,122
				8.1	MD09236	487,175	7,283,388
				5.1	MD09237	487,150	7,283,388
				10.4	MD09238	487,125	7,283,388
				6.2	MD09239	487,100	7,283,388
I	7	150	4.46	10.0	MD09240	487,075	7,283,388
				13.2	MD09404	486,974	7,282,412
				11.5	MD09405	486,946	7,282,424
				8.9	MD09406	486,919	7,282,408
				5.5	MD09407	486,896	7,282,410
J	4	90	12.13	3.6	MD09408	486,876	7,282,413
				5.3	MD09409	486,852	7,282,419
				7.9	MD09410	486,841	7,282,423
				6.2	MD09411	486,802	7,282,425
				6.5	MD09412	486,775	7,282,424
K	4	100	9.80	5.4	MD09413	486,754	7,282,423
				6.7	MD09414	486,731	7,282,427
				5.6	MD09397	486,359	7,281,653
				3.5	MD09398	486,373	7,281,667
				5.1	MD09399	486,397	7,281,667
L	4	90	12.13	3.2	MD09400	486,444	7,281,658
				4.4	MD09401	486,444	7,281,666
				4.7	MD09402	486,476	7,281,676
				4.7	MD09403	486,491	7,281,676
				10.2	MD09361	488,122	7,285,764
M	4	90	12.13	10.7	MD09362	488,100	7,285,766
				15.9	MD09363	488,072	7,285,762
				11.7	MD09364	488,056	7,285,761
				9.9	MD09357	486,944	7,285,340
				15.4	MD09358	486,901	7,285,336

				5.7	MD09359	486,868	7,285,343
				8.2	MD09360	486,831	7,285,351
L	6	150	10.18	9.6	MD09351	486,871	7,286,054
				9.6	MD09352	486,828	7,286,070
				7.1	MD09353	486,801	7,286,075
				12.0	MD09354	486,788	7,286,069
				11.4	MD09355	486,753	7,286,069
				11.4	MD09356	486,739	7,286,059
M	8	175	7.26	13.4	MD09386	487,273	7,282,025
				6.6	MD09387	487,259	7,282,025
				4.8	MD09388	487,230	7,282,028
				4.4	MD09389	487,206	7,282,028
				4.8	MD09390	487,186	7,282,026
				8.3	MD09391	487,162	7,282,027
				7.4	MD09392	487,135	7,282,014
				8.4	MD09393	487,107	7,282,010
N	3	75	7.6	7.4	MD09365	487,809	7,280,656
				8.2	MD09366	487,834	7,280,656
				7.2	MD09367	487,858	7,280,656
O	3	75	7.5	7.3	MD09377	487,927	7,281,584
				9.5	MD09378	487,906	7,281,582
				5.7	MD09379	487,876	7,281,603
	6	150	6.17	6.9	MD09368	487,610	7,280,758
				5.8	MD09369	487,576	7,280,748
				5.3	MD09370	487,557	7,280,751
				5.1	MD09371	487,525	7,280,748
				6.6	MD09372	487,507	7,280,752
				7.3	MD09373	487,483	7,280,753
	3	75	4.87	4.8	MD09374	487,126	7,280,183
				4.7	MD09375	487,158	7,280,184
				5.1	MD09376	487,173	7,280,185
P	4	100	6.75	6.0	MD09241	487,065	7,283,666
				6.2	MD09242	487,090	7,283,666
				8.5	MD09243	487,115	7,283,666
				6.3	MD09244	487,127	7,283,666

Trench	From	To	Width (m)	C%
MNT001	12	24	12	5.1
<i>inc.</i>	12	16	4	8.1
MNT002	2	28	26	5.3
<i>inc.</i>	16	22	6	8
MNT003	8	42	34	5
<i>inc.</i>	18	20	2	8.4
MNT003	108	138	30	5
MNT004	18	60	42	6.9
<i>inc.</i>	20	34	14	8.2
<i>inc.</i>	42	50	8	9.6
MNT005	6	10	4	7.1
MNT005	18	40	22	5.4
<i>inc.</i>	34	36	2	9.2
MNT006	4	62	58	5.4
<i>inc.</i>	30	46	16	8.7
MNT007	10	40	30	8.5
MNT008	0	10	10	5.4
<i>inc.</i>	6	8	2	7.5
MNT009	6	36	30	5.1
<i>inc.</i>	26	28	2	10
MNT010	8	22	14	5

	<i>inc.</i>	8	10	2	8.2
MNT012		0	48	48	5
	<i>inc.</i>	6	8	2	8.2
	<i>inc.</i>	26	30	4	7.8
MNT013		4	40	36	5.4
	<i>inc.</i>	14	16	2	8.43
	<i>inc.</i>	28	34	6	8.6
MNT014		4	42	38	5
	<i>inc.</i>	20	22	2	8.9
MNT014		92	126	34	5.6
	<i>inc.</i>	102	108	6	9.3
MNT015		10	54	44	5.3
	<i>inc.</i>	30	40	10	8.4
MNT016		34	36	2	5.4
MNT016		110	150	40	5.5
	<i>inc.</i>	124	126	2	10.6
	<i>inc.</i>	144	146	2	7.73
MNT017		0	130	130	5.5
	<i>inc.</i>	26	28	2	8.8
	<i>inc.</i>	38	42	4	9.8
	<i>inc.</i>	64	66	2	8.4
	<i>inc.</i>	74	76	2	9.8
	<i>inc.</i>	106	108	2	10
	<i>inc.</i>	128	130	2	10.8
MNT018		0	226	226	5.2
	<i>inc.</i>	6	8	2	9.2
	<i>inc.</i>	20	22	2	8.4
	<i>inc.</i>	56	62	6	9
	<i>inc.</i>	84	86	2	7.8
	<i>inc.</i>	120	124	4	9.3
	<i>inc.</i>	158	170	12	7.5
	<i>inc.</i>	224	226	2	8.5
MNT019		0	276	276	5.2
	<i>inc.</i>	72	74	2	7.6
	<i>inc.</i>	86	88	2	8.3
	<i>inc.</i>	148	150	2	8
	<i>inc.</i>	158	160	2	8.7
	<i>inc.</i>	178	196	18	7.5
	<i>inc.</i>	260	264	4	8.1
MNT020		20	34	14	5.6
	<i>inc.</i>	24	28	4	8.6
MNT020		40	52	12	5.1
	<i>inc.</i>	44	46	2	9.1
MNT020		64	66	2	5.1
MNT020		78	80	2	5.1
MNT020		140	208	68	5.2
	<i>inc.</i>	200	202	2	7.9

APPENDIX 3 – MANIRY DRILLING DETAILS

Hole_ID	Prospect	Depth (m)	Easting	Northing	RL (m)	Azimuth	Dip
MNDD001	Razafy	84.80	486806	7285996	306	233	-60
MNDD002	Razafy	109.90	486822	7286009	289	233	-60
MNDD003	Razafy	117.60	486850	7286066	306	233	-60
MNDD004	Razafy	95.70	486870	7286082	310	233	-60
MNDD005	Ivan	55.70	487715	7284073	302	93	-50
MNDD006	Ivan	69.15	487674	7284074	303	93	-50
MNDD007	Ivan	66.30	487641	7284081	301	93	-50
MNDD008	Haja	122.00	486700	7284480	297	270	-60
MNDD009	Haja	118.80	486753	7284479	291	270	-60
MNDD010	Razafy	82.60	487076	7285654	287	240	-60
MNDD011	Razafy	113.00	487092	7285663	290	240	-60
MNDD012	Razafy	58.80	487155	7285693	298	240	-60
MNDD013	Razafy	142.00	487174	7285698	293	240	-60
MNDD014	Fitia	90.30	486890	7282413	283	90	-80
MNDD015	Fitia	68.00	486936	7282411	273	90	-80
MNDD016	Haja	82.95	486655	7284480	302	270	-60
MNDD017	Razafy	111.00	486905	7286078	304	233	-60

[See attached JORC Code 2012 Edition Table 1 for compliance tabulation.]

APPENDIX 4

JORC Code, 2012 Edition

Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<p>ROCK-CHIP SAMPLES This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect. Samples consisted of taking representative samples over the area of a single outcrop and compositing this into an approximately 5 kg sample. Sampling is considered to be representative of each individual outcrop.</p> <p>TRAVERSE CHANNEL SAMPLING This information applies to: Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect. The sampling consisted of systematic rock-chip samples across the interpreted strike of the graphite lenses, with rock-chip samples collected as a 10 kg composite to represent an approximate 25 m interval. Sampling is considered to be representative.</p> <p>DRILL CORE SAMPLING This information applies to: Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect. Sampling consisted of 2 m composite samples of quarter core from all significantly mineralised zones. Samples were cut using a diamond blade core saw. Duplicate samples were collected every ~20th sample for QAQC purposes. Sampling is considered to be comprehensive and representative. Remaining core was retained as a permanent reference.</p>
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<p>This information applies to: Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect. Diamond drilling was undertaken. Core sizes collected were HQ and NQ in 3 m intervals. Core was not orientated.</p>
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<p>This information applies to: Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect. Core recovery was routinely recorded every metre by a trained geologist. Core recovery at the start of hole, 0-10 m, averaged 65% recovery, whilst from 10 m onwards recovery typically ranged between 95-100%. Mineralised zones reported in this announcement have incurred core loss, at this stage it is unsure whether a relationship exists between grades and core loss.</p>

Criteria	JORC Code explanation	Commentary
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>All rock-chip and channel samples were logged by a qualified and experienced geologist.</p> <p>All holes were logged by a qualified and experienced geologist.</p> <p>All sample logging included descriptions of geotechnical, mineralisation, structural and lithological aspects and was digitally recorded using an industry standard code system. Core was formally photographed. Data collected offers sufficient detail for the purpose of interpretation and further studies.</p>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/ second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>The rock-chip and channel composite sampling was deemed to be comprehensive and representative for the style/type of mineralisation under investigation. Duplicate samples were taken approximately every ~20th sample for QAQC purposes.</p> <p>Quarter core was cut using a diamond core saw and collected for assay. 2 m composite sampling was deemed to be comprehensive and representative for the style/type of mineralisation under investigation. Duplicate samples were taken (remaining quarter core) approximately every ~20th sample for QAQC purposes.</p>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis, including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>All samples were prepared at Intertek-Genalysis Madagascar operations. Samples were pulverised and split into 200 g samples and freighted to ACME laboratories in Canada for assay. Samples were leached with concentrated nitric acid followed by KOH and finally dilute HCl, then analysed by a LECO Carbon-Sulphur analyser to give a total graphitic carbon (TGC) percentage. The laboratory procedures are considered to be appropriate for reporting TGC according to industry best practice. The insertion of CRM's and duplicates every ~20 samples by MGY was used as an internal means of QAQC of laboratory standards. No issues were encountered.</p>

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>Significant samples and drilling intersections have been verified by consulting geologists to the group, OMNI Geox Pty Ltd. No holes have been twinned. All data has been captured digitally upon logging and stored digitally and securely within the Perth head office database.</p>
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>All XYZ surveying was collected using a handheld Garmin GPS accurate to ± 4 m. Projection and grid system used: UTM (WGS84) Z38S.</p>
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>Sample spacing for rock-chip samples was dependent on the distribution of each outcrop.</p> <p>Channel sampling was based on geological mapping to determine a representative location of the graphite lense.</p> <p>Drill hole spacing on each section is between 20-40 m across various prospects over a 20 km² area.</p>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>The orientation of the rock-chip samples, channel composite and drilling is not expected to introduce sampling bias. Most drill holes have intersected the mineralisation at near perpendicular angles to strike.</p>
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>Samples were packaged and stored in secure storage from the time of gathering through to submission. Laboratory best practice methods were employed by the laboratory upon receipt.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>An audit of the sampling technique and data was carried out by consulting geologists to the group, OMNI Geox Pty Ltd and deemed to have been satisfactory.</p>

Section 2 Reporting of Exploration Results
(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary																																																																																																																																																
Mineral tenement and land tenure status	<ul style="list-style-type: none">Type, reference name/number, location and ownership, including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.The security of the tenure held at the time of reporting, along with any known impediments to obtaining a licence to operate in the area.	<p>Work was undertaken upon permits 5391, 5392,5393, 25093, 25094, 5394, 39750, 39751,3432, 25605, and 25606.</p> <ul style="list-style-type: none">The tenements are located within the inland South West of Madagascar approximately centered on the townships of Fotradrevo and Ampanihy.Tenements are held 100% by Mada-Aust, a wholly owned subsidiary of Malagasy Ltd.No overriding royalties are in place.There is no native title agreement required.Tenure does not coincide with any historical sites or national parkland.Semi-arid, thinly vegetated, relatively flat to low-lying hills with sub-cropping rock.Tenements are currently secure and in good standing.																																																																																																																																																
Exploration done by other parties	<ul style="list-style-type: none">Acknowledgment and appraisal of exploration by other parties.	Regional mapping by BRGM.																																																																																																																																																
Geology	<ul style="list-style-type: none">Deposit type, geological setting and style of mineralisation.	<p>The project overlies a prominent 20 km wide zone of a folded assemblage of graphite and quartz-feldspar schists (<60% graphite), quartzite and marble units, with lesser intercalated amphibolite and leucogneiss.</p> <p>This zone, termed the Ampanihy Belt, is a core component of the Neoproterozoic Graphite System. The belt is interpreted as a ductile shear zone accreted from rocks of volcanic and sedimentary origins.</p>																																																																																																																																																
Drill hole Information	<ul style="list-style-type: none">A summary of all information material to the understanding of the exploration results, including a tabulation of the following information for all Material drill holes:<ul style="list-style-type: none">easting and northing of the drill hole collarelevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collardip and azimuth of the holedown hole length and interception depthhole length.If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	<p>This information applies to: Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <table><tr><th>Hole_ID</th><th>Prospect</th><th>Depth (m)</th><th>Easting</th><th>Northing</th><th>RL (m)</th><th>Azimuth</th><th>Dip</th></tr><tr><td>MNDD001</td><td>Razafy</td><td>84.80</td><td>486806</td><td>7285996</td><td>306</td><td>233</td><td>-60</td></tr><tr><td>MNDD002</td><td>Razafy</td><td>109.90</td><td>486822</td><td>7286009</td><td>289</td><td>233</td><td>-60</td></tr><tr><td>MNDD003</td><td>Razafy</td><td>117.60</td><td>486850</td><td>7286066</td><td>306</td><td>233</td><td>-60</td></tr><tr><td>MNDD004</td><td>Razafy</td><td>95.70</td><td>486870</td><td>7286082</td><td>310</td><td>233</td><td>-60</td></tr><tr><td>MNDD005</td><td>Ivan</td><td>55.70</td><td>487715</td><td>7284073</td><td>302</td><td>93</td><td>-50</td></tr><tr><td>MNDD006</td><td>Ivan</td><td>69.15</td><td>487674</td><td>7284074</td><td>303</td><td>93</td><td>-50</td></tr><tr><td>MNDD007</td><td>Ivan</td><td>66.30</td><td>487641</td><td>7284081</td><td>301</td><td>93</td><td>-50</td></tr><tr><td>MNDD008</td><td>Haja</td><td>122.00</td><td>486700</td><td>7284480</td><td>297</td><td>270</td><td>-60</td></tr><tr><td>MNDD009</td><td>Haja</td><td>118.80</td><td>486753</td><td>7284479</td><td>291</td><td>270</td><td>-60</td></tr><tr><td>MNDD010</td><td>Razafy</td><td>82.60</td><td>487076</td><td>7285654</td><td>287</td><td>240</td><td>-60</td></tr><tr><td>MNDD011</td><td>Razafy</td><td>113.00</td><td>487092</td><td>7285663</td><td>290</td><td>240</td><td>-60</td></tr><tr><td>MNDD012</td><td>Razafy</td><td>58.80</td><td>487155</td><td>7285693</td><td>298</td><td>240</td><td>-60</td></tr><tr><td>MNDD013</td><td>Razafy</td><td>142.00</td><td>487174</td><td>7285698</td><td>293</td><td>240</td><td>-60</td></tr><tr><td>MNDD014</td><td>Fitia</td><td>90.30</td><td>486890</td><td>7282413</td><td>283</td><td>90</td><td>-80</td></tr><tr><td>MNDD015</td><td>Fitia</td><td>68.00</td><td>486936</td><td>7282411</td><td>273</td><td>90</td><td>-80</td></tr><tr><td>MNDD016</td><td>Haja</td><td>82.95</td><td>486655</td><td>7284480</td><td>302</td><td>270</td><td>-60</td></tr><tr><td>MNDD017</td><td>Razafy</td><td>111.00</td><td>486905</td><td>7286078</td><td>304</td><td>233</td><td>-60</td></tr></table> <p>Also see Appendix (3).</p>	Hole_ID	Prospect	Depth (m)	Easting	Northing	RL (m)	Azimuth	Dip	MNDD001	Razafy	84.80	486806	7285996	306	233	-60	MNDD002	Razafy	109.90	486822	7286009	289	233	-60	MNDD003	Razafy	117.60	486850	7286066	306	233	-60	MNDD004	Razafy	95.70	486870	7286082	310	233	-60	MNDD005	Ivan	55.70	487715	7284073	302	93	-50	MNDD006	Ivan	69.15	487674	7284074	303	93	-50	MNDD007	Ivan	66.30	487641	7284081	301	93	-50	MNDD008	Haja	122.00	486700	7284480	297	270	-60	MNDD009	Haja	118.80	486753	7284479	291	270	-60	MNDD010	Razafy	82.60	487076	7285654	287	240	-60	MNDD011	Razafy	113.00	487092	7285663	290	240	-60	MNDD012	Razafy	58.80	487155	7285693	298	240	-60	MNDD013	Razafy	142.00	487174	7285698	293	240	-60	MNDD014	Fitia	90.30	486890	7282413	283	90	-80	MNDD015	Fitia	68.00	486936	7282411	273	90	-80	MNDD016	Haja	82.95	486655	7284480	302	270	-60	MNDD017	Razafy	111.00	486905	7286078	304	233	-60
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Criteria	JORC Code explanation	Commentary
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low-grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>No top cuts have been applied. A nominal 4% lower cut-off has been applied in the determination of significant intercepts. High-grade intercepts within broader low-grade intervals have been separated as 'including' results. No metal equivalent values are used in this report.</p>
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>Most drilling has intersected mineralised zones at a near perpendicular angle, so true widths can be inferred by the reader.</p>
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to, a plan view of drill hole collar locations and appropriate sectional views. 	Refer to figures within text.
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practised to avoid misleading reporting of Exploration Results. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>Representative reporting of low and high grades has been effected within this report.</p>
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported, including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<p>This information applies to: Regional reconnaissance sampling, Ianapera Project, Razafy Prospect, Haja Prospect, Ivan Prospect and Fitia Prospect.</p> <p>Mapping, rock-chip sampling and trenching have been completed across the project area. These results were utilised to provide targets for the drilling programmes and as such have been superseded.</p>
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	Potential resource definition drilling to be undertaken.

12. INVESTIGATING ACCOUNTANT'S REPORT

24 November 2017

The Directors
BlackEarth Minerals NL
Level 1
675 Murray Street
West Perth WA 6005

Dear Sirs

Investigating Accountant's Report on BlackEarth Minerals NL historical and pro forma historical financial information

Introduction

We have been engaged by BlackEarth Minerals NL ("**BlackEarth**" or the "**Company**") to prepare this Investigating Accountant's Report (the "**Report**") on the historical financial information and pro forma historical financial information of the Company as at 30 June 2017 for inclusion in the Replacement Prospectus dated on or about 24 November 2017 and relating to the following offers of Shares:

- a) an offer of up to 22,500,000 Shares at an issue price of \$0.20 each to raise \$4,500,000 before costs ("**Minimum Offer**");
- b) an offer of up to 30,000,000 Shares at an issue price of \$0.20 each to raise \$6,000,000 before costs ("**Maximum Offer**");
- c) one free partly paid share (paid to \$0.0001 and unpaid to \$0.2499) for every two shares subscribed for.

(together, the "**Offers**")

Expressions and terms defined in the Prospectus have the same meaning in this report.

Scope

Historical financial information

You have requested William Buck Consulting (WA) Pty Ltd to review the following historical financial information of the Company and Mada-Aust SARL included in Appendices 1, 2, 7, 8 and 9 of the Report:

BlackEarth

- the historical Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2017;
- the historical Consolidated Statement of Cash Flows for the period ended 30 June 2017; and
- the historical Consolidated Statement of Financial Position as at 30 June 2017.

CHARTERED ACCOUNTANTS & ADVISORS

Level 3, 15 Labouchere Road
South Perth WA 6151

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South Perth WA 6951

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Mada-Aust SARL*

- the historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2016 and 30 June 2017;
- the historical Statements of Financial Position as at 30 June 2015, 30 June 2016 and 30 June 2017; and
- the historical Statements of Cash Flows for the years ended 30 June 2015, 30 June 2016 and 30 June 2017.

*The historical statements of profit or loss and other comprehensive income and historical statements of cash flows for the years ended 30 June 2015, 30 June 2016 and 30 June 2017 and historical statements of financial position as at 30 June 2015, 30 June 2016 and 30 June 2017 represent the entity which will be acquired by BlackEarth (through acquiring Madagascar Graphite Ltd) pursuant to the Madagascan Acquisition Agreement.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's/Mada-Aust SARL's adopted accounting policies. The historical financial information has been extracted from the financial reports of the Company and Mada-Aust SARL for the period ended 30 June 2017 and the years ended 30 June 2015, 30 June 2016 and 30 June 2017 respectively, which were audited by William Buck Audit (WA) Pty Ltd in accordance with Australian Auditing Standards. William Buck Audit (WA) Pty Ltd issued an unmodified audit opinion on the financial reports for the period ended 30 June 2017 and the years ended 30 June 2015, 30 June 2016 and 30 June 2017. The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma historical financial information

You have requested William Buck Consulting (WA) Pty Ltd to review the pro forma historical Consolidated Statement of Financial Position as at 30 June 2017 referred to as "the pro forma historical financial information" as included in Appendix 3 of the Report.

The pro forma historical financial information has been derived from the historical financial information of BlackEarth, after adjusting for the effects of the subsequent events and pro forma transactions described in Appendices 5 & 6 of the Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma transactions relate, as described in Appendices 5 & 6 of the Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

The pro forma historical financial information as described in Appendix 3 of the Report has been prepared by adjusting the Consolidated Statement of Financial Position of

BlackEarth as at 30 June 2017 to reflect the financial effects of the following subsequent events which have occurred in the period since 30 June 2017:

- On 11 July 2017, shareholders approved the cancellation of 19,000,000 fully paid ordinary shares and 9,000,000 partly paid shares;
- On 17 July 2017, the Company issued 1,000,000 fully paid ordinary shares at a deemed price of 20 cents per share to Lithium Australia NL as consideration for the transfer of its graphite assets and accrued stamp duty of \$4,180;
- On 17 July 2017, the Company issued 1,000,000 partly paid shares to the Contingent Entitlement Trustee with a deemed price of \$0.0001 and \$0.2499 unpaid to the Trustee;
- On 21 July 2017, the Company and Capricorn Metals Ltd agreed for an extension of the end date of the agreement dated 21 February 2017, to 30 November 2017 which has subsequently been extended to 31 March 2018; and
- On 9 October 2017, the Company issued 3,000,000 fully paid ordinary shares at a deemed price of \$0.0001 per share for the purpose of satisfying any required promotional obligations including those listed in the Lead Manager Mandate.

and the following pro forma transactions which are yet to occur, but are proposed to occur following completion of the capital raising:

- The purchase of the Madagascan subsidiary Mada-Aust SARL through Madagascar Graphite Ltd by the issue of 2,000,000 shares at the deemed price of \$0.20 per share plus the payment of a further \$75,000. The acquisition details are noted in Appendix 6 of this Report;
- Minimum Subscription - The issue of 22,500,000 Shares at an issue price of \$0.20 each and 11,250,000 partly paid shares with a deemed price of \$0.0001 and \$0.2499 unpaid, to raise \$4,500,000 before costs of \$550,000, being the minimum subscription pursuant to the Public Offer under the Prospectus;
- Minimum Subscription - Costs of the Public Offer are estimated to be \$550,000 based on the minimum subscription;
- Maximum Subscription - The issue of 30,000,000 Shares at an issue price of \$0.20 each and 15,000,000 partly paid shares with a deemed price of \$0.0001 and \$0.2499 unpaid to raise \$6,000,000 before costs of \$650,000, being the maximum subscription pursuant to the Public Offer under the Prospectus; and
- Maximum Subscription - Costs of the Public Offer are estimated to be \$650,000 based on the maximum subscription.

Directors' responsibility

The directors of BlackEarth are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in Appendices 1, 2, 7, 8 and 9 of the Report, and comprising:

- the historical Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2017; the historical Consolidated Statement of Cash Flows for the period ended 30 June 2017; and the historical Consolidated Statement of Financial Position as at 30 June 2017 of BlackEarth; and
- the historical Statement of Profit or Loss and Other Comprehensive Income and historical Statement of Cash Flows for the years ended 30 June 2015, 30 June 2016 and 30 June 2017; and the historical Statement of Financial Position as at 30 June 2015, 30 June 2016 and 30 June 2017 of Mada-Aust SARL.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Appendix 1(a) of the Report.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information comprising the Consolidated Statement of Financial Position as at 30 June 2017 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Appendix 3 of the Report.

Restriction on Use

We disclaim any assumptions of responsibility for any reliance on this report or on the prospective financial information to which this report relates for any purpose other than the purpose for which it was prepared. This report should be read in conjunction with the Prospectus.

General Advice Limitation

This report has been prepared and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on this information contained in this Report. Before acting or relying on information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Independence

William Buck Consulting (WA) Pty Ltd does not have any interest in the outcome of the issue of shares other than in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Consent

William Buck Consulting (WA) Pty Ltd has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included. At the date of this Report our consent has not been withdrawn. William Buck Consulting (WA) Pty Ltd makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

William Buck Consulting (WA) Pty Ltd has not authorised the issue of the Prospectus and our Report should not be taken as an endorsement of the Company or a recommendation by William Buck Consulting (WA) Pty Ltd of any participation in the share issue by any intending investors.

Yours faithfully
William Buck Consulting (WA) Pty Ltd
ABN 74 125 178 734

A handwritten signature in blue ink, appearing to read "Robin Judd", written in a cursive style.

Robin Judd
Director
Dated this 24th day of November 2017

12. Financial Information

12.1 The Company

BlackEarth Minerals NL (BlackEarth or the Company) was incorporated on 15 March 2016 for the purpose of identifying, evaluating and acquiring various investment opportunities in the resources sector that are considered by the Board to add potential Shareholder value.

The Investigating Accountant's Report prepared by William Buck Consulting (WA) Pty Ltd incorporates abbreviated historical consolidated statement of profit or loss and other comprehensive income and historical consolidated statement of cash flows for the Company, for the financial period ended 30 June 2017.

Please refer to Appendices 1, 2, 3, 7, 8 and 9 of the Investigating Accountant's Report in Section 12 for further information.

The pro-forma consolidated statement of financial position referred to in Appendix 3 has been derived from the Company's historical consolidated statement of financial position as at 30 June 2017.

The audited financial statements (inclusive of significant accounting policies) of the Company for the financial year period ended 30 June 2017 are available (free of charge) on request to the Company on (08) 6145 0289 between 9.00am and 5.00pm (AEST) Monday to Friday.

Given the limited trading history of the Company, no assurance can be given that the Company will achieve commercial production and accordingly an investment in the Company should be considered high risk.

Also attached as Appendices 7, 8 and 9 is the historical financial information for the subsidiary which is being acquired pursuant to the Madagascan Acquisition Agreement.

APPENDIX 1 – EXCERPTS FROM AUDITED 2017 ANNUAL FINANCIAL REPORT

BLACKEARTH MINERALS NL

HISTORICAL CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the Period Ended 30 June 2017

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

APPENDIX 2 – EXCERPTS FROM AUDITED 2017 ANNUAL FINANCIAL REPORT

BLACKEARTH MINERALS NL

HISTORICAL CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period Ended 30 June 2017

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

APPENDIX 3

BLACKEARTH MINERALS NL

HISTORICAL AND PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited 30 June 2017	Subsequent events	Pro forma adjustments minimum	Pro forma adjustments maximum	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
		\$	\$	\$	\$	\$	\$
Current assets							
Cash and cash equivalents	2	340,188	(3,700)	3,877,618	5,277,618	4,214,106	5,614,106
Trade and other receivables	3	27	-	163,935	163,935	163,962	163,962
Total current assets		340,215	(3,700)	4,041,553	5,441,553	4,378,068	5,778,068
Non-current assets							
Other assets	4	75,000	-	(41,779)	(41,779)	33,221	33,221
Plant & equipment	5	1,803	-	16,396	16,396	18,199	18,199
Mineral exploration & evaluation expenditure	6	-	204,180	459,224	459,224	663,404	663,404
Total non-current assets		76,803	204,180	433,841	433,841	714,824	714,824
Total assets		417,018	200,480	4,475,394	5,875,394	5,092,892	6,492,892
Current liabilities							
Trade and other payables	7	80,202	4,180	125,394	125,394	209,776	209,776
Total current liabilities		80,202	4,180	125,394	125,394	209,776	209,776
Total liabilities		80,202	4,180	125,394	125,394	209,776	209,776
Net assets		336,816	196,300	4,350,000	5,750,000	4,883,116	6,283,116
Equity							
Contributed equity	8	640,601	196,300	4,350,000	5,750,000	5,186,901	6,586,901
Reserves	9	291	-	-	-	291	291
Accumulated losses	10	(304,076)	-	-	-	(304,076)	(304,076)
Total equity		336,816	196,300	4,350,000	5,750,000	4,883,116	6,283,116

The above pro forma consolidated statement of financial position after the Offers is as per the consolidated statement of financial position before the Offers, adjusted for any subsequent events and the transactions relating to the issue of Shares pursuant to this Prospectus. The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

APPENDIX 4

BLACKEARTH MINERALS NL

NOTES TO AND FORMING PART OF THE HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and pro forma financial information are set out below. These policies have been consistently applied to all periods presented unless otherwise stated:

(a) Reporting framework

The historical and pro forma financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements specified by all the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (where possible – see note 1(b)).

The historical and pro forma financial information has been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities based on directors' estimates of Net Realisable Value. The historical and pro forma financial information is presented in Australian dollars.

(b) Going concern

The historical and pro forma historical financial information has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The directors believe that it is appropriate preparing the historical financial information on a going concern basis for the following reasons:

- It has the financial support of Lithium Australia NL;
- It has cash assets to meet its current obligations; and
- It expects to raise new funds to meet its obligations pursuant to the IPO.

It is for these reasons that the Directors consider the Group to be a going concern. Notwithstanding the material uncertainties of future events inherent in the above, the Directors consider it is appropriate to prepare the financial information on a going concern basis and hence no adjustments have been made to the financial information relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

(c) Exploration and evaluation 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.

(d) Basis of consolidation

The historical and pro forma financial information comprise the financial information of BlackEarth Minerals NL and entities (including special purpose entities) controlled by BlackEarth Minerals NL (its subsidiary).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial information of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Trade and other receivables

Trade receivables to be settled within 60 days are carried at amounts due. The collectability of debts is assessed at the end of the reporting period based on the length of time a debt has been outstanding, the past default experience of the debtor and an analysis of the debtor's current financial position, and a specific provision is made for any doubtful accounts.

(f) Impairment of assets

At the end of the reporting period, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell

and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Plant and equipment

Items of plant and equipment are recorded at cost on acquisition less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Office furniture and equipment	10 - 67%
Leasehold Improvements	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Group which is Australian Dollars at the rates of exchange prevailing at the dates of the transaction. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of profit or loss and other comprehensive income.

(i) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit and loss is the tax payable on the taxable income using applicable income tax rates enacted or substantially enacted as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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.

Where temporary differences exist in relation to investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Research and development expenditure tax offsets receivable under Section 73Q of the Income Tax Assessment Act are recognised upon lodgement of the income tax return, when the Company has made the required election.

(j) Share based payment transactions

The Group recognises the fair value of options granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the consolidated statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

The Group provides benefits to employees (including directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined using the Black Scholes option pricing model.

(k) Provisions and contingencies

Provisions are recognised when the Group has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade payables are normally settled within 30 days.

(m) Financial Instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Fair value

The Group has no assets or liabilities measured at fair value because, while assets acquired and liabilities assumed in business combinations have been measured at their acquisition date fair values, in accordance with paragraph 18 of AASB 13, these initial measurements have formed the costs of the assets acquired and liabilities assumed for the purpose of other accounting standards.

(n) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and at bank, short term deposits with financial institutions maturing within less than three months and net of outstanding bank overdrafts.

(o) Research and development costs

All research and development costs are expensed as incurred.

(p) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as it accrues.

(q) Goods and Services Tax

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. 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 consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial information the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Deferred tax assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(b) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Fair values of share options are determined using the Black Scholes model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change.

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$	\$
Cash and cash equivalents	340,188	4,214,106	5,614,106
Audited balance of BlackEarth Minerals NL at 30 June 2017		340,188	340,188
<i>Subsequent events:</i>			
Cancellation of promoter shares		(4,000)	(4,000)
Cancellation of partly paid shares		(100)	(100)
Issue of partly paid shares		100	100
Issue of shares		300	300
		(3,700)	(3,700)
<i>Pro forma adjustments:</i>			
Proceeds from shares issued under the Public Offer - minimum		4,500,000	-
Costs of the Public Offer & Transaction costs - minimum		(550,000)	-
Proceeds from shares issued under the Public Offer - maximum		-	6,000,000
Costs of the Public Offer & Transaction costs - maximum		-	(650,000)
Payment of balance of Madagascan transaction subject to IPO		(75,000)	(75,000)
Acquisition of Mada-Aust SARL		2,618	2,618
		3,877,618	5,277,618
Pro forma balance		4,214,106	5,614,106

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
NOTE 3. TRADE AND OTHER RECEIVABLES	\$	\$	\$
Trade and other receivables	27	163,962	163,962
Audited balance of BlackEarth Minerals NL at 30 June 2017	27	27	27
<i>Pro forma adjustments:</i>			
Acquisition of Mada-Aust SARL		163,935	163,935
Pro forma balance		163,962	163,962

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
NOTE 4. OTHER ASSETS	\$	\$	\$
Non-refundable deposit	75,000	33,221	33,221
Audited balance of BlackEarth Minerals NL at 30 June 2017	75,000	75,000	75,000
<i>Pro forma adjustments:</i>			
Transfer of other financial assets arising on successful IPO to mineral exploration & evaluation expenditure		(75,000)	(75,000)
Acquisition of Mada-Aust SARL		33,221	33,221
		(41,779)	(41,779)
Pro forma balance		33,221	33,221

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum & Maximum
NOTE 5. PLANT AND EQUIPMENT	\$	\$
Plant & Equipment	1,803	18,199
Audited balance of BlackEarth Minerals NL at 30 June 2017	1,803	1,803
<i>Pro forma adjustments:</i>		
Acquisition of Mada-Aust SARL		16,396
		16,396
Pro forma balance		18,199

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
NOTE 6. MINERAL EXPLORATION & EVALUATION EXPENDITURE	\$	\$	\$
Mineral Exploration & Evaluation Expenditure	-	663,404	663,404
Audited balance of BlackEarth Minerals NL at 30 June 2017		-	-
<i>Subsequent events:</i>			
Acquisition of Western Australian tenements		200,000	200,000
Stamp duty accrued on acquisition of WA tenements		4,180	4,180
		204,180	204,180
<i>Pro forma adjustments:</i>			
Acquisition of Mada-Aust SARL		459,224	459,224
		459,224	459,224
Pro forma balance		663,404	663,404

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum & Maximum
NOTE 7. TRADE AND OTHER PAYABLES	\$	\$
Trade & Other Payables	80,202	209,776
Audited balance of BlackEarth Minerals NL at 30 June 2017	80,202	80,202
<i>Subsequent Events:</i>		
Accrual of stamp duty on WA tenement acquisition		4,180
		4,180
<i>Pro forma adjustments:</i>		
Acquisition of Mada-Aust SARL		125,394
Pro forma balance		209,776

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
NOTE 8. CONTRIBUTED EQUITY	\$	\$	\$
Contributed equity – fully paid ordinary shares	658,901	5,755,201	7,255,201
Costs	(19,550)	(570,675)	(671,050)
Contributed equity	639,351	5,184,526	6,584,151
Contributed equity – partly paid ordinary shares	1,250	2,375	2,750
Total contributed equity	640,601	5,186,901	6,586,901
	Number	Number	Number
Contributed equity – fully paid ordinary shares	46,500,000	56,000,000	63,500,000
Contributed equity – partly paid ordinary shares	22,500,000	25,750,000	29,500,000
Total contributed equity	69,000,000	81,750,000	93,000,000
Audited balance of BlackEarth Minerals NL at 30 June 2017	640,601	640,601	640,601
<i>Subsequent events:</i>			
Cancellation of promoter shares		(4,000)	(4,000)
Cancellation of partly paid shares		(100)	(100)
Issue of partly paid shares		100	100
Acquisition of Western Australian tenements		200,000	200,000
Issue of shares		300	300
		196,300	196,300
<i>Pro forma adjustments:</i>			
Acquisition of Madagascan projects subject to successful IPO		400,000	400,000
Proceeds from shares issued under this Prospectus - minimum		4,500,000	-
Costs of the Public Offer - minimum		(550,000)	-
Proceeds from shares issued under this Prospectus - maximum		-	6,000,000

Costs of the Public Offer - maximum	-	(650,000)	
	-	4,350,000	5,750,000
Contributed equity pro forma balance	640,601	5,186,901	6,586,901
Partly paid shares on issue	1,250	2,375	2,750
Audited balance of BlackEarth Minerals NL at 30 June 2017	1,250	1,250	1,250
<i>Subsequent events:</i>			
Cancellation of partly paid shares		(100)	(100)
Issue of partly paid shares		100	100
<i>Pro forma adjustments:</i>			
Issue of partly paid shares in IPO – minimum		1,125	-
Issue of partly paid shares in IPO - maximum		-	1,500
		1,125	1,500
Pro forma balance		2,375	2,750

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
	Number	Number	Number
Audited balance of BlackEarth Minerals NL at 30 June 2017 – Fully paid ordinary shares	46,500,000	46,500,000	46,500,000
<i>Subsequent events:</i>			
Cancellation of fully paid ordinary shares		(19,000,000)	(19,000,000)
Acquisition of Western Australian tenements		1,000,000	1,000,000
Issue of shares		3,000,000	3,000,000
		(15,000,000)	(15,000,000)
<i>Pro forma adjustments:</i>			
Acquisition of Madagascan projects subject to successful IPO		2,000,000	2,000,000
Shares issued under this Prospectus - minimum		22,500,000	-
Shares issued under this Prospectus - maximum		-	30,000,000
		24,500,000	32,000,000
Pro forma balance		56,000,000	63,500,000
	Number	Number	Number
Audited balance of BlackEarth Minerals NL at 30 June 2017 – Partly paid ordinary shares	22,500,000	22,500,000	22,500,000
<i>Subsequent events:</i>			
Cancellation of partly paid shares		(9,000,000)	(9,000,000)
Issue of partly paid shares		1,000,000	1,000,000

	(8,000,000)	(8,000,000)
Pro forma adjustments:		
Issue of partly paid ordinary shares – minimum	11,250,000	-
Issue of partly paid ordinary shares - maximum	-	15,000,000
Pro forma balance	25,750,000	29,500,000

	Audited as at 30 June 2017	Pro forma after Public Offer Minimum	Pro forma after Public Offer Maximum
NOTE 9. RESERVES	\$	\$	\$
Reserves	291	291	291
Audited balance of BlackEarth Minerals NL at 30 June 2017	291	291	291

As at the date of this Prospectus, the Directors and Officers have the relevant interests in Options as listed below. All options have an exercise price of \$0.30 and have a three-year life.

Director	No. of Options
Phillip Hearse	750,000
Thomas Revy	1,500,000 ¹
Barry Woodhouse	500,000 ¹
Total	2,750,000

¹The exercise of the Options held by Thomas Revy and Barry Woodhouse is conditional upon the satisfaction of a number of performance hurdles, details of which are set out in Note 11f of this report.

	Audited as at 30 June 2017	Pro forma after Public Offer
NOTE 10. ACCUMULATED LOSSES	\$	\$
Accumulated losses	(304,076)	(304,076)

NOTE 11. RELATED PARTY DISCLOSURES

The Company has entered into the following related party transactions on arm's length terms:

- Letters of appointment with each of the existing Directors on standard terms (refer Section 9.4 of the Prospectus for details). Please note that it is proposed that the Company will enter into an employment agreement with Mr Tom Revy pursuant to which Tom Revy will be appointed Managing Director (**Employment Agreement**). Pursuant to the terms of the Employment Agreement, Tom Revy will be paid an amount of \$250,000 per annum plus statutory superannuation to be reviewed annually. Further details are outlined in Section 9.4 of the Prospectus.
- Deeds of indemnity, insurance and access with each of its Directors on standard terms (refer Section 9.4 of the Prospectus for details).
- Deeds of notifiable interests The Company must disclose to ASX at certain times details of Directors' interests in Securities and in contracts relevant to Securities. The Company is also obliged to make arrangements with its Directors to ensure that Directors disclose to it all relevant information in a timely

- manner. The Company has entered into a Deed of Notifiable Interests with each of the Directors under which each of the Directors agree to provide such information to the Company in a timely manner.
- d. On 22 June 2017, the Company issued 750,000 options with an expiry date of 22 June 2020 and an exercise price of \$0.30 per option to the Chairman, Mr Phil Hearse. These options were issued pursuant to the letter agreement with the Chairman, on arm's-length commercial terms and have been valued at \$190. This amount was recognised as at 30 June 2017 with a vesting period of 1 year.
 - e. On 22 June 2017, the Company issued 1,500,000 options with an expiry date of 22 June 2020 and an exercise price of \$0.30 per option to the CEO, Mr Thomas Revy. These options were issued pursuant to the letter agreement with the CEO, on arm's-length commercial terms and have been valued at \$76. This amount was recognised as at 30 June 2017 with a vesting period of 2 years. The options will vest based on the terms and conditions listed below.
 - f. On 22 June 2017, the Company issued 500,000 options with an expiry date of 22 June 2020 and an exercise price of \$0.30 per option to the CFO, Mr Barry Woodhouse. These options were issued pursuant to the letter agreement with the CFO, on arm's-length commercial terms and have been valued at \$25. This amount was recognised as at 30 June 2017 with a vesting period of 2 years. The options will vest based on the terms and conditions listed below.
 - g. The executives must remain in the employment of the Company until at least the first anniversary of the IPO listing date, the market capitalisation must reach A\$25m and the Company declare a 2012 JORC Resource of 8 million tonnes at 8% grade or a minimum of a 6% grade (total tonnage of 640,000t).
 - h. Administration & Consulting Fees – Lithium Australia NL - \$18,080
 - i. Loan from related party - Loan – Lithium Australia NL - \$101,445 and LIT currently pays expenses for BEM from time-to-time for rent, tenements and provision of geological services.
 - j. Tom Revy has invoiced \$104,000 for his services since BEM's incorporation.

There were no related party transactions other than transactions disclosed in Note 11.

NOTE 12. COMMITMENTS AND CONTINGENCIES

At the date of the pro forma financial information no material commitments or contingent liabilities exist that we are aware of, other than as follows:

(a) Exploration Expenditure - Australia

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

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

(b) Exploration Expenditure - Madagascar

The Company has minimum commitment with respect to the Madagascan tenements of \$75,000 per year.

APPENDIX 5

BLACKEARTH MINERALS NL

SUBSEQUENT EVENTS

The pro forma statement of financial position reflects the following events that occurred subsequent to 30 June 2017:

- On 11 July 2017, shareholders approved the cancellation of 19,000,000 fully paid ordinary shares and 9,000,000 partly paid shares;
- On 17 July 2017, the Company issued 1,000,000 fully paid ordinary shares at a deemed price of 20 cents per share to Lithium Australia NL as consideration for the transfer of its graphite assets and accrued stamp duty of \$4,180; and
- On 17 July 2017, the Company issued 1,000,000 partly paid shares to the Contingent Entitlement Trustee with a deemed price of \$0.0001 and \$0.2499 unpaid to the Trustee;
- On 21 July 2017, the Company and Capricorn Metals Ltd agreed for an extension of the end date of the agreement dated 21 February 2017, to 30 November 2017 which has been subsequently extended to 31 March 2018 by agreement dated 27 October 2017; and
- On 9 October 2017, the Company issued 3,000,000 fully paid ordinary shares at a deemed price of \$0.0001 per share for the purpose of satisfying any required promotional obligations including those listed in the Lead Manager Mandate.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of BlackEarth Minerals NL, not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

APPENDIX 6

BLACKEARTH MINERALS NL

ASSUMPTIONS ADOPTED IN COMPILING THE PRO FORMA STATEMENT OF FINANCIAL POSITION

Pro Forma Transactions

The pro forma historical Statement of Financial Position is shown in Appendix 3. This has been prepared based on the financial statements as at 30 June 2017, the subsequent events set out in Appendix 5, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The purchase of the Madagascan subsidiary Mada-Aust SARL (via Madagascar Graphite Ltd) by the issue of 2,000,000 shares at the deemed price of \$0.20 per share plus the payment of a further \$75,000 (see further note below on consideration);
- Minimum Subscription - The issue of 22,500,000 Shares at an issue price of \$0.20 each and 11,250,000 partly paid shares with a deemed price of \$0.0001 and \$0.2499 unpaid, to raise \$4,500,000 before costs of \$550,000, being the minimum subscription pursuant to the Public Offer under the Prospectus;
- Minimum Subscription - Costs of the Public Offer are estimated to be \$550,000 based on the minimum subscription;
- Maximum Subscription - The issue of 30,000,000 Shares at an issue price of \$0.20 each and 15,000,000 partly paid shares with a deemed price of \$0.0001 and \$0.2499 unpaid to raise \$6,000,000 before costs of \$650,000, being the maximum subscription pursuant to the Public Offer under the Prospectus; and
- Maximum Subscription - Costs of the Public Offer are estimated to be \$650,000 based on the maximum subscription.

Consideration for Acquisition of Mada-Aust SARL

The Company has considered whether the transaction falls within the scope of AASB 3 Business Combinations and therefore is required to be accounted for as a business combination. A business combination involves an acquirer obtaining control of one or more business by transferring cash, incurring liabilities or issuing shares. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. The Company does not consider that the transaction meets the definition of a business combination in accordance with AASB 3 Business Combinations as Mada-Aust SARL is not deemed to be a business for accounting purposes. Therefore, we have provisionally accounted for the transaction as an asset acquisition and under the guidance of Regulatory Guide 228 ('RG 228'), specifically RG 228.96 to RG 228.98, the transaction has been included in the pro forma historical Statement of Financial Position. A summary of the acquisition details with respect to the acquisition of Mada-Aust SARL, as included in our Report, is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 30 June 2017, however will require re-determination as at the successful acquisition date which may result in changes to the values set out below.

Fair Value of assets for Mada-Aust transaction	\$
Cash and cash equivalents	2,618
Trade and other receivables	163,935
Total current assets	166,553
Non-current assets	
Other assets	33,221
Plant & equipment	16,396
Mineral exploration & evaluation expenditure	459,224
Total non-current assets	508,841
Total assets	675,394
Current liabilities	
Trade and other payables	125,394
Total current liabilities	125,394
Total liabilities	125,394
Net assets	550,000
Consideration	
Cash*	150,000
Shares	400,000
Total consideration	550,000

* Non refundable deposit of \$75,000 already paid

APPENDIX 7
HISTORICAL FINANCIAL INFORMATION

Mada-Aust SARL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended

	30 June 2017	30 June 2016	30 June 2015
	\$	\$	\$
Continuing Operations			
Revenue	113,963	119,052	98,175
Other revenue	72,644	72,654	237,678
Employee benefits expense	(295,457)	(275,593)	(266,014)
Administration costs	(95,197)	(74,381)	(202,736)
Exploration and evaluation costs written off	(65,256)	(142,507)	(234,898)
Depreciation and amortisation	(8,389)	(9,216)	(9,451)
Loss before income tax	(277,692)	(309,991)	(377,246)
Income tax expense	(2,469)	(2,647)	(3,394)
Loss from continuing operations	(280,161)	(312,638)	(380,640)
Other comprehensive income			
Foreign exchange translation of subsidiary	40,665	(43,666)	(141,145)
Other comprehensive income (loss) for the year	40,665	(43,666)	(141,145)
Total comprehensive loss for the year	(239,496)	(356,304)	(521,785)

APPENDIX 8

HISTORICAL FINANCIAL INFORMATION

Mada-Aust SARL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	30 June 2017	30 June 2016	30 June 2015
	\$	\$	\$
Current Assets			
Cash and cash equivalents	2,618	18,175	4,094
Trade and other receivables	120,700	73,354	39,893
Deferred tax assets	5,810	6,981	8,145
Prepayments	35,286	31,574	113,403
Inventories	2,139	2,222	2,728
Total Current Assets	166,553	132,306	168,264
Non Current Assets			
Other Receivables	33,221	45,867	55,910
Exploration Expenditure	618,396	594,444	578,001
Property, plant and equipment	16,396	22,293	26,757
Total Non Current Assets	668,013	662,604	660,668
TOTAL ASSETS	834,566	794,910	828,932
Current Liabilities			
Trade and other payables	125,394	19,093	69,356
Intercompany Loans	87,374	996,873	635,931
Total Current Liabilities	(212,768)	(1,015,966)	(705,287)
TOTAL LIABILITIES	(212,768)	(1,015,966)	(705,287)
NET ASSETS	621,798	(221,056)	123,645
Equity			
Issued capital	873,507	611,230	611,230
Reserves	(19,430)	46,181	34,578
Accumulated losses	(232,279)	(878,467)	(522,163)
TOTAL EQUITY	621,798	(221,056)	123,645

APPENDIX 9

HISTORICAL FINANCIAL INFORMATION

Mada-Aust SARL

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016	30 June 2015
	\$	\$	\$
Cash Flows from Operating Activities			
Receipts from customers	108,929	91,360	122,154
Payments to suppliers and employees	(244,145)	(277,658)	(654,443)
Payments for exploration and evaluation	(64,351)	(105,552)	(393,831)
Net Interest (paid)/received	(262)	186	1,828
Net cash used in operating activities	(199,829)	(291,664)	(924,292)
Cash Flows from Investing Activities			
Purchase of plant and equipment	(1,131)	(4,213)	(6,066)
Proceeds from sale of plant and equipment	9,787	6,692	-
Option payment received on potential sale of exploration permits	30,323	-	-
Proceeds from sale of exploration permits	-	-	219,068
Net cash generated by investing activities	38,979	2,479	213,902
Cash Flows from Financing Activities			
Borrowings from parent company	145,191	302,764	346,530
Net cash generated by financing activities	145,191	302,764	346,530
Net increase/(decrease) in cash held	(15,659)	13,579	(363,860)
Cash and cash equivalents at the beginning of the period	18,175	4,094	368,314
Effect of exchange rate fluctuations	102	502	(360)
Cash and cash equivalents at the end of the period	2,618	18,175	4,094

13. SOLICITORS' REPORT ON TENEMENTS – AUSTRALIA

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24 November 2017

The Directors
BlackEarth Minerals NL
Level 1
675 Murray Street
WEST PERTH WA 6005

Dear Sirs

Solicitors' Report on Tenements – BlackEarth Minerals NL ACN 610 168 191

This report (**Report**) is prepared for inclusion in a replacement prospectus (**Prospectus**) to be dated on or about 24 November 2017 by BlackEarth Minerals NL ACN 610 168 191 (**Company**) for an offer to the public by the Company of up to 30,000,000 fully paid ordinary shares in the capital of the Company (**Shares**) at an issue price of AUD\$0.20 per Share to raise up to AUD\$6,000,000 (before costs) with a minimum subscription to the offer of 22,500,000 Shares at an issue price of AUD\$0.20 per Share to raise \$4,500,000 (before costs) together with one (1) free attaching partly paid share in the capital of the Company (paid to \$0.0001, unpaid to \$0.2499) for every two (2) Shares subscribed for and issued.

This Report is on the mining tenement interests to which the Company is entitled or has acquired. It has been prepared at the request of the directors of the Company (**Directors**). This Report is subject to the assumptions and qualifications set out in section 11 of this Report.

1. TENEMENT INTERESTS

The Schedule of Tenements at the end of this Report (**Schedule**) sets details of all of the mining tenements in Western Australia in which the Company or its subsidiaries have an interest (**Tenements**) as at the date of this Report. The Schedule forms an essential part of this Report.

As at the date of this Report, the Company's interests in a number of tenements that its subsidiary BlackEarth Australia Pty Ltd (**Subsidiary**) acquired from Lithium Australia NL (**Acquisition Tenements**), details of which are set out in the Schedule, are contractual in nature and depend on the enforceability of the acquisition agreement entered into with Lithium Australia NL (**Acquisition Agreement**) and on the parties fulfilling its terms.

2. SEARCHES

(a) Title Searches

For the purposes of this Report we have made and considered searches in respect of the Tenements of the Register maintained by the Department of Mines, Industry Regulation and Safety Perth, Western Australia (**DMIRS**) dated 24 November 2017 (**DMIRS Searches**) and DMIRS Tengraph searches (**Tengraph Searches**) also dated 24 November 2017.

(b) Aboriginal Heritage Searches

We have conducted searches of the online register of Aboriginal heritage sites maintained by the Department of Planning, Lands and Heritage in Western Australia (**DPLH**) to search for any registered Aboriginal sites either on the register of Aboriginal sites maintained under the *Aboriginal Heritage Act 1972* (WA) (**Aboriginal Heritage Act**) on 24 November 2017 (**DPLH Searches**).

3. OPINION

As a result of our searches and enquiries detailed above, but subject to the assumptions and qualifications set out in this Report, we are of the opinion that, as at the date of the relevant searches:

- (a) This Report provides an accurate statement of the status and the details of the registered holders of the Tenements, and the Company's interest in the Tenements.
- (b) Unless otherwise specified in this Report, the Tenements are validly granted and in good standing.
- (c) Subject to the comments below relating to standard, administrative authorisations (which are normally applied for only at the time of finalising the details of individual exploration plans), or as otherwise detailed in the Prospectus, there are no legal, regulatory or contractual impediments to the Company undertaking the proposed exploration on the Tenements as detailed elsewhere in the Prospectus.
- (d) This Report provides an accurate statement as to third party interests, including encumbrances, in relation to the Tenements as apparent from our searches and information provided to us.

4. AGREEMENT REVIEW

We have examined the material agreements identified and provided to us by the Company that relate to the Tenements. Summaries of those agreements are set out in section 15 of the Prospectus. Details of the relevant material agreements relating to the rights, interests and obligations of the Company in relation to the Tenements are also set out in the Schedule to this Report.

5. MINING TENEMENTS UNDER THE MINING ACT

5.1 Tenements Generally

Tenements granted under the Mining Act are subject to various conditions. Those conditions may be statutory conditions and relate to rent, minimum expenditure or reporting requirements. As the Tenements the subject of this Report exploration licences under the Mining Act, the summary below is limited to those grants in particular. The endorsements, conditions, current encumbrances, native title claims, registered sites and material contracts applicable to the Tenements are mentioned in the notes to the Schedule.

Holders of exploration licences are obliged to pay an annual rent and to meet annual expenditure requirements. Failure to meet such requirements may mean that the

exploration licence is vulnerable to an order for forfeiture. The rent and expenditure obligations for the Tenements are summarised in the Schedule.

Conditions are imposed on the grant of mining tenements pursuant to the Mining Act and may be imposed also under the Native Title Act. These include conditions relating to the environment and include a standard schedule of general exclusions and conditions established pursuant to the Mining Act. Endorsements and conditions affecting the Tenements are also summarised in the Schedule.

5.2 Exploration Licences under the Mining Act

The grant of an exploration licence (prefixed “E”) under the Mining Act lies with the Minister following recommendation by the Mining Registrar or the Mining Warden. The holder of an exploration licence is authorised to enter the land the subject of the exploration licence to explore for minerals with vehicles, machinery and equipment as may be necessary or expedient for the purpose of exploring for minerals in, on or under the land. Generally, an exploration licence confers title to explore for all minerals except iron.

Exploration licenses are described by graticular blocks, with individual graticular blocks ranging in area from approximately 2.8km² to 3.3km² depending on where a block is located within the State. One exploration licence may include up to a maximum of 70 graticular blocks, or in certain circumstances, 200 graticular blocks.

Any agreement made in contemplation of a dealing or other transaction of an exploration licence is valid provided the agreement expressly provides that Ministerial consent is to be obtained as a condition of the dealing or other transaction.

The registered holder of an exploration licence may, as of right, while the exploration licence continues in force, apply for and, subject to the Mining Act and any conditions on which the exploration licence is held, have granted one or more mining leases over any part or parts of the land the subject of the exploration licence. Where an application for a mining lease is made and the term of the exploration licence expires prior to the grant of the mining lease, the exploration licence will continue in force in respect to the land the subject of the application for a mining lease until the application for a mining lease is determined.

Annual rent for an exploration licence applied for on or after 10 February 2006 is \$134 per block for years one to three of the term of the licence, \$208 per block for years four and five of the term of the licence, \$283 per block for years six and seven of the term of the licence and \$535 per block for year eight and each subsequent year of the term of the licence (based on rental rates set out in the *Mining Regulations 1981* (WA) (**Mining Regulations**) as at 1 July 2017). Where there is only one block, annual rent for an exploration licence applied for on or after 10 February 2006 is \$340.

Exploration licences applied for on or after 10 February 2006 are subject to minimum annual expenditure requirements which are calculated at:

- (a) not less than \$1,000 per block for years one to three of the term of the licence (subject to minimums of \$10,000 for licences of one block only, \$15,000 for licences of two to five blocks and \$20,000 for licences of six to 20 blocks);

- (b) not less than \$1,500 per block for years four and five of the term of the licence (subject to minimums of \$10,000 for licences of one block only, \$20,000 for licences of two to five blocks and \$30,000 for licences of six to 20 blocks);
- (c) not less than \$2,000 per block for years six and seven of the term of the licence (subject to minimums of \$15,000 for licences of one block only, \$30,000 for licences of two to five blocks and \$50,000 for licences of six to 25 blocks); and
- (d) not less than \$3,000 per block for years eight and each subsequent year of the term of the licence (subject to minimums of \$20,000 for licences of one block only, \$50,000 for licences of two to five blocks and \$70,000 for licences of six to 23 blocks),

(based on expenditure requirements set out in the Mining Regulations as at 1 July 2017).

While an exploration licence will remain in force for five (5) years from the date of grant, the Minister may extend the term of an exploration licence granted after 10 February 2006 by a further period of five (5) years followed by a further period or periods of two (2) years where the Minister is satisfied that prescribed grounds for extension exist. Prescribed grounds for the extension of an exploration licence include where the Minister believes that government, legal, climatic or heritage issues have caused difficulties or delays in carrying out work on the licence, or where the land has been unworkable for a significant part of any year of the term of the exploration licence, or where the Minister considers that work carried out justifies further exploration on the licence. At the end of the sixth year that an exploration licence is held, the holder of an exploration licence must relinquish 40% of the area of the exploration licence. The Minister may defer this requirement if satisfied that a prescribed ground for deferral exists (which would be similar to the grounds for extension). A failure to lodge the required relinquishment could render the exploration licence liable to forfeiture.

The holder of an exploration licence granted after 10 February 2006 may apply for retention status in respect of the licence. The application will be considered by the Minister, who may approve it where there is an identified mineral resource within the licence area but it is impractical to mine the resource for prescribed reasons. If retention status is granted, the minimum expenditure requirements on that licence are reduced in the year of grant and cease in future years. The Minister may impose a program of works or require the holder to apply for a mining lease.

Exploration licences are subject to standard conditions that must be complied with, including rent payments, annual expenditure requirements and the requirement to lodge annual technical reports. Standard conditions also stipulate that a tenement holder obtain the consent of an officer of DMIRS prior to conducting any ground disturbing work, basic environmental rehabilitation conditions (i.e. the removal of waste, capping of drill holes etc) and prohibitions or restrictions on disturbing existing infrastructure such as roads, powerlines, aerial landing ground, airstrips and geodetic survey stations. We are not aware of any non-compliance with such conditions.

The Mining Act provides that during the first year of grant of an exploration licence, no legal or equitable interest in or affecting an exploration licence, may be transferred or dealt with whether directly or indirectly, without the consent in writing of the Minister. After that first year there is no restriction on such dealings.

The Tenements include some applications for exploration licences. DMIRS will not register a transfer of an application for an exploration licence, but there is no restriction on an applicant selling an application and providing for the registration of the transfer upon grant.

6. INFORMATION IN RELATION TO NATIVE TITLE

6.1 Native Title Generally

In June 1992 the High Court of Australia held in *Mabo v Queensland (No 2)* that the common law of Australia recognised that Aboriginal and Torres Strait Islander people are entitled to rights called "native title" in relation to their traditional lands and waters.

In general terms, these native title rights to land and water will be recognised where the claimants can establish that they have maintained a continuous connection with the land in accordance with traditional laws and customs since British settlement in 1788 and where the native title rights have not been lawfully extinguished.

The High Court held that native title could be extinguished by the valid exercise of governmental powers provided there was a clear and plain intention to do so. For such extinguishment to be lawful it must adhere to the obligations imposed by the *Racial Discrimination Act 1975* (Cth) which came into operation on 31 October 1975.

On 1 January 1994 the *Native Title Act 1993* (Cth) (**Native Title Act**) enacted by the Commonwealth parliament came into operation. The Native Title Act was substantially amended in 1998.

By way of summary, the Native Title Act:

- (a) provides for recognition and protection of native title;
- (b) establishes the mechanism by which claims are filed and dealt with and determined in the Federal Court of Australia;
- (c) establishes the position of a Native Title Registrar with responsibility to consider whether claims filed pass the requirements of the so-called registration test, maintain registers of native title claims, proven native title and Indigenous Land Use Agreements, and provide mediation services to parties to native title claims; and
- (d) establishes the National Native Title Tribunal (**NNTT**) with responsibility to assist the Native Title Registrar and provide services and support to parties to native title claims.

6.2 Native Title Claims

(a) Lodging a Claim

The Native Title Act provides for procedures where a claimant may lodge an application for a determination of native title with the Federal Court. These procedures require the Federal Court to refer a native title claim to the Native Title Registrar who must apply the registration test as set out in the Native Title Act.

(b) Registration Test

If the Native Title Registrar considers a claim satisfies the registration test, the claim is entered on the Register of Native Title Claims maintained by the NNTT. If a claim fails to meet the registration test it may still be entered on the Register at a later date if additional information is provided by the native title claimants which satisfies the registration test. Both registered and unregistered native title claims proceed through the mediation and determination process in the Federal Court. However claimants on unregistered claims do not usually have rights of notification or rights to negotiate under the Native Title Act in relation to activities such as the grant of mining tenements on the land the subject of their unregistered claim.

(c) The Future Act Regime under the Native Title Act

The Native Title Act provides procedures for the benefit of native title claimants that are collectively known as the "future act regime". After registration of their native title claim, registered native title claimants will be entitled to the "right to negotiate" with respect to certain "acts" that may affect native title. The grant of a mining tenement in Western Australia is an act that may "affect" native title.

In Western Australia the State can give notice that it intends to proceed with the grant of a under the so-called "expedited procedure" or under the so-called "right to negotiate" procedures operated by DMIRS.

(i) The Expedited Procedure

(A) If a proposed future act is not likely to:

- ☐ interfere directly with the carrying on of the communal or social activities of the registered native title party;
- ☐ interfere with areas or sites of significance to the registered native title party; or
- ☐ involve major disturbance to the land or waters within the area of a registered claim,

the Future Act may qualify for what is known as the 'Expedited Procedure'. This is a form of fast-tracking. It is the policy of the Western Australian State Government that the Expedited Procedure will apply to the grant of exploration and prospecting licences located within Western Australia, provided that the applicant has executed a Regional Standard Heritage Agreement or has an existing Alternative Heritage Agreement in place. In the absence of such an agreement the applications will be processed under the right to negotiate regime (discussed above in section 6.2(c)(ii) of this Report.

(B) Generally in relation to exploration licences the State issues a notice including a statement that the tenement should be granted under the expedited procedure. This means the tenement will be granted without negotiations with any native title claimants. Registered native title claimants may lodge an

objection to this with the NNTT within 4 months of the notice issuing. The objection is not to the grant of the tenement, but rather to the assertion that the expedited procedure applies.

- (C) If no objection is lodged, the NNTT does not become involved. It is then a matter for the State to proceed to grant the tenement under Mining Act procedures through the DMIRS and the relevant Minister.
- (D) If one or more objections are lodged the matter is then dealt with by the NNTT. The parties may negotiate, agree that the expedited procedure may apply and consent to a determination that the expedited procedure does apply. If there is a consent determination that the expedited procedure does apply, the State then proceeds to grant under the Mining Act.
- (E) If the parties do not reach such an agreement, the matter must be heard and determined by the NNTT. The NNTT may decide that the expedited procedure does apply, in which case the tenements may proceed to grant under the requirements of the Mining Act. Alternatively the NNTT may determine that the expedited procedure does not apply in which case the process for grant of the tenement must comply with the right to negotiate provisions of the NTA administered by DMIRS. The expedited procedure will not apply if the grant of the exploration licence is likely to interfere with the claimants' community or social activities on the land, areas or sites of significance or involve major disturbance to any area of land or waters.

(ii) The Right to Negotiate

- (A) The "right to negotiate" provisions of the NTA require the parties, that is the State of Western Australia, the company to whom tenements may be granted and the registered native title parties to negotiate in "good faith" and for a period of not less than 6 months following the publication of the State's notice that it intended to grant the tenement.
- (B) If no agreement is reached in that time the matter may be referred to the NNTT for determination as to whether, under the NTA, the tenement may be granted. If it determines that the tenement may be granted, the NNTT may impose conditions on the grant additional to those imposed under the Mining Act.
- (C) Subject to Commonwealth Ministerial intervention, either agreement between the parties or the arbitral decision of the NNTT determines whether the tenement is granted and what conditions will apply.

(d) Proving a Claim

Irrespective of whether a native title claim is registered or unregistered, the native title claimants must prove in the Federal Court that their claimed native title rights exist, in order to have their claimed native title rights formally recognised. Native title claims may be resolved through a full trial, or may be the subject of a consent determination following a successful mediation process.

We have not undertaken any investigations to determine the content of the rights claimed in any native title claim intersecting the Tenements, whether any of the claims might succeed or whether any further native title claims may be made over the relevant area.

However, if a native title claim is successfully proved, the then current holder of any mining tenement may be liable for compensation for any effect of the grant of that tenement on the native title proved to have existed. As yet, there has not been any determination of a compensation claim of this kind in Australia and very few such claims have been commenced. We are not able to predict what compensation, if any, would be payable by the tenement holder in the event that a compensation claim brought in relation to a mining tenement were successful.

(e) Native Title Claims intersecting the Tenements

Based on the results of the Tengraph Searches it appears that a number of the Tenements are intersected by the external boundaries of certain native title claims. Details of these claims are set out in the Schedule.

(f) Validity of Tenements in relation to Native Title

Except as set out below, we have not undertaken any independent investigation as to whether the Tenements were validly granted in relation to native title considerations. With respect to the granted Tenements, we have assumed that prior to grant DMIRS was satisfied of compliance with the future act provisions of the Native Title Act. As discussed above, generally this will involve the tenement applicant entering into a regional standard heritage agreement with any registered native title claimants in relation to the grant of the tenements.

(i) Tenements granted before 1 January 1994

Tenements granted before 1 January 1994 are either valid as at the date of grant or have been validated by the Native Title Act and validating legislation contemplated by the NTA and enacted by the State of Western Australia.

According to the DMIRS Searches conducted, no Tenements were granted during this period.

(ii) Tenements granted between 1 January 1994 and 23 December 1996

Tenements granted between 1 January 1994 and 23 December 1996 are either valid as at the date of grant or invalid due to non-compliance with the provisions of the Native Title Act. If certain criteria are met, the

Native Title Act and State legislation will have validated those invalid acts.

According to the DMIRS Searches conducted, no Tenements were granted during this period.

(iii) Tenements granted since 23 December 1996

Mining tenements granted since 23 December 1996 which affect native title rights and interests will be valid provided that the future act procedures set out above were followed by the relevant parties. We have not been instructed to analyse whether or not the relevant NTA procedures were followed in relation to each Tenement, but are not aware of any reason why they would be regarded as not being validly granted.

According to the DMIRS Searches conducted, all of the Tenements were granted after 23 December 1996.

We note that any tenements sought in the future in relation to the Tenements (for example conversions from the current Tenements to another type of tenure) will be required to comply with the future act regime.

7. ABORIGINAL HERITAGE

Compliance with the Aboriginal Heritage Act is a standard condition imposed on mining tenements in Western Australia. Accordingly, the Aboriginal Heritage Act applies to the Tenements. This is in addition to, and not in lieu of, any contractual obligations under any heritage agreements to which the Company is a party (as detailed in the Schedule). The Aboriginal Heritage Act is aimed at the preservation and protection from destruction of significant Aboriginal areas and significant Aboriginal objects. An area or object found to be interfered with if it is used or treated in a manner inconsistent with Aboriginal tradition. It is an offence under the Aboriginal Heritage Act for a person to damage or in any way alter an Aboriginal site or any object on or under an Aboriginal site. The Minister of Indigenous Affairs' consent is required pursuant to section 18 of the Aboriginal Heritage Act in the event that any use of land is likely to result in the excavation, destruction, concealment of, or alteration or damage to, an Aboriginal site or object. Generally companies will consult with the relevant Aboriginal group and, if both parties think that is necessary, the company and a group of Aboriginal informants will conduct a heritage survey of the relevant area to identify any sites.

A register of Aboriginal sites is kept by the DPLH under the Aboriginal Heritage Act. However, sites and objects of significance to Aboriginal persons are protected by the Aboriginal Heritage Act whether or not those sites are registered under the Aboriginal Heritage Act. There is no requirement for a site to be registered and only a small percentage of Aboriginal sites in Western Australia are registered. Accordingly it is highly probable that there may be other, unregistered, Aboriginal sites within the area of the Tenements.

According to the DPLH Searches, twelve Aboriginal heritage sites are located within the boundaries of the Tenements. The Company will need to ensure that any interference

with the sites is done in strict conformity with the Aboriginal Heritage Act. Details of the registered sites are provided in the Schedule.

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (**Commonwealth Heritage Act**) also applies to and protects significant Aboriginal areas and objects. Such protection is afforded by means of temporary or permanent declarations issued by the Commonwealth Minister with responsibility for Indigenous Affairs, which have the potential to delay or halt exploration activities. It is an offence to contravene a declaration made pursuant to the Commonwealth Heritage Act.

The Company should ensure that any interference with Aboriginal sites that exist on the Tenements is avoided where possible. Accordingly it would be prudent for the Company to carry out heritage surveys (as is standard industry practice) to determine if any Aboriginal sites or objects exist within the area of the Tenements. It is common practice for an explorer to undertake heritage surveys only over areas about to be disturbed and only when work is imminent. It may also be necessary for the Company to enter into separate agreements with the traditional owners of the land that is the subject of the Tenements.

8. COMPLIANCE

As at the date of this Report, the Acquisition Agreement has been lodged with the Western Australian Office of State Revenue (**OSR**) for the assessment of duty and stamping. Transfers of the Acquisition Tenements from Lithium Australia NL to the Subsidiary cannot be lodged for registration with DMIRS until the duty is assessed and paid, and the stamped documents are received. Until such time as the transfers of the Acquisition Tenements to the Subsidiary have been registered, Lithium Australia NL remains the registered legal holder of the Acquisition Tenements but the Subsidiary has an exclusive licence to enter and explore those tenements and to retain any minerals extracted from them under the Acquisition Agreement. The Subsidiary is responsible for the payment of all rents, rates and charges including the minimum annual expenditure, on the Acquisition Tenements until such time as they are legally transferred to the Subsidiary. The Subsidiary has lodged caveats over each of the Acquisition Tenements, protecting its interest in those tenements until such time as the Subsidiary becomes the registered legal holder of the Acquisition Tenements. Further details of the Acquisition Agreement are set out in section 15 of the Prospectus.

9. MINING REHABILITATION FUND

Prior to 5 November 2012, a regime of unconditional performance bonds (also known as environmental bonds or mining security bonds) existed. These bonds were used to secure tenement holders' environmental obligations to rehabilitate mine sites. This system was reformed by the *Mining Rehabilitation Fund Act 2012* (WA) (**MRF Act**) which was passed on 5 November 2012. These changes established a new Mining Rehabilitation Fund (**MRF**) which commenced on 1 July 2013.

Under the MRF Act and the *Mining Rehabilitation Fund Regulations 2013* (WA) (**MRF Regulations**), holders of tenements under the Mining Act are required to pay an annual, non-refundable amount in the MRF based upon the nature of the activity being undertaken and the area of disturbance. There is a threshold for participating and tenement holders with an annual rehabilitation liability estimate of \$50,000 or less will not

be required to contribute to the MRF.

Provided certain preconditions are met and upon payment of the initial annual MRF contribution, tenement holders are generally be entitled to the return of any unconditional performance bonds lodged in respect of the relevant tenements.

Under the State Government's revised bond policy, an unconditional performance bond may still be required by Mining Act to tenement holders deemed a high risk of not completing their rehabilitation obligations.

DMIRS guidelines specify that if a tenement holder does not meet the criteria as set out in the guidelines, they will still be required to pay the levy but may not be eligible to have their bonds retired.

10. ROYALTIES UNDER THE MINING ACT

Royalties are payable to the Western Australian State Government in respect of minerals (including material containing minerals) obtained from land that is the subject of a mining lease or other mining tenement granted under the Mining Act, or that is the subject of an application for the grant of a mining lease or other mining tenement under the Mining Act. The holder or applicant for a mining tenement (as the case may be) must provide a quarterly production report to the Director General of Mines commencing at the expiration of the first quarter during which any mineral is produced or obtained from that mining tenement or from land the subject of that application for a mining tenement. Royalties are payable quarterly to DMIRS at Perth and must be accompanied by a royalty return in an approved form setting out all relevant details for calculation of royalties. Generally, the quantity of minerals in respect of which a royalty is payable is extracted from mining lease, and not an exploration licence.

Royalty rates and methods of calculation differ depending on the type of mineral produced or obtained from a mining tenement. The rates of royalties are set out in Part V Division 5 of the Mining Regulations. No royalty is payable in respect of the first 2,500 ounces of gold metal produced during a financial year from gold bearing material produced or obtained from the same gold royalty project. Thereafter, the rate of royalty payable is 2.5% of the 'royalty value' (being the total gold metal produced during the relevant month multiplied by the average of the gold spot prices for that month) of the gold metal produced, as determined in accordance with the Mining Regulations (based on royalty rates as at 1 July 2017).

11. ASSUMPTIONS AND QUALIFICATIONS

This Report, including the Schedule, is based on, and subject to, the following assumptions and qualifications set out below and as otherwise specified elsewhere in this Report:

- (a) we have relied upon information provided by third parties, including various government departments, in response to searches made, or caused to be made, by us and have relied upon that information, including the results of searches, being accurate, complete and up to date as at the date of its receipt by us;

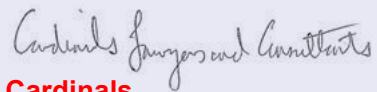
- (b) we have assumed that the responses to any questions which we have put to the Directors, officers, employees, advisers and agents of the Company have been true and accurate in all respects and have not contained any material omissions;
- (c) references in the Schedule are taken from details shown on the searches we have obtained from the DMIRS and DPLH. We have not undertaken independent surveys of the land the subject of the Tenements. Consequently we cannot verify the accuracy of the areas of the Tenements, the areas of the relevant native title claims or the location of any identified Aboriginal heritage site;
- (d) our review of the DMIRS Searches and the Tengraph Searches that no indigenous land use agreement has been registered in relation to any of the areas covered by the Tenements. We have not conducted an independent search of the NNTT register and have relied on the results of the Tengraph Searches insofar as they relate to native title. Further the Company has not provided us with any information as to whether there exist any agreements with registered or unregistered native title claimants allowing access to the land covered by the Tenements. We have therefore assumed that no such land access agreements exist;
- (e) where Ministerial consent is required in relation to the transfer of any tenements, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we are not aware of any matter which would cause consent to be refused;
- (f) in relation to any statement relating to whether the Tenements are in good standing, such statement is only based on the information contained in the relevant search on the instruments of title for the Tenements;
- (g) where compliance with the terms and conditions of any mining tenements and the provisions of the Mining Act and the Mining Regulations including requirements necessary to maintain the tenements in good standing, or a possible claim in relation to the tenements by third parties is not disclosed on the face of the searches referred to above, we express no opinion as to such compliance or claim;
- (h) if any of the Tenements are subject to a plaintiff for forfeiture, we express no opinion on the possible outcome of that plaintiff action;
- (i) we have assumed that the registered holder of the Acquisition Tenements has valid legal title to those tenements;
- (j) we have examined the Acquisition Agreement. Unless specifically noted, the Acquisition Agreement is the only material contract in relation to the Tenements of which we are aware;
- (k) we have assumed that the Acquisition Agreement was within the capacity and powers of, and was validly authorised, executed, delivered by and is legally binding on and enforceable against the parties to it and comprises the entire agreement of the parties to each of them with respect to its subject matter;
- (l) we have assumed that the duty markings, seals and signatures on the Acquisition Agreement are authentic;

- (m) we have assumed that the parties to the Acquisition Agreement are complying with and will continue to comply with and fulfil the terms of the Acquisition Agreement;
- (n) we have assumed the completeness and the conformity to original documents or all copies reviewed;
- (o) where compliance with the terms and conditions of any Tenement and the provisions of the Mining Act including requirements necessary to maintain the Tenement in good standing, or a possible claim in relation to the Tenement by third parties is not disclosed on the face of the searches referred to above, we express no opinion as to such compliance or claim;
- (p) the Mining Act generally provides that certain dealings in relation to tenements are of no force prior to such dealing being approved and registered by the relevant authority. Notwithstanding that the parties to a registered dealing may have performed all of their obligations so that the relevant agreement has come to an end, it is not the practice to withdraw the agreement from the register. Accordingly, in many cases there are numerous dealings registered against tenements, many of which may be purely historical;
- (q) native title may exist in the areas covered by the Tenements. In relation to native title, whilst we have conducted searches to ascertain what native title claims, if any, have been lodged in the Federal Court and intersect the areas of the Tenements, we have not conducted any historical or anthropological investigations regarding the likely existence or non-existence of native title rights and interests in respect of those areas. Further since the NTA contains no sunset provisions preventing the future lodging of additional native title claims over the area of a Tenement, we give no assurances as to whether the current claims will remain on foot in the Federal Court of Australia or whether new and additional claims may be lodged over the same area;
- (r) Aboriginal heritage sites or objects as defined in the Aboriginal Heritage Act or under the Commonwealth Heritage Act may exist in the areas covered by the Tenements and yet not appear on the Register of Aboriginal Sites maintained by the DPLH or be the subject of declaration under the Commonwealth Heritage Act. We have not conducted independent archaeological or ethnographic surveys to ascertain the existence or likely existence of any such Aboriginal heritage sites or objects within the area of the Tenements;
- (s) we have not conducted enquiries as to the current or historical land tenure underlying the areas of land the subject of the Tenements. In this regard, we are unable to express an opinion on the likelihood of native title rights and interests having been extinguished by previous land grants affecting part or all of the land the subject of the Tenements; and
- (t) we have not conducted searches of the Database of Contaminated Sites maintained by the Department of Water and Environmental Regulation.

12. CONSENT AND DISCLOSURE OF INTEREST

This Report has been prepared, and is given, solely for the benefit of the Company and the Directors in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public documents or filed with any government body or other person without our prior written consent. Cardinals Lawyers and Consultants will be paid its normal and usual professional fees for the preparation of this Report. Except in respect of its professional fees and as otherwise disclosed in the Prospectus, Cardinals Lawyers and Consultants has no interest in the promotion of the Company. Cardinals Lawyers and Consultants consents to being named in the Prospectus as the authors of this Report. Cardinals Lawyers and Consultants has given, and has not before the lodgement of this Prospectus withdrawn, its consent to the inclusion of this Report in the Prospectus.

Yours sincerely



Cardinals

Lawyers and Consultants

Tenement	Registered Holder	Shares/ Ownership	Status	Grant Date/ (Application Date)	Expiry Date	Area*	Annual Rent (\$AUD)	Minimum Annual Expenditure Condition (\$AUD)	Registered Encumbrances	Native Title Claims	Notes
E70/4824	Lithium Australia NL	100%	Live	22/09/2016	21/09/2021	18 BL	\$2,412	\$20,000	26	13	1, 20
E70/4825	Lithium Australia NL	100%	Live	08/11/2016	07/11/2021	28 BL	\$3,752	\$28,000	26	13, 14, 15	1, 2, 3, 20
E70/4903	BlackEarth Minerals NL	100%	Live	11/04/2017	10/04/2022	4 BL	\$536	\$15,000	-	16	23
E70/4906	BlackEarth Minerals NL	100%	Live	04/05/2017	03/05/2022	9 BL	\$1,165.50	\$20,000	-	16	23
E70/4811	Lithium Australia NL	100%	Live	26/08/2016	25/08/2021	4 BL	\$536	\$15,000	26	16	20, 21
E70/4812	Lithium Australia NL	100%	Live	26/08/2016	25/08/2021	15 BL	\$2,010	\$20,000	26	16	20, 21
E66/95	Lithium Australia NL	100%	Live	18/11/2016	17/11/2021	16 BL	\$2,144	\$20,000	26	17, 18	4, 5, 6, 7, 8, 9, 10, 20, 25
E70/4972	BlackEarth Minerals NL	100%	Pending	(11/05/2017)	-	15 BL	-	-	-	13	-

E09/2234	BlackEarth Minerals NL	100%	Pending	(11/05/2017)	-	80 BL	-	-	19	11, 12
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NOTES

Aboriginal Heritage Sites

- 1 The register of Aboriginal sites shows a site named "Donnelly River & Associated Wetlands" (Site 17979) is present within the boundary of this Tenement. The site is described on the register as "Mythological". The status of the site is that it relates to stored data and/or is not a site. The site affords open access.
- 2 The register of Aboriginal sites shows a site named "Muir Highway Ethnographic Site 3" (Site 17127) is present within the boundary of this Tenement. The site is described on the register as "Mythological, Natural Feature, Water Source". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.
- 3 The register of Aboriginal sites shows a site named "Jarrah & Sheoak Dominated Roadside Vegetation" (Site 17978) is present within the boundary of this Tenement. The site is described on the register as "Mythological". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.
- 4 The register of Aboriginal sites shows a site named "OGL FS2" (Site 18389) is present within the boundary of this Tenement. The site is described on the register as "Ochre". The status of the site is that it is on the permanent register. The site affords open access.
- 5 The register of Aboriginal sites shows a site named "OGL FS3" (Site 18390) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter". The status of the site is that it is on the permanent register. The site affords open access.
- 6 The register of Aboriginal sites shows a site named "OGL FS4" (Site 18391) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter". The status of the site is that it is on the permanent register. The site affords open access.
- 7 The register of Aboriginal sites shows a site named "Chapman River (Geraldton)" (Site 30063) is present within the boundary of this Tenement. The site is described on the register as "Historical, Mythological, Birth Place, Water Source". The status of the site is that it is on the permanent register. The site affords open access.

- 8 The register of Aboriginal sites shows a site named "CVAS01" (Site 30618) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter, Arch Deposit". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.
- 9 The register of Aboriginal sites shows a site named "CVAS02" (Site 30619) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter, Arch Deposit". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.
- 10 The register of Aboriginal sites shows a site named "CVAS04" (Site 30621) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter, Arch Deposit". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.
- 11 The register of Aboriginal sites shows a site named "NATGAS 185" (Site 8829) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.
- 12 The register of Aboriginal sites shows a site named "NATGAS 186" (Site 8830) is present within the boundary of this Tenement. The site is described on the register as "Artefacts/Scatter". The status of the site is that information has been lodged and is awaiting assessment. The site affords open access.

Native Title

- 13 This Tenement is intersected by the South West Boojarah #2 application for determination of native title (WAD253/2006) (WC2006/004). The South West Boojarah #2 native title claim is a registered claim but has not yet been determined.
- 14 This Tenement is intersected by the Southern Noongar application for determination of native title (WAD6134/1998) (WC1996/109). The Southern Noongar native title claim is a registered claim but has not yet been determined.
- 15 This Tenement is intersected by the Wagyl Kaip application for determination of native title (WAD6286/1998) (WC1998/070). The Wagyl Kaip native title claim is a registered claim but has not yet been determined.
- 16 This Tenement is intersected by the Ballardong People application for determination of native title (WAD6181/1998) (WC2007/007). The Ballardong People native title claim is a registered claim but has not yet been determined.
- 17 This Tenement is intersected by the Amangu People application for determination of native title (WAD6002/2004) (WC2004/002). The Amangu People native title claim is a registered claim but has not yet been determined.
- 18 This Tenement is intersected by the Naaguja People application for determination of native title (WAD6194/1998) (WC1997/073). The Naaguja People native title claim is a registered claim but has not yet been determined.

- 19 This Tenement is intersected by the Wajarri Yamatji application for determination of native title (WAD6033/1998) (WC2004/010). The Wajarri Yamatji native title claim is a registered claim but has not yet been determined.

Agreements

- 20 A summary of the Acquisition Agreement is set out in section 15 of the Prospectus.
- 21 Tenements E70/4811 and E70/4812 are the subject of a Noongar Standard Heritage Agreement dated 23 May 2016 between the Tenement holder as at the date of this Report, Lithium Australia NL, and the South West Aboriginal Land & Sea Council Aboriginal Corporation ICN 3832 for and on behalf of the Ballardong People Agreement Group. This agreement will need to be assigned to, and assumed by, the Subsidiary, or a new heritage agreement will need to be entered into by the Subsidiary, before any works can be undertaken by the Subsidiary on the Tenement area. The agreement contains provisions ordinarily found in agreements of its type including provisions regarding the requirement for, and cost of, heritage surveys on the Tenement area prior to the commencement of ground-disturbing work and conditions that apply to activities carried out within the Tenement area including certain payments that are required to be made by the Tenement holder.
- 22 Tenement E70/4825 is the subject of a Noongar Standard Heritage Agreement dated 15 March 2017 between the Tenement holder as at the date of this Report, Lithium Australia NL, and the South West Aboriginal Land & Sea Council Aboriginal Corporation ICN 3832 for and on behalf of the Ballardong People Agreement Group. This agreement will need to be assigned to, and assumed by, the Subsidiary, or a new heritage agreement will need to be entered into by the Subsidiary, before any works can be undertaken by the Subsidiary on the Tenement area. The agreement contains provisions ordinarily found in agreements of its type including provisions regarding the requirement for, and cost of, heritage surveys on the Tenement area prior to the commencement of ground-disturbing work and conditions that apply to activities carried out within the Tenement area including certain payments that are required to be made by the Tenement holder.
- 23 Tenements E70/4903 and E70/4906 are the subject of a Noongar Standard Heritage Agreement dated 23 February 2017 between the Tenement holder as at the date of this Report, Lithium Australia NL, and the South West Aboriginal Land & Sea Council Aboriginal Corporation ICN 3832 for and on behalf of the Ballardong People Agreement Group. This agreement will need to be assigned to, and assumed by, the Subsidiary, or a new heritage agreement will need to be entered into by the Subsidiary, before any works can be undertaken by the Subsidiary on the Tenement area. The agreement contains provisions ordinarily found in agreements of its type including provisions regarding the requirement for, and cost of, heritage surveys on the Tenement area prior to the commencement of ground-disturbing work and conditions that apply to activities carried out within the Tenement area including certain payments that are required to be made by the Tenement holder.
- 24 Tenement E70/4824 is the subject of a Noongar Standard Heritage Agreement dated 11 June 2016 between the Tenement holder as at the date of this Report, Lithium Australia NL, and the South West Aboriginal Land & Sea Council Aboriginal Corporation ICN 3832 for and on behalf of the Ballardong People Agreement Group. This agreement will need to be assigned to, and assumed by, the Subsidiary, or a new heritage agreement will

need to be entered into by the Subsidiary, before any works can be undertaken by the Subsidiary on the Tenement area. The agreement contains provisions ordinarily found in agreements of its type including provisions regarding the requirement for, and cost of, heritage surveys on the Tenement area prior to the commencement of ground-disturbing work and conditions that apply to activities carried out within the Tenement area including certain payments that are required to be made by the Tenement holder.

- 25 Tenement E66/95 is the subject of a Heritage Agreement dated 14 November 2016 between the Tenement holder as at the date of this Report, Lithium Australia NL, and the Yamatji Marlpa Aboriginal Corporation as agent for the Amangu Claimant Group. This agreement will need to be assigned to, and assumed by, the Subsidiary, or a new heritage agreement will need to be entered into by the Subsidiary, before any works can be undertaken by the Subsidiary on the Tenement area. The agreement contains provisions ordinarily found in agreements of its type including provisions regarding the requirement for, and cost of, heritage surveys on the Tenement area prior to the commencement of ground-disturbing work and conditions that apply to activities carried out within the Tenement area including certain payments that are required to be made by the Tenement holder.

Registered Encumbrances

- 26 Subject to a caveat in favour of the Subsidiary, protecting the Subsidiary's interest in the Tenement until such time as it becomes the registered legal holder of the Tenement. Further details of the Acquisition Agreement are set out in section 8 of this Report and in section 15 of the Prospectus.

14. SOLICITORS' REPORT ON TENEMENTS – MADAGASCAR



24th November 2017

The Directors

BlackEarth Minerals NL

Level 1, 675 Murray Street

West Perth WA 6005, Australia

Solicitors' Report on Tenements – BlackEarth Minerals NL ACN 610 168 191

Dear Sirs,

The present report (**Report**) has been prepared at the request of the directors of BlackEarth Minerals NL ACN 610 168 191 (**Company**) in relation to the exploration and exploitation of the Tenements (together the **Tenements**) held by Mada Aust SARL, a company registered and domiciled in the Republic of Madagascar and bearing Company Number 2004 B 00494 (**Mada Aust**) under the Malagasy Mining Code (**Mining Code**), to be included in a prospectus (**Prospectus**) dated on or about 24 November 2017 for the offer by the Company of up to 30,000,000 fully paid ordinary shares in the capital of the Company (**Shares**) at an issue price of AUD\$0.20 per Share to raise up to AUD\$6,000,000 with a minimum subscription to the offer of 22,500,000 Shares at an issue price of AUD\$0.20 per Share to raise \$4,500,000, together with one (1) free attaching partly paid share in the capital of the Company (paid to \$0.0001, unpaid to \$0.2499) for every two (2) Shares subscribed for and issued.

We understand that the Company intends to acquire the totality of the capital of Madagascar Graphite Ltd, a company registered under the laws of the Republic of Mauritius under Company Number 134314 C2GBL, which owns all the shares in Mada Aust.

We have mentioned in Section 7 of the Report, provisions relating to the protection granted by the treaty between Mauritius and Madagascar on mutual protection and promotion of investments.

LEXEL Juridique & Fiscal

SA avec Administrateur Général au capital de 15.000.000 MGA

Zone Tana Water Front - Ambodivona - Antananarivo 101 - Madagascar

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RCS Antananarivo 2005B526 - NIF 2000000488 - Statistique 69102 11 2005 0 00834



1. TENEMENTS INTERESTS

Details of the Tenements are set out in the Schedule of Tenements (**Schedule**) found at the end of this Report. The Schedule forms an essential part of this Report.

2. SEARCHES

For the purpose of issuing the present legal opinion, we have considered the rules and legislations governing mining activities, the Tenements requirements and environmental compliance applicable in Madagascar, as well as all other documents which we have deemed necessary, namely:

- the Tenements, details of which are set out in the Schedule ;
- the environmental authorisations (**Environmental Authorisations**) from the environmental department of the Ministry of Mines ;
- the environmental Tenements (**Environmental Tenements**) from the “*Office National pour l’Environnement*” (**ONE**), the national environmental office ;
- the registration certificates dated 16th June 2017 (**Registration Certificates**) from the “*Bureau du Cadastre Minier de Madagascar*” (**BCMM**), the national mining cadastral office;
- payment receipts of mining royalties and duties;
- amodiation contracts (contract for exploitation of mining perimeters) between Mada Aust and :
 - ✓ Jupiter Mines et Minerals SARL (**Jupiter**);
 - ✓ ERG (Madagascar) Ltd (**ERG**);
 - ✓ SQNY International (**SQNY**).
- the addendum n°1 of amodiation contract between Mada Aust and SQNY, dated the 3rd December 2010 (**Addendum n°1**);
- the addendum n°2 of amodiation contract between Mada Aust and SQNY, dated the 1st July 2016 (**Addendum n°2**).

We had the benefit of meeting with the representatives of Mada Aust and having discussions on the status of the Tenements on the 16th June, 4th July, 11th October and 25th October 2017 respectively

3. OPINION

As a result of our searches and enquiries detailed above, but subject to the assumptions and qualifications set out in this Report, we are of the opinion that, as at the date of the relevant searches :

- (a) This Report provides an accurate statement of the status of the Tenements;
- (b) Unless otherwise specified in this Report, the Tenements are validly granted and are in good standing;

- (c) This Report provides an accurate statement as to third party interests, including encumbrances, in relation to the Tenements as apparent from our searches and based on the information provided to us.

In this Report, we opine on the rights and obligations that the tenements confer to its holders. The holder's use of the tenements is therefore restrictively expressed therein.

4. MINING TENEMENTS UNDER THE MINING CODE

Overview of Tenements under Malagasy laws

The Tenements subject matter of this Report are exploration and exploitation Tenements. Mining Tenements granted under the Mining Code are subject to various conditions which are detailed below.

Holders of exploration or exploitation Tenements have the obligation to pay an annual administration fees to the BCMM on the 31st March latest.

Any late payment of mining administration fees is punishable by the BCMM by a fine amounting to 5% of the unpaid fee per month of delay.

Failure to meet such requirements may result in the BCMM cancelling the exploration and exploitation Tenements.

Conditions are imposed on the grant of mining Tenements pursuant to the Mining Code. These include conditions relating to the environment.

Once a mining Tenement has been granted, the land rights and the mining rights attached to the tenement, cannot be claimed or challenged by a third party. Indeed, article 105.b of the application Decree of the Mining Code (**Application Decree**) makes it clear that whenever the BCMM receives an application for a new Tenement, it must first ensure that the land perimeters indicated in the application are available and that they do not encroach on plots of land which are attached to another mining Tenement. Applications which impinge upon the mining rights of another holder are *de facto* rejected by the BCMM.

Article 105.b therefore guarantees the holder the quiet enjoyment of its mining activities during the term of the Tenement.

Section 6 of the present report concerns the securing of land rights.

Exploration Tenements

We have sighted copies of exploration Tenements n°3432, 25605, 25606, 39750 and 39751.

The grant of an exploration Tenement under the Mining Code lies with the Ministry of Mines.

The holder of an exploration Tenement has the exclusive right of prospecting for and exploring the mineral resources indicated in its Tenement.

Article 33 of the Mining Code states that the duration of an exploration Tenement is 5 years with the possibility of renewal for 2 consecutive terms of 3 years each.

Exploitation Tenements

We have reviewed copies of exploitation Tenements licenses n°5391, 5392, 5393, 5394, 19932, 25093, 25904 and 25905 (regarding Tenements n°19932 and 25905, see our comments on page 14 of the Report).

The grant of an exploitation Tenement under the Mining Code lies with the Ministry of Mines.

The exploitation Tenement confers to its holder, the exclusive right to conduct prospecting, exploration, extraction and commercial exploitation of mineral resources designated therein for the authorised term.

Article 37 of the Mining Code provides that the duration of an exploitation Tenement is 40 years with the possibility of renewal for one or several consecutive terms of 20 years each.

Payment of mining administration fees

Article 89-b of the Application Decree provides that the holder of a mining Tenement should pay the mining administration fees related thereto by latest the 31st March of each year. Any late payment of mining administration fees is punishable by a fine amounting to 5% of the unpaid fee per month of delay (art. 89 al.2 of the Application Decree). The non-payment of mining administration fees may lead to the cancellation of the Tenement (art. 165 of the Application Decree).

The Registration Certificates indicate that the mining administration fees, with respect to the Tenements under review, have been duly paid every year since their respective date of grant up to year 2017.

The mining administration fees in relation to each tenement for 2017 are inserted in the table found in the Schedule of the Report.

Therefore, as far as the payment of mining administration fees is concerned, Mada Aust is in good standing and as such there is no risk of the Tenements being cancelled.

The next payment is due by the 31st March 2018 latest.

Payment of mining royalties and duties

Article 284 of the Application Decree provides that the holder of the mining exploitation Tenement must pay mining royalties (*redevance*) and mining duties (*ristourne*) both calculated on the first sale of the extracted resources. The rates of the mining royalties and duties are 0.60% and 1.40% respectively.

The non-payment of the mining royalties and duties can lead to the cancellation of the mining Tenement (art. 165 al.3 of the Application Decree).

In relation to Tenements nos. 5394 and 25095, we have sighted receipts evidencing that royalties and duties for the year 2016 have been paid. The royalties and duties have been calculated on sale of Labradorite made by Jupiter and SQNY, under the amodiation contracts as described below.

Renewal

Tenements n°25605 and 25606 have expired on the 17th June 2011.

Applications for their renewals have been submitted to the BCMM on the 23rd August 2011. We have reviewed documents which prove that the renewal applications have effectively been lodged with the BCMM.

According to article 51 of the Mining Code, a Tenement holder may apply for renewal of its Tenement upon payment of the corresponding renewal fee.

It is only when the holder produces proof that it has settled the renewal fee, that the BCMM may record its renewal application.

The amount of the renewal fee and the payment modalities are prescribed in regulation.

Pursuant to article 116-a) of the Application Decree, the application for the renewal of a mining Tenement needs to be submitted to the BCMM within 45 business days at most before the expiry date of the said Tenement.

A person who wishes to renew an exploration Tenement must prove that he still meets the prescribed criteria to hold a mining Tenement and that he has started effecting exploration activities.

Furthermore, article 52-1 of the Mining Code provides that if the holder of a mining Tenement has not commenced exploration or exploitation activities on licensed perimeters, the renewal/conversion of its Tenements would be limited to half of the mining surfaces initially granted. In the case of a Tenement consisting of only one mining square, renewal or conversion application shall be refused. Therefore, if the holder wishes to obtain the renewal or the conversion of the totality of its mining tenement which was initially granted for mining surfaces, he/she/it must demonstrate the commencement of mining activities.

For the renewal of an exploration Tenement, applications submitted to the BCMM are thereafter sent to the Ministry of Mines, which decides if the Tenements shall be renewed or not, within 30 business days from the date that the renewal application was submitted to the BCMM.

The decision to renew a mining Tenement is published in the Government Gazette after the Ministry of Mines has communicated its decision to the BCMM.

Based on the above, we are of opinion that :

- i) In breach of article 116 (a) of the Application Decree, Mada Aust has not filed its application for renewal of the Tenements n°25605 and 25606 within 45 business days before the Tenements have expired (thereinafter the ‘statutory delay for renewal’).

As per article 116 (supra), a licensee which has not filed its renewal application within the prescribed delay is deemed to have renounced its rights in respect of the totality of the mining surfaces covered by its Tenement, on the next day of the Tenement’s expiry date.

- ii) The cause of late filing by Mada Aust is explained by the fact that the BCMM has suspended all its activities during the period that the application for renewal of the Tenements should have been filed, i.e. 15th April 2011 latest. Any renewal applications filed during this period would be systematically rejected or not even received by the BCMM. On the 28th November 2010, the BCMM issued a “Note” explaining that the BCMM has suspended the filing of demands for (i) Authorisation for reservation of mining perimeters for exclusive use (“AERP”) and (ii) for mining Tenements until further notice. The last paragraph of the Note states that “when the BCMM will resume the receipt of applications, an additional delay equal to the period BCMM’s activities were suspended would be granted to any interested party filing an application pursuant to any provisions of the Mining Code or its Application Decree imposing a statutory delay to file the application.” In other words, where a filing formality needs to be complied with within a specific timeframe under the Mining legislations, the delay for filing the applications shall be extended by the period the BCMM has had its activities suspended.

For instance, if the BCMM was inactive from 1st January to 30th June 2017 and under the Application Decree, renewal applications ought to be filed by the 31 March 2017, the applicant will have an additional 6 months from the 30th June 2017 to file its application.

- iii) Although the Note does not expressly address the aspect of renewal applications of Tenements, in practice, the BCMM was declining acceptance of all renewal requests as from the date the Note was issued. This explains why Mada Aust was unable to file its renewal application with the BCMM within the prescribed delay. Furthermore, Mada Aust may also find support in the last paragraph of the note translated above, in submitting that on the date the BCMM has resumed its activities, a new window commensurate to the period during which the BCMM was dormant, opens to the Company to file its renewal application. We do not have the exact date on which the BCMM has recommenced to receive renewal applications. We have however sighted an “Instruction” from the Ministry of Mines dated 13th December 2013 instructing the BCMM to accept receiving renewal applications filed late up to 31st January 2014.
- iv) Presumably Mada Aust is not concerned with this Instruction since it has filed its renewal application on 23rd August 2011. Be that as it may be, it seems to us that this document purports to grant all holders of expired Tenements, up to 31st January 2014 to file their applications for renewal of Tenements .
- v) For Mada Aust, the fact that the BCMM has acknowledged receipt of its renewal application and demand for extension of mineral resources (on 11th February 2014) buttresses our contention that the BCMM cannot invoke article 116 to cancel the Tenements n°25605 and 25606 or conclude that Mada Aust has abandoned its rights conferred by the Tenements.
- vi) It may be a moot point but if the BCMM intends to invoke the Company’s violation of article 116 (*supra*) as a ground for rescinding the Tenements n°25605 and 25606 and the rights attached thereto, the same article provides that the BCMM shall have informed and ordered Mada Aust to comply with the environmental undertakings provided by the latter on the date the Tenements n°25605 and 25606 were granted. We have not sighted any notification from the BCMM to this effect and the inference that one can draw for the silence of the BCMM on this issue, is that Mada Aust is deemed not to have renounced/relinquished its mining rights in the Tenements n°25605 and 25606.
- vii) Whilst the above will not completely eliminate the risk that the BCMM may trigger article 116 to seek cancellation of the Tenements n°25605 and 25606, we are of the view that Mada Aust has solid arguments to demonstrate that it has at all material times used all reasonable means to renew the Tenements n°25605 and 25606 within the statutory delay and that any attempt by the BCMM or any authority to contest the Mada Aust’s mining rights for non-compliance with article 116 (*supra*) would be a manifestly harsh and disproportionate measure to take in the circumstances.
- viii) For the reasons invoked in the preceding paragraphs, we are of the opinion that the BCMM or any competent authority is unlikely to dispute the admissibility of the renewal applications of the Tenements n°25605 and 25606.

Extension of mining substances

When a Tenement is granted, it enables its holder to carry out mining exploration or exploitation works (depending on the type of Tenement) for resources exhaustively listed in the Tenement license within a specific area.

However, article 30 of the Mining Code provides that *"a mining permit covers the mining substance(s) present in the perimeter and for which the permit has been granted. In the event that indications of other mineral substances which are not covered by the mining permit are found, and the license holder expresses the wish to conduct exploration/exploitation of same, the latter must, prior to any work relating to the new substances, submit a declaration to the Bureau du Cadastre Minier and obtain an extension of the license and, as the case may be, an environmental authorisation from the competent authority"*.

Therefore, if a tenement holder finds substances which are not listed in its Tenement, it shall declare its interest for exploration and/or exploitation of the new substances to the BCMM and obtain an extension of its authorised substances. The rights to explore/exploit the newly discovered substance(s) cannot be conferred to a new applicant simply because they are not listed as authorised substances in the initial Tenement.

In general, the extension of mining substances is decided by the Minister responsible for Mines, pursuant to article 31 of the mining Code, which states that *"[...], the extension of a mining licence to other mineral substances classified in mines shall be granted the right by the authority which issued the original permit, at the request of the holder. »*. However, in practice, the BCMM decides on applications for the extension of mineral substances, in accordance with article 113 of the Mining Code implementing decree, which provides that *"the extension shall be confirmed, registered and issued by the Cadastre Office Mining [...]"*.

As such, the chief technical officer of the BCMM mentioned in Tenements nos. 25094 and 5391, that Mada Aust is authorized to operate graphite as of August 30, 2017.

As part of Tenements nos. 5392, 5393 and 25093, Mada Aust is authorized to operate graphite as of September 13, 2017.

We have noted that applications for the extension of substances covered by Tenements n°25605 and 25606 have been submitted by Mada Aust to the BCMM on the 11st February 2014.

The applicable legislations do not prescribe any specific statutory delay for filing an application for extension of substances to the BCMM. As such, we take the view that the application filed by Mada Aust does not contravene the Mining Code and its Application Decree.

As mentioned above, the Tenements n°25605 and 25606 have been submitted to the BCMM for renewal.

We point out that at the moment, the BCMM has suspended its activities and hence does not process applications for renewal thus the reason why the said Tenements have yet to be issued.

Based on the information and the documents in our possession, every Tenement as listed in the Schedule contains graphite as an authorised substance.

Amodiation

An amodiation is a process by which the tenement holder leases its Tenement and all rights attached to it to a tenant. Whilst the tenant exploits all mining rights derived from the Tenement, its ownership remains vested in the owner.

Pursuant to article 61 of the Mining Code, the amodiation contract must be registered with the BCMM.

All administrative, tax and environmental obligations related to the mining Tenements object of an amodiation contract remain the responsibility of the tenement holder as per article 140 of the Application Decree.

All the amodiation contracts in our possession have been registered with the tax administration; the tax registration conferring a certain date to the amodiation contracts.

1. Amodiation contract between Mada Aust and Jupiter

Mada Aust granted to Jupiter the exclusive right to conduct prospecting, exploration, extraction and exploitation of the Labradorite which is a mineral resources designated in the Mining Tenements n°5394 (48 small squares) for a duration of 10 years as from 1st July 2015.

As a result of this amodiation contract, Mada Aust shall :

- As from the 1st November 2015, receive a guaranteed monthly royalty fee of 4 500 EUR (excluding tax) which correspond to an annual production of 1 800 tonnes. For the months of February and March, given that the mining activities are reduced during the rainy season, the aforesaid minimum monthly amount is reduced to 2, 250 EUR (excluding tax);
- Receive royalties of an amount based on the number of tonnes of Labradorite extracted directly by Jupiter (excluding VAT) or indirectly through any buyer:
 - ✓ Up to 3.000 tonnes per year: 30 EUR (excluding VAT) or the equivalent value in USD at the date of payment
 - ✓ More than 3.000 tonnes per year : 17.14 EUR (excluding VAT) or the equivalent value in USD at the date of payment
- Receive reimbursement for the payment of the mining administration fees related to the Mining Tenements n°5394;

- Receive a non-reimbursable amount of 40.000.000 EUR (excluding VAT) as a guarantee of the respect of its obligations by Jupiter;
- Assure the quiet exploration and exploitation of the mining squares, object of the amodiation contract, by Jupiter;
- Conduct the exploitation of the scarp resulting from the exploitation of Labradorite conducted by Jupiter or have the exploitation of a scarp conducted by another company.

We understand that the amodiation contract between Mada Aust and Jupiter has not yet been registered with the BCMM but the formalities pertaining to the registration with the BCMM are in course, according to Mada Aust.

Except the amodiation contract related to the Labradorite, Mada Aust has the exclusive right to conduct prospecting, exploration, extraction and commercial exploitation of the other minerals resources mentioned in the Mining Tenement n° 5394.

2. Amodiation contract between Mada Aust and SQNY

Mada Aust granted to SQNY the exclusive right to conduct exploration and exploitation of the Labradorite which is a mineral resources designated in the Mining Tenements n° 25093 (16 small squares), 25094 (16 small squares) and **25095** (48 small squares) for a duration of 14 years as from 1st July 2016.

As a result of this amodiation contract, Mada Aust shall:

- As from the 1st July 2016, receive a guaranteed monthly royalty fee of 2 125 EUR (excluding tax) which correspond to an annual production of 850 tonnes ;
- Receive royalties of an amount based on the number of tonnes of Labradorite extracted directly by SQNY (excluding VAT) or indirectly through any buyer:
 - ✓ Up to 3.000 tonnes per year : 30 EUR (excluding VAT) or the equivalent value in USD at the date of payment
 - ✓ More than 3.000 tonnes per year : 17.14 EUR (excluding VAT) or the equivalent value in USD at the date of payment
- Receive compensation for any kind of damage Mada Aust could suffer due to the activities of SQNY in the mining perimeter;
- Receive reimbursement for the payment of the mining administration fees related to the Mining Tenements 25093, 25094 and 25095;
- Receive a non-reimbursable amount of 50.000 USD (excluding VAT) as a guarantee of the respect of its obligation by SQNY;
- Obtain all the authorizations necessary to the exploration and the exploitation of the square by Sony;

- Conduct the exploitation of the scarp resulting from the exploitation of Labradorite conducted by SQNY or the exploitation of a scarp conducted by another company.

We also understand that:

- Addendum n°1 has been concluded, following the conversion of large mining squares (2,5 km) into small mining squares (625 m), as per the new mapping conducted by the mining administration; the Addendum n°2 purports to remove Tenement nos. 25093 and 25094 from the ambit of the amodiation contract. We stress that it has not been registered with the BCMM as at the date of this Report but the formalities pertaining to the registration with the BCMM are in course, according to Mada Aust.
- Addendum n°2 therefore purports to reduce the amount of the monthly fee due to Mada Aust once the tenements n°25093 and 25094 have been removed from the amodiation.

Except the amodiation contract related to the Labradorite, Mada Aust has the exclusive right to conduct prospecting, exploration, extraction and commercial exploitation of the other minerals resources mentioned in the Tenement n° 25093, 25094 and 25095.

3. Amodiation contracts between Mada Aust and ERG

Mada Aust granted to ERG the exclusive right to prospect and explore minerals resources indicated in the Mining Tenements n°5394 (8 small squares), 19932 (10 small squares), 25605 (80 small squares) and 25606 (7 small squares) for a duration corresponding to the duration of the mining permits and for the following mining substances : Vanadium, Lithium, Aggregates, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Corindon, Dimension stone other than Labradorite, Feldspar other than Labradorite, Fluorspar, Granite, Graphite, Gypse, Kaolin, Kyanite, Limestone/Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Potash/ Potassium Minerals, Pumice, Quartz, Staurotide, Zéolite.

As a result of this, Mada Aust shall :

- Receive reimbursement for: the costs generated by the exploration of the minerals resources, the payment of the mining administration fees related to the Mining Tenements n°5394, 19932, 25605 and 25606, the payment of mining royalties due to the BCMM, the cost related to feasibility of the exploitation of the minerals resource related to the Mining Tenements n° 5394, 19932, 25605 and 25606;
- Make the payment of 50% of the registration fees of the amodiation contract (ERG shall do the payment of the 50 % left);
- Agree that access to the Mining Tenements n°5394, 19932, 25605 and 25606 will be granted to ERG with a copy of all documents related to the mining perimeter;

- Grant ERG the exclusive right to prospect and explore minerals resources indicated in the Mining Tenements n°5394 (8 small squares), 19932 (10 small squares), 25605 (80 small squares) and 25606 (7 small squares), in order for ERG to collect all information deemed necessary for the exploitation of the minerals resources;

- Provide to ERG any informations related to the Tenements n°5394 (8 small squares), 19932 (10 small squares), 25605 (80 small squares) and 25606 (7 small squares).

We also understand that the withdrawal formalities of the abovementioned amodiation contracts between Mada Aust and ERG to the BCMM are in course, according to Mada Aust.

Therefore, we note that only amodiation contracts bearing on the Tenements n°5394 and 25095 in favour of Jupiter and SQNY respectively, remain in force.

The Amodiation contracts are the only agreements related to the Tenements subjected to the present legal opinion, other than the Deed of Trust and Acknowledgment referred to below in this section.

Transfer of mining permits

Article 58 of the Mining Code provides that *“the exploration permit or “R” permit constitutes a right which can be transferred, leased through an amodiation contract, and be mortgaged”*.

The Mining Code also provides at article 61 that *“The transfer, leasing, pledge or mortgage deed is drawn up in accordance with the legal and regulatory provisions in force and must be submitted to the register of the mining cadastre. Upon registration, a new permit is issued and the rights and obligations attached to the initial permit are transferred to the new holder (...) All deeds for the transfer of a mining permit (...) cannot be opposable to the administration until and unless they are registered at the BCMM.”* Article 134 of the Mining Code also states that the Tenement holder or the beneficiary, as the case may be, is required to register all deeds pertaining to the transfer, pledge or leasing of a mining Tenement at the BCMM.

We have sighted the document dated 19th May 2016 which testifies that a document entitled “Partial transfer of license” has been lodged with the BCMM. This document pertains to tenement no 3432 which has partially been ceded from Mada Aust to ERG. When the BCMM will complete the process of this cession, it will issue a new Tenement to ERG and amend Tenement no 3432 to reflect the number of squares after partial cession to ERG.

Please note that the fact that a new Tenement has not yet been granted by the BCMM does not invalidate the contract between the parties to it. Therefore, rights can, as a matter of contract, pass between a transferor and a transferee notwithstanding the absence of, or pending of, the formal registration of the transfer.

Moreover, our understanding is that Tenements n°19932 and no. 25095 should not be part of the Tenements to be transferred as part of the proposed acquisition of Mada Aust on the basis of the Deed of Trust and Acknowledgment referred to below in this section.

It was envisaged to transfer these Tenements to Energex. However, in view of the suspension of the transfer and mining Tenement procedures decided by the Minister of Mining, Mada Aust decided that it would be prudent to retain the aforementioned mining Tenements on their behalf pending the continuity of the grant of mining Tenements.

Concerning Tenement no. 25095, this was the subject of a lease agreement with SQNY International.

Indeed, if an assignment is concluded and filed with the BCMM, the latter will retain the Tenement in question for an indefinite period of time, which will prevent SQNY International from obtaining a necessary Tenement for the transport of Labradorite, subject to the lease agreement, outside the mining perimeter.

Regarding Tenement no. 19932, 3 of the 7 big squares granted therein were the subject of a sales protocol with AAA International, a subsidiary of SQNY International.

Pending the formalization of these transfers, it is our view that a Memorandum of Understanding should be entered into between Capricorn Metals and the Company to address the specific case of Tenements no. 25095 and 19932.

Indeed, we understand that :

- on 28 August 2017, Blackearth Minerals N.L entered into a deed of trust and acknowledgment with Capricorn Metals Ltd and other parties in respect of Tenements no. 25095 and 19932;
- under that deed it was agreed that the Company will hold those tenements on trust for Capricorn Metals Ltd's subsidiary Malagasy Graphite Holdings Ltd and that Malagasy Graphite Holdings Ltd will be responsible for all costs and obligations (including under the applicable amodiation contracts) in respect of Tenements no. 25095 and 19932 until such time as those tenements are transferred to it or relinquished.

5. ENVIRONNEMENTAL MATTERS

i) Environmental Tenements

We have sighted copies of the following environmental Tenements:

- Environmental Tenement n°498 bis/03/MINENVEF/Mi dated 5th September 2003 (exploitation permits n°5391, 5392 and 5393);
- Environmental Tenement n°498/03/MINENVEF/Mi dated 5th September 2003 (exploitation permit n°5394);
- Environmental Tenement n°05/07/MINENVEF/ONE/DG/PE dated 7th March 2007 (exploitation permits n°25093 and 25094).

These environmental Tenements have been granted to Mada Aust following an environmental impact assessment (EIA).

They have been issued in compliance with articles 4 and 27 of the Decree n°99-954 dated 15th December 1999 making investment compatible with environment (“the MECIE Decree”) inasmuch as they have been delivered by the ONE, after a favourable assessment of the company’s EIA.

We understand that some substances authorised under the Tenements including graphite, as indicated in the Schedule, have yet to be exploited.

Before starting the exploitation of these substances, we recommend that the aforementioned environmental Tenements be amended to cover such substances, in compliance with article 37 al.2 of the Mining Code, which provides that *“the approval of the relevant environmental authority is required before the company may start exploitation works of the substances”*.

Therefore, the Company needs to amend the abovementioned environmental Tenements in order to include graphite, before starting the exploitation of graphite or any other concerned substances. The Company can be forbidden to exploit those substances in the event that the said updated environmental Tenements are not amended.

ii) Environmental authorisations

We have received copies of the following environmental authorisations:

- Decision n°117 dated 26th March 2008 (exploration Tenements n°3432 and 39750);
- Decision n°518-MEM dated 16th September 2008 (exploration Tenement n°25605);
- Decision n°200-MEM dated 15th April 2008 (exploration Tenement n°25606).

These environmental authorisations have been granted to Mada Aust following the submission of their PEE-RIM¹ to the environmental department of the Ministry of Mines.

The environmental authorisations have been issued in compliance with article 5 of the MECIE Decree and article 73 of the Ordinance n°12032/2000 dated 6th November 2000 on the environmental aspects impacting on the mining sector insofar as they have been delivered by the Minister of Mines.

In accordance to article 33 al.2 of the Mining Code, the approval of the environmental committee plan is required before the company may start prospecting works of the substances.

¹ **PEE-RIM** : Environmental Commitment Plan for mining activities carried out under exploration permits and which have a minimal environmental impact

Moreover, the exploration works may require an environmental Tenement from the ONE if they are situated on sensitive areas, as per article 4 of the MECIE Decree.

Besides, we note that :

- Exploration Tenement n°3432 is divided into three separate Tenements namely n°3432, n°39750 and n°39751). Exploration tenements n°3432 and n°39750 are covered by environmental authorisation granted by Decision n°117 dated 26th March 2008.
- Exploration Tenement n°39751 contains 160 small squares, of which 80 squares are located on sensitive areas.

In relation to said 80 squares, we point out that a new EIA has been submitted to the ONE since June 2017 in order to obtain an environmental Tenement. For a sake of clarity, the fact that there are mining squares in sensitive areas, requires that the tenement holder obtains an environmental Tenement, which must cover all surfaces found in both sensitive and non-sensitive areas.

In accordance with article 4 of the MECIE Decree, Mada Aust must obtain an environmental Tenement before it is authorised to carry out mining activities within the abovementioned 80 squares.

In the absence of the environmental Tenement, the mining activities covered by in the 80 squares located on the sensitive areas can be suspended. In this case, the Company cannot continue the mining activities within the 80 squares located on the sensitive areas before obtaining the aforementioned environmental Tenement.

In this context, Mada Aust adduced before to the ONE in June 2017 a new EIA dossier to obtain an environmental Tenement.

In principle, the environmental Tenement is issued on the basis of a favourable assessment of an EIA. However, there recently has been a change of procedures initiated by ONE. In fact, the latter conditioned the receipt of the application for an environmental Tenement by the provision of a mining specification by Mada Aust, although no legal or regulatory provision requires the production of such a document.

Mada Aust is regularly monitoring the dossier with the technical unit of the Mines Directorate in view of setting out the mining specifications.

Upon obtaining the environmental Tenement, Mada Aust may commence mining exploration within the 80 squares found in sensitive areas, pursuant to section 33 (2) and (3) of the mining Code.

We draw your attention to the fact that in practice, environmental authorisations and Tenements need to be updated whenever the Tenement holder undertakes new mining works.

6. SECURISATION OF LAND RIGHTS

Under the provisions of article 13 of the Mining Code, mines and fossil deposits are separated from land ownership. In other words, the holder of a mining Tenement does not have a de facto right in the land object of the tenement.

The tenement holder must therefore conduct a search on the land ownership by obtaining a copy of the land title deed or an updated certificate of legal status on the land ("*Certificat de situation juridique*"). To obtain this certificate which is issued by the Regional Land Department, we need the land title number and the name of the property.

The copy of the land title can be requested from the owner. We can also approach the Regional Land Department of land registry if we have a power of attorney from the owner.

In addition to obtaining a mining Tenement, Articles 307, 311 and 316 of the Application Decree provide that the tenement holder must before starting mining exploration or exploitation:

- enter into a lease agreement with the owner or owners of the land, and
- inform them of its right to occupy the surfaces covered by the tenement.

1) A lease agreement over State-owned land:

In the event that the land object of the tenement is owned by the State, article 307 of the Application Decree provides that the tenement holder must enter into an agreement with the authority in charge of the management of State land (currently the "*Ministre en charge des Projets Présidentiels, de l'Aménagement du Territoire et de l'Équipement*"). Pursuant to Article 19 of Law No. 2008-014 dated 23/07/2008, the contract with the State may take the form of either 18-year lease or a long term lease ("*bail emphytéotique*") agreement for a period which cannot exceed 99 years.

In order to enter into a lease agreement, the tenement holder must identify the owner of the land. Under the article 316 al.2 of the Application Decree, if the land owners exist, but their identity and/or address is/are unknown, the tenement holder, in collaboration with the Mayor of the "*Commune*" competent over the land in question, must ascertain the identity of the land owners and trace them in accordance with the research and identification procedure sets out in the Application Decree.

According to Mada Aust, the land surfaces covered by the Tenements are vacant (deemed to be owned by the Malagasy State) without any property rights attributed to anyone. Therefore, no private owner may avail himself of the land rights on the said lands, unless they justify a right of occupancy prior to the issuance of mining Tenements to Mada Aust. Mada Aust is not aware of any property right or occupation claims concerning these lands till date.

After registration of these lands in the name of the Malagasy state, there is no objection to the conclusion of the ordinary lease agreement of a maximum duration of 18 years or of a long term lease agreement ("*bail emphytéotique*") for a term not exceeding 99 years with the Malagasy state on the land constituting the mining perimeters in order to comply with article 19 of Law n°2008-014 of 23 July 2008 governing the private domain of the state.

The terms of the lease agreement are freely negotiable between the tenement holder and the landowner. The procedures relating to the request for and granting of a lease over State owned land are as follows:

- Public posting of the applicant's request and possibility for opposition by third parties;
- Request to the Ministry in charge of Land, for drawing up land title deeds over the applied plot of land in the name of the State;
- Drawing up of formal land title deeds in the name of the State with respect to the plot of land in question;
- Registration and transcription of the land title deed at the land registry having jurisdiction over the area in which the land is located;
- Application for the granting of a long term lease by the State;
- Signing of the lease agreement between the tenement holder and the State, represented by the Minister of land; and
- In the case of a long term lease ("*bail emphyteotique*") - which is recommended for mining activities - registration and transcription of the lessee's rights with the land registry, resulting in a title deed over the land being issued in the name of the lessee.

The procedures described above usually takes several months to complete and also involves, in parallel, discussions with various local players such as the members and head of the "Commune" and "Region". In regards to the rent, there are schedules of prices which vary on the competent regions. In our experience, the State negotiates the rent with the applicant on a case by case basis.

In addition to the above, we are not aware of any other prescribed procedures required or condition precedents to be satisfied prior to the conclusion of a lease between the tenement holder and the landowner.

2) A long term lease entered into with a private individual :

In the event that the lessor is a private individual, the procedures are as follows:

The parties have to enter into the long term lease before a notary. The notary then deals with all the administrative formalities, namely the registration of the long term lease agreement with the tax administration and with the Regional Department of Land registry.

Besides, pursuant to article 318 of the Application Decree, in the event that the private landowner refuses the terms of the lease agreement, the tenement holder shall submit the dispute to the Mayor of the “Commune” of the competent area, and the latter, if the dispute is not settled, shall refer the matter to the Provincial Mining Committee (“*Comité Provincial des Mines*”) which will initiate an amicable settlement procedure. If the amicable settlement procedure fails, the settlement of dispute section prescribed in the standard lease agreement enacted by an Arrêté of the Ministry of Mines shall be triggered for the final settlement of the dispute.

The provisions of article 318 (supra), along with those of article 126 of the Mining Code – confirmed by article 316 of the Application Decree show that the Tenement holder has a right to occupy the land covered by its Tenement provided that the occupational rights are formalised in a lease the terms and conditions of which, shall be negotiated and agreed by the landowner. Article 318 of the Application Decree, in particular, comforts us into thinking that there is no real possibility for the private landowner to refuse outright to grant the lease. Indeed, at the end of the dispute resolution procedure provided by that article, the outcome seems to lead to the imposition on the landowner of terms and conditions based on a standardised lease agreement, without any possibility for the Landowner to refuse to sign the lease agreement.

However, this is not clearly stipulated in the law and, in the case of a private landowner holder of a land title deed, the above reasoning may be held to be against the overriding principle that a person’s rights in his land are protected (the exception being expropriation by the State on the ground of public utility and following a specific process).

It should also be noted that the abovementioned provisions of article 318 would not apply in the case of an application for a lease agreement over State-owned land.

Article 125 al.2 of the Mining Code specifically provides that: *“If there is no lease agreement, and if the tenement holder has carried some works on a parcel of land which is subsequently reclaimed by the landowner, the tenement holder is only entitled to the reimbursement, by the landowner, of the expenses incurred for the eviction, as well as compensation, if any, of the benefits that it could have obtained therefrom.”* In case that there is no lease agreement, the tenement holder would also have, under article 129 of the Mining Code, the obligation to repair any damage that these works might have caused to private or public property.

The abovementioned long term leases shall be registered at the land office in order to make them opposable to third parties, and can also be mortgaged to secure a loan; they therefore give to the lessee land rights which are akin to those of a freeholder of the land.

7. PROTECTION GRANTED BY THE TREATY BETWEEN MAURITIUS AND MADAGASCAR ON MUTUAL PROTECTION AND PROMOTION OF INVESTMENTS

A) Relevant law

For the purpose of issuing the present legal opinion, we have analysed the following documents:

- the Agreement for the promotion and protection of investments between the Government of the Republic of Mauritius and the Government of the Republic of Madagascar, signed on the 06th April 2004 (**Treaty**);
- the Decision No. 10-HCC/D1 dated 20th July 2005 of the High Constitutional Court of Madagascar relating to the Treaty (**Decision**);
- the Law N° 2005-001 dated 2nd August 2005 authorising the ratification of the Treaty in Madagascar (**Ratification Law**);
- Notification of ratification of the Treaty to the Republic of Mauritius by the Republic of Madagascar, dated 27th September 2005 (**Madagascar Notification**); and
- Notification of ratification from the Embassy of the Republic of Mauritius to the Malagasy Ministry of Foreign Affairs dated 29th November 2010 (**Mauritius Notification**).

B) Legal standing and enforceability of the Treaty

Pursuant to article 137 al.2 of the Constitution of Madagascar, *“Ratification or approval of treaties of alliance, trade agreements, treaties or agreements relating to the international organization of those who engage the finances of the state, that modify provisions of a legislative nature, or relating to personal status, treaties of peace, or containing modification of territory must be authorised by law. Before ratification, the treaties are submitted by the President of the Republic to the constitutional review of the High Constitutional Court. In case of non-compliance with the Constitution, the agreement or treaty can only be ratified after reviews thereof.”*

In compliance with the above article, the Treaty which is a trade agreement, has been submitted to the prescribed constitutional review before its ratification. In this respect and having decided in favour of compliance with the Constitution, the High Constitutional Court has released its Decision. The ratification of the Treaty has been duly authorised by the passing of the Ratification Law, which was published in the Official Gazette n°2995 dated 24/10/05, page 5121.

Article 13 a) of the Treaty provides that *“Each Contracting Party shall notify the other of the procedures required by law for the entry into force of this Agreement. This will take effect one month after the date of receipt of the last notification”*. Therefore, we requested and obtained, from the Ministry of Foreign Affairs, copies of the ratifications notices sent by each party to the other in order to make the Treaty enforceable.

Regarding the formalities of ratification notified by Madagascar, the notification sent to the Embassy of Mauritius refers to the Ratification Law which both authorises the ratification of, and ratifies, the Treaty.

The Mauritius Notification was delivered to the Malagasy Ministry of Foreign Affairs on 29th November 2010. This step has for effect to complete the legal process required to fully implement the Treaty. Therefore, the Treaty has been fully implemented and is enforceable since 29th December 2010.

C) Protection under the Treaty

1- Scope of Protection

The Treaty's protections apply to "investment", which article 1 defines as *"assets of any kind invested by investors of one contracting Party in accordance with the laws and regulations of the other Contracting Party in the territory of the latter, and particularly but not exclusively: (...) the rights (...) from contracts legally concluded, including concessions granted for exploration, extraction, and exploitation of natural resources. The term "investor" includes, for each contracting party, (...) corporations and economic organisations, incorporated under the laws in force in the territory of the Contracting Party and having there its place of effective management"*.

We have noted that Mada Aust is a subsidiary of Madagascar Graphite Ltd registered under the laws of Madagascar after the date of the Treaty; as such, Mada Aust, its Tenements and rights hereunder fall within the scope of the protection granted by the treaty. We have also noted that Madagascar Graphite Ltd is a company incorporated in Mauritius after the date of the treaty; it will therefore be protected as "investor" under the treaty if its place of effective management is in Mauritius. Hence, based on the above, the Treaty can be relied upon in relation to Madagascar Graphite Ltd's investment in Mada Aust and its mining tenement in Madagascar.

2- Types of Protection

The Treaty provides various rights and protections to investors of which we consider the following to be of particular relevance to the security of tenure of Mada Aust's tenement and related contractual rights:

- Fair and equitable treatment;
- National and Most Favoured Nation treatment;
- Restriction on Expropriation and compensation rights; and
- Free Transfer of payments.

a) Fair and equitable treatment

All kinds of discriminatory or unjustified measures which might impede or obstruct the management, use, maintenance, benefit and enjoyment of an investment are excluded by the Treaty. The Malagasy State thereby reassures Madagascar Graphite Ltd of the conduct of its activities in a fair, quiet and secure environment, notwithstanding its foreign status, so long as Madagascar's territorial laws are respected and that transfer of funds complies with the Malagasy Law related to the exchanges, namely the Law n°2006-008 dated 2nd August 2006.

However, the Treaty enables the Malagasy Government to take all measures deemed necessary or urgent to protect its security and public order, environment, public health and prevention of diseases affecting animals and plants. Only in these circumstances can the Malagasy State take measures which could impact on Mada Aust's activities.

b) National and Most Favoured Nation Treatment Compensation for losses resulting from wars and conflicts

This engagement means that each party will treat on equal footings investments made in their respective countries. This equal treatment principle which is found at article 6 ensures that if any rights for compensation is conferred to a Malagasy national or a national of a most favoured nation in respect of damages caused to Mada Aust for reason of war or other armed conflict, revolution, state of national emergency, uprising insurrection or riot, act of terrorism, then similar rights for compensation are granted to Madagascar Graphite Ltd.

c) Expropriation and compensation

The Treaty prevents the Malagasy State from taking measures of expropriation, nationalization or other similar measures that would directly or indirectly deprive Madagascar Graphite Ltd of their Malagasy investment, unless the following conditions are met:

- the measure is taken in the public interest and within the proper administration of justice;
- the measure is not discriminatory or contrary to the commitments made as a Contracting Party to the Treaty;
- the measure can be adequately compensated, the amount and conditions of which shall be set in accordance with the laws in force in the territory of Madagascar;
- the compensation shall match the value of the said investment immediately before the date that the measure was made public; and
- the compensation is assessed and paid in the currency of Madagascar although freely convertible into foreign currency.

As a further protection, the legality of the expropriation, nationalization or other similar measure and the amount of compensation shall follow an ordinary legal proceeding.

d) Free Transfer of payments

The Treaty confers a right to Mauritian investors to freely transfer from Madagascar (in accordance with Malagasy law) monies arising out of their investment including, for example, any payments of income/dividends from their Malagasy assets, proceeds from the sale of assets, and the repayment of loans made to subsidiaries.

This right can be restricted in case of exceptional strains on the balance of payments. Restrictions must be implemented in good faith in a fair and non-discriminatory manner and their duration must not exceed six months, unless such restrictions are part of a program initiated by the International Monetary Fund.

D) Dispute between an investor and the State related to an investment

The guarantees provided by the Treaty are, in our opinion, secured by the provisions on litigation. In particular article 10 provides that if a dispute cannot be settled amicably within 9 months, then a Mauritian investor (eg Madagascar Graphite Ltd) has the choice to initiate arbitration or judicial proceedings in Madagascar or to refer the matter to *“an arbitration of the International Centre for Settlement of Investment Disputes (ICSID) for settlement or arbitration, in compliance with the Convention on the Settlement of Investment Disputes between States and investors of other States opened for signature on 18th March 1965 in Washington.*

Article 10c. provides that in the case of an ICSID referral: *“The arbitral court will decide on the basis of national law of the Contracting Party to the dispute over the territory of which the investment is located, and on the basis of rules on conflict of laws, provisions of this Agreement, terms of specific agreements concluded on the investment and the principles of international law”*

Therefore, we point out that in case of an expropriation of a mining tenement or a tenement held by a Malagasy subsidiary owned by a Mauritius entity, such as Madagascar Graphite Ltd, the Mauritian entity will have the choice to resolve disputes before the ICSID, rather than in Madagascar, in accordance with the principles of international law and the protections afforded in the Treaty.

8. ATTESTATION REGARDING THE SHAREHOLDING OF MADA AUST AND MADAGASCAR GRAPHITE LTD

As of this date and on the basis of the information and documents that we hold – being namely the minutes of the decisions of the sole shareholder of Mada Aust held on 29th May 2017, Madagascar Graphite Ltd, a company incorporated under the laws of Mauritius, having its registered office at c/o NWT (Maurice) Limited of Bowen Square, Dr Ferrière Street, Port Louis, Mauritius, owns the totality of the shares representing the share capital of Mada Aust.

As per the records of the Registrar of Companies in Mauritius as on 29 September, 2017, the shareholder of Madagascar Graphite Ltd (company incorporated in Mauritius and bearing company number C134314) is Malagasy Graphite Holdings Ltd (Australian company bearing Australian company number 609 447 976).

The records of the Registrar of Companies show that Madagascar Graphite Holdings Ltd became shareholder of Madagascar Graphite Ltd on 23 November 2015 further to a transfer of shares effected on same date from Malagasy Minerals Ltd.

The share capital of Madagascar Graphite Ltd is 100% owned by Madagascar Graphite Holdings Ltd.

9. COMPLIANCE

The Company's interests or rights regarding the Tenements are subject to the holder's continued compliance with the terms and conditions of the grant under the Mining Code (and any regulations made under the Mining Code), together with any conditions specific to each Tenement. The searches that we have conducted in connection with this Report do not disclose any failure to comply with the conditions in respect of the Tenements.

10. ASSUMPTIONS AND QUALIFICATIONS

This Report, including the Schedule, is based on, and subject to, the following assumptions and qualifications set out below and as otherwise specified elsewhere in this Report :

- (a) we have relied upon information provided by third parties, including various government departments, in response to searches made, or caused to be made, by us and have relied upon that information, including the results of searches, being accurate, complete and up to date as at the date of its receipt by us;
- (b) we are not aware of any reason why the agreements or contracts we have inspected for the purposes of this Report are not valid or not enforceable under the laws of Madagascar or Mauritius;
- (c) references in the Schedule are taken from details shown on the searches we have obtained from the BCMM. We have not undertaken independent surveys of the land the subject of the Tenements. Consequently we cannot verify the accuracy of the areas of the Tenements;
- (d) in relation to any statement relating to whether the Tenements are in good standing, such statement is only based on the information contained in the relevant search on the instruments of title for the Tenements;
- (e) if any of the Tenements are subject to a claim for cancellation, we express no opinion on the possible outcome of that claim action;
- (f) we are not aware of any reason why the registered holder of the Tenements does not have valid legal title to those Tenements;

- (g) where compliance with the terms and conditions of any Tenements and the provisions of the Mining Code including requirements necessary to maintain the Tenements in good standing, or a possible claim in relation to the Tenements by third parties is not disclosed on the face of the searches referred to above, we express no opinion as to such compliance or claim;
- (h) the Mining Code generally provides that certain dealings in relation to Tenements are of no force prior to such dealing being approved and registered by the relevant authority. Notwithstanding that the parties to a registered dealing may have performed all of their obligations so that the relevant agreement has come to an end, it is not the practice to withdraw the agreement from the register. Accordingly, in many cases there are numerous dealings registered against Tenements, many of which may be purely historical; and
- (i) we have not conducted enquiries as to the current or historical land tenure underlying the areas of land the subject of the Tenements. In this regard, we are unable to express an opinion on the likelihood of title rights and interests having been extinguished by previous land grants affecting part or all of the land the subject of the Tenements.

11. CONSENT AND DISCLOSURE OF INTEREST

This Report has been prepared, and is given, solely for the benefit of the Company and the Directors and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public documents or filed with any government body or other person without our prior written consent. *LEXEL Juridique & Fiscal* will be paid its normal and usual professional fees for the preparation of this Report. Except in respect of its professional fees, *LEXEL Juridique & Fiscal* has no interest in the promotion of the Company. *LEXEL Juridique & Fiscal* consents to being named in the Prospectus as the authors of this Report and to the inclusion of this Report in the Prospectus. *LEXEL Juridique & Fiscal* has given, and has not before the lodgement of this Prospectus withdrawn, its consent to the inclusion of this Report in the Prospectus.

Yours sincerely

Aviva RAMANITRA
Managing Partner

SCHEDULE
ASSUMES 1 AUSTRALIAN DOLLAR for 2,400 ARIARY CURRENCY EXCHANGE RATE

Tenements	Types of tenement	Registered holder	Ownership	Grant/Renewal Conversion Dates	Expiry Dates	Authorised substances	2017 mining administration fees including VAT (Ariary)	2017 mining administration fees including VAT (Australian dollars)	Mining (small) squares
25605	Exploration	Mada Aust	100%	18/06/2001	17/06/2011	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, LABRADORITE, Vanadium, Titane, Lithium, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Corindon, Fluorspar, Granite, GRAPHITE, Gypse, Kaolin, Kyanite, Argile, Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Pumice, Potash, Quartz, Staurotide, Zéolite	16 348 800	6 812	80
25606	Exploration	Mada Aust	100%			Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, LABRADORITE, Vanadium, Lithium, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Fluorspar, Granite, GRAPHITE, Gypse, Kaolin, Kyanite, Argile, Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Pumice, Potash, Quartz, Staurotide, Zéolite	3 269 760	13 624	16

LEXEL Juridique & Fiscal

Tenements	Types of tenement	Registered holder	Ownership	Grant/Renewal Conversion Dates	Expiry Dates	Authorised substances	2017 mining administration fees including VAT (Ariary)	2017 mining administration fees including VAT (Australian dollars)	Mining (small) squares
3432	Exploration	Mada Aust	100%	21/09/2015	20/09/2018	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, LABRADORITE, Vanadium, Lithium, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Corindon, Fluorspar, Granite, GRAPHITE, Gypse, Kaolin, Kyanite, Argile, Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Pumice, Potash, Quartz, Staurolite, Zéolite	12 476 160	5 198,4	48
39750	Exploration	Mada Aust	100%	21/09/2015	20/09/2018	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, LABRADORITE, Vanadium, Lithium, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Corindon, Fluorspar, Granite, GRAPHITE, Gypse, Kaolin, Kyanite, Argile, Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Pumice, Potash, Quartz, Staurolite, Zéolite	4 548 768	1 895,32	16
39751	Exploration	Mada Aust	100%	21/09/2015	20/09/2018	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, LABRADORITE, Vanadium, Lithium, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Corindon,		18 953,20	160

Tenements	Types of tenement	Registered holder	Ownership	Grant/Renewal Conversion Dates	Expiry Dates	Authorised substances	2017 mining administration fees including VAT (Ariary)	2017 mining administration fees including VAT (Australian dollars)	Mining (small) squares
						Fluorspar, Granite, GRAPHITE, Gypse, Kaolin, Kyanite, Argile, Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Pumice, Potash, Quartz, Staurolite, Zéolite	45 487 680		
5391	Exploitation	Mada Aust	100%	20/11/2002	19/11/2042	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, GRAPHITE, LABRADORITE	9 097 344	3 790,56	16
5392	Exploitation	Mada Aust	100%			Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, GRAPHITE, LABRADORITE	9 097 344	3 790,56	
5393	Exploitation	Mada Aust	100%			Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, GRAPHITE, LABRADORITE	9 097 344	3 790,56	
5394	Exploitation	Mada Aust	100%			Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, LABRADORITE, Vanadium, Lithium, Alunite, Barite, Bentonite, Vermiculite, Carbonatite, Corindon, Fluorspar, Granite, GRAPHITE, Gypse, Kaolin, Kyanite, Argile,	27 292 032	11 371,68	

LEXEL Juridique & Fiscal

Tenements	Types of tenement	Registered holder	Ownership	Grant/Renewal Conversion Dates	Expiry Dates	Authorised substances	2017 mining administration fees including VAT (Ariary)	2017 mining administration fees including VAT (Australian dollars)	Mining (small) squares
						Dolomite, Marbre, Mica, Olivine, Perlite, Phosphate, Pumice, Potash, Quartz, Staurotide, Zéolite			
25093	Exploitation	Mada Aust	100%	18/01/2007	17/01/2047	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, GRAPHITE, LABRADORITE	9 097 344	3 790,56	16
25094	Exploitation	Mada Aust	100%			Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, GRAPHITE, LABRADORITE	9 097 344	3 790,56	

15. MATERIAL CONTRACTS

The full terms of contracts to which the Company is a party that may be material in terms of the Offer or the operations of the Company or that otherwise are or may be relevant to a potential investor in the Company are not set out in this Prospectus. Summaries of these contracts are set out in Sections 7.3, Section 9.4, the Solicitors' Report on Mining Tenements – Madagascar in Section 14 and in this Section 15. If you wish to gain full knowledge of the contents of these contracts you can inspect them at the Company's registered office during normal business hours.

15.1 Agreements with Directors and Related Parties

Details of the material terms of the agreements between the Company and the Directors or other related parties of the Company are set out in Section 9.4.

15.2 WA Acquisition Agreement

On 17 July 2017 the Company entered into a tenement sale and purchase agreement under which the Company's subsidiary BlackEarth Australia Pty Ltd acquired the tenements that comprise the Donnelly River, Greenhills and Northern Gully Projects (**WA Acquisition Tenements**) from Lithium Australia NL. 1,000,000 Shares were issued to Lithium Australia by the Company by way of consideration for the acquisition under the WA Acquisition Agreement. Under the WA Acquisition Agreement Lithium Australia gave certain warranties in respect of the WA Acquisition Tenements, including warranties that the WA Acquisition Tenements are in good standing, that there is no breach of any of the conditions applicable to the WA Acquisition Tenements and that those tenements are not subject to any royalties or encumbrances. Under the WA Acquisition Agreement Lithium Australia has agreed to indemnify the Subsidiary from and against certain losses, claims, demands, costs, actions, expenses, proceedings, damages and liabilities of whatsoever nature suffered or incurred by the Subsidiary directly in connection with the WA Acquisition Tenements.

As a number of the WA Acquisition Tenements are exploration licences which are in their first year since grant, consent of the Minister to their transfer is required. That consent has been applied for and granted.

As at the date of this Prospectus, the WA Acquisition Agreement has been lodged with the Western Australian Office of State Revenue (**OSR**) for the assessment of duty and stamping. Transfers of those tenements from Lithium Australia to the Subsidiary cannot be lodged for registration with the Western Australian Department of Mines, Industry Regulation and Safety (**DMIRS**) until the duty is assessed and paid, and the stamped documents are received. Until such time as the transfers of the WA Acquisition Tenements to the Subsidiary have been registered, Lithium Australia remains the registered legal holder of the WA Acquisition Tenements but the Subsidiary has an exclusive licence to enter and explore those tenements and to retain any minerals extracted from them under the WA Acquisition Agreement. The Subsidiary is responsible for the payment of all rents, rates and charges including the minimum annual expenditure, on the WA Acquisition Tenements until such time as they are legally transferred to the Subsidiary. The Subsidiary has lodged caveats over each of the WA Acquisition Tenements, protecting its interest in those tenements until such time as the Subsidiary becomes the registered legal holder of the WA Acquisition Tenements.

15.3 Madagascan Acquisition Agreement

On 21 February 2017 the Company entered into a share sale and purchase agreement with Capricorn, the Vendor and Madagascar Graphite under which the Company agreed (subject to the satisfaction of certain conditions precedent) to acquire 100% of the issued shares in the capital of Madagascar Graphite. Madagascar Graphite holds 100% of the issued shares in the capital of Mada-Aust, which is the sole registered holder of the Madagascan Projects.

Completion of the sale and purchase under the Madagascan Acquisition Agreement (**Completion**) is conditional upon the satisfaction of a number of conditions precedent, including the Company being satisfied in its sole and absolute discretion with the results of its due diligence investigations, all necessary consents and approvals to the transactions contemplated by the Madagascan Acquisition Agreement being acquired and the Company successfully completing an initial public offer of its Shares on ASX and receiving conditional approval for the admission of the Company to the Official List which public offer is the subject of this Prospectus). On 21 July 2017 the parties to the Madagascan Acquisition Agreement agreed to extend the date for the satisfaction of the conditions precedent to completion to 21 December 2017 and on 27 October 2017 the parties to the Madagascan Acquisition Agreement agreed to further extend the date for the satisfaction of the conditions precedent to completion to 31 March 2018. On 28 August 2017 the parties to the Madagascan Acquisition Agreement entered into a Deed of Trust and Acknowledgment in respect of the waiver of certain of those conditions, details of which are set out in Section 15.4.

The consideration payable to the Vendor under the Madagascan Acquisition Agreement consists of a \$75,000 cash payment upon execution of that agreement, a further cash payment of \$75,000 and the issue of 2,000,000 Shares upon Completion and a deferred payment of \$1,000,000 if the Company makes a decision to commence full scale production based on a definitive feasibility study in respect of the Madagascan Projects within eight years of Completion.

The Vendor provided certain warranties under the Madagascan Acquisition Agreement ordinarily found in agreements of its type including warranties concerning its title to the shares in Madagascar Graphite and the assets of that company (including Mada-Aust).

15.4 Deed of Trust and Acknowledgement

The Company is a party to the Madagascar Acquisition Agreement, details of which are set out in Section 15.3. The Madagascar Acquisition Agreement provides that one of the conditions precedent to Completion is that Mada-Aust will be the sole legal and beneficial owner of the tenements that comprise the Ampanihy Project and that Mada-Aust will not be the beneficial owner of any mining tenements other than those tenements (Condition Precedent). As at the date of this Prospectus, Mada-Aust is the beneficial owner of mining tenements other than the tenements that comprise the Ampanihy Project (PE/19932 and PE/25095) (Relevant Tenements). Accordingly, the parties to the Madagascar Acquisition Agreement have entered into a Deed of Trust and Acknowledgment under which the parties have agreed that the Condition Precedent will be waived and Completion will take place subject to certain terms and conditions including that the Relevant Tenements are to be transferred to the Vendor, or its nominee as soon as practicable after the date of the Deed of Trust and Acknowledgment, that the Relevant Tenements will be held on trust for the Vendor by the Company pending such transfer and that the Vendor will be solely responsible for all costs, liabilities and obligations in respect of the Relevant Tenements until such time as they are transferred to the Vendor or its nominee or otherwise disposed of (including by relinquishment), and subject to the satisfaction of the other conditions precedent to the Madagascar Acquisition Agreement. The Vendor has indemnified and agreed to keep indemnified the Company against all costs, liabilities and obligations incurred in respect of the Relevant Tenements and Capricorn has guaranteed the obligations of the Vendor under the Deed of Trust and Acknowledgment.

15.5 Contingent Entitlement Share Trust Deed

The Contingent Entitlement Trustee has entered into a declaration of trust under which it declares that it holds the Contingent Entitlement Shares on trust for Shareholders of the Company who hold at least 10,000 Shares as at the Listing Date and who are Shareholders on the Entitlement Date. The Contingent Entitlement Trustee will distribute the Contingent Entitlement Shares to each of the Eligible Beneficiaries on a pro rata basis on a date that is after the Entitlement Date in accordance with the following formula:

$$(A/B) \times C = X$$

Where: A is the number of Shares held by an Eligible Beneficiary as at the Entitlement Date;

B is the total number of Shares held by all of the Eligible Beneficiaries as at the Entitlement Date;

C is the total number of Contingent Entitlement Shares; and

X is the number of Contingent Entitlement Shares which the Eligible Beneficiary is entitled to receive on the Entitlement Date.

15.6 Lead Manager Mandate

On 9 October 2017 the Company entered into a mandate with Patersons Securities Limited pursuant to which Patersons Securities Limited is engaged to act as lead manager of the Offer (**Lead Manager Mandate**). Under the Lead Manager Mandate Patersons Securities Limited will assist the Company in raising funds under the Offer. The material terms of the Lead Manager Mandate are as follows:

- (a) (**Fees**): the following fees (plus GST) are payable by the Company to Patersons Securities Limited on completion of the Offer:
 - (i) (**Lead Manager Fee**): 1% on the total gross amount raised under the Offer;
 - (ii) (**Selling Fee**): 5% of the gross amount raised under the Offer by investors introduced by Patersons Securities Limited, excluding amounts raised via subscriptions from certain cornerstone investors, the shareholders of Lithium Australia NL, Lithium Australia NL or any related parties of the Company or Lithium Australia NL (Selling Fee). All fees payable to third parties will be paid by the Lead Manager from the Selling Fee; and
 - (iii) (**Corporate Advisory Fee**): \$60,000, of which 50% was payable upon execution of the Lead Manager Mandate with the balance being payable upon completion of the Offer. In the event that the Company terminates the Lead Manager Mandate, or Patersons Securities Limited terminates the Lead Manager Mandate for cause, 50% of the Corporate Advisory Fee will be non-refundable;
- (b) (**Expenses**): Patersons Securities Limited is entitled to be reimbursed for all out-of-pocket expenses directly related to the Offer. Patersons Securities Limited will obtain the Company's consent prior to incurring any single expense greater than \$2,000;
- (c) (**Opportunity to Conduct Additional Engagements**): The Company agrees to offer the Lead Manager the lead role in any further equity raising undertaking in connection with the Company for a period of 12 months following completion of the Offer; and
- (d) (**Termination**): The Lead Manager Mandate may be terminated by Patersons Securities Limited at any time upon the occurrence of certain events including adverse changes in Australian equity capital market or the Company being in default of any term of the Lead Manager Mandate.

The Lead Manager Mandate contains other standard terms which are customary in agreements of this type.

16. ADDITIONAL INFORMATION

16.1 Rights Attaching to Securities

(a) Shares

The Shares offered for subscription under this Prospectus are new Shares that will rank equally with the issued Shares. The rights attaching to Shares are set out in the Constitution and in certain circumstances are regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and general law. The rights, privileges and restrictions attaching to Shares are summarised below. This is not exhaustive; nor is it a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement you should obtain independent legal advice. A copy of the Constitution is available for inspection at the Company's registered office during normal business hours.

(i) General meetings and notice of meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(ii) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(A) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(B) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a Shareholder has one vote, and

(C) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of Partly Paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call will be ignored when calculating the proportion.

(iii) Dividend rights

Subject to the rights of persons (if any) entitled to Shares with special rights to a dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company, subject to the Corporations Act. Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend, all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim. The Directors may deduct from any dividend payable to a Shareholder all sums of money (if any) presently payable by that Shareholder to the Company on account of calls or otherwise in relation to Shares.

(iv) Winding up

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the sanction of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other Securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to Shareholders, Shares classified by the ASX as restricted securities (as that term is defined in the Listing Rules) at the time of the commencement of the winding up shall rank in priority after all other Shares.

16.1 Rights attaching to Securities (Cont.)

(v) Transfer of Shares

Generally Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted or required by the Listing Rules or the ASTC Settlement Rules (superseded by the ASX Settlement Operating Rules) or where the transfer would breach the Listing Rules. Where the Directors exercise their right to refuse a transfer, they must give written notice in accordance with the Listing Rules to the transferee and lodging broker (if any). Failure to give notice will not invalidate the decision of the Directors. The Company must not refuse to register or give effect to or delay or in any way interfere with the registration of a market transfer where to do so would be contrary to the Listing Rules or any of the ASX Settlement Operating Rules.

(vi) Variation of rights

Pursuant to section 246B of the Corporations Act the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares.

If at any time the Share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class, subject to sections 246B to 246E of the Corporations Act.

(vii) Shareholder liability

As the Shares under the Prospectus are fully paid ordinary shares, they are not subject to any calls for money by the Directors and will therefore not become liable to forfeiture.

(viii) Future Increases in Capital

The issue of any Shares is under the control of the Directors. Subject to restrictions on the issue of Shares to Directors or their associates, the ASX Listing Rules, the Constitution and the Corporations Act, the Directors may issue or otherwise dispose of Shares on such terms and condition as they see fit.

(ix) Alteration to the Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given to Shareholders.

(x) ASX Listing Rules

If the Company is admitted to the Official List, notwithstanding anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

(b) Terms and Conditions of Partly Paid Shares

The terms and conditions of the Partly Paid Shares on issue at the date of this Prospectus are as follows.

- (i) The Partly Paid Shares rank equally in all respects with fully paid ordinary shares on issue, subject to the following terms and conditions, notwithstanding any differences in the amount that the Partly Paid Shares are paid up to.
- (ii) Each Partly Paid Share:
 - (A) was issued at a total issue price of \$0.25 per Partly Paid Share;
 - (B) is deemed to be paid up to \$0.0001 at the time of issue;
 - (C) has an initial unpaid amount of \$0.2499;
 - (D) carries the right to participate in new issues of securities to holders of Shares (except bonus issues) on the same basis as holders of Shares;

- (E) carries the right to participate in bonus issues of securities in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) and, further, each holder of Partly Paid Shares (**Partly Paid Shareholder**) will be notified by the Company of any proposed bonus issue of securities at least 14 days prior to the record date for any such issue;
 - (F) carries the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited), and
 - (G) carries the right to participate in dividends on the same basis as holders of Shares.
- (iii) Any Partly Paid Shareholder may elect at any time to pay the unpaid amount for any number of Partly Paid Shares held (**Unpaid Amount**) by delivering to the Company's registered office:
- (A) a notice stating the number of Partly Paid Shares to be paid-up;
 - (B) the relevant holding statement(s), and
 - (C) a cheque (in Australian currency) made payable to the Company for an amount being the result of the Unpaid Amount multiplied by the number of Partly Paid Shares being paid up to become fully paid ordinary shares, and immediately upon receipt of, and in exchange for, the items referred to above, the Company will credit the Partly Paid Shares for the Unpaid Amount so that they become fully paid ordinary shares and deliver updated holding statements to the Partly Paid Shareholder.
- (iv) At least 15 Business Days' notice of any call will be provided to Partly Paid Shareholders.
- (v) No application for Quotation of the Partly Paid Shares will be made. After such time as the Partly Paid Share series has all been fully called, or fully paid up, the Company may seek to list a class of partly paid shares on the ASX. In that future event, the Company may assess whether or not to apply for Quotation of the Partly Paid Shares, subject to the Listing Rules.
- (vi) Should there be any conflict between these terms and the ASX Listing Rules, the ASX Listing Rules will prevail.
- (vii) If the Company is listed on the ASX and there is a reorganisation of the issued capital of the Company (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital):
- (A) the number of Partly Paid Shares must be reorganised in the same proportion as all other classes of shares on issue, and
 - (B) the reorganisation must not involve a cancellation or reduction of the total amount payable and unpaid by Partly Paid Shareholders.
- (viii) In accordance with Part 2H.3 of the Corporations Act and the ASX Listing Rules, Partly Paid Shareholders do not have a contractual obligation to pay calls in respect of the unpaid amount on their Partly Paid Shares. However, the Partly Paid Shares the subject of a call will be liable to forfeiture if a call remains unpaid at the end of 14 Business Days after it became payable. Forfeited Partly Paid Shares may then be sold by the Company by public auction in accordance with the Corporations Act. As set out in the Constitution, the proceeds of the sale of such forfeited Partly Paid Shares will be applied first to the expenses of the auction, then to any expenses incurred in respect of the forfeiture and finally to calls on the Partly Paid Shares that are due and unpaid. The balance of the proceeds (if any) will be paid to the registered holder whose Partly Paid Shares were forfeited and sold.
- (ix) In the event that only a portion of a call is paid in respect of Partly Paid Shares, the amount of the call paid will be applied to the Partly Paid Shares held by that Partly Paid Shareholder sequentially and only those Partly Paid Shares in respect of which the call is not satisfied in full after the amount paid is so applied will be liable for forfeiture.

(c) Options

Each Option entitles the holder to subscribe for Shares on the following terms and conditions.

(i) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of each Option.

(ii) Exercise price

The exercise price of each Option is \$0.30.

(iii) Expiry date

Each Option has an expiry date, being three years from the date of grant, which was 22 June 2017.

(iv) Exercise period

Each Option is exercisable at any time on or before the date being three years from the date of grant.

16.1 Rights Attaching to Securities (Cont.)

(v) Notice of exercise

Each Option may be exercised by notice in writing to the Company. Any notice of exercise of Options received by the Company will be deemed to be a notice of the exercise of the Option as at the date of receipt.

(vi) Timing of issue of Shares

After an Option is validly exercised, the Company must as soon as possible:

(A) issue and allot the Share; and

(B) do all such acts matters and things to obtain the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option.

(vii) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then shares of the Company.

(viii) Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(ix) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least three business days after the issue is announced. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(x) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

(A) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(B) no change will be made to the Exercise Price.

(xi) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P - (S + D)]}{N + 1}$$

O = the old exercise price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to the volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

(xii) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders will be varied to comply with the ASX Listing Rules that apply to the reconstruction at the time of the reconstruction.

(xiii) Transfer

Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable.

(xiv) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed 'Not negotiable'. The application for Shares on exercise of the Options, with the appropriate remittance, should be lodged with the Company Secretary at the Company's registered office.

16.2 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company, or
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion, or
 - the Offer, and
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or a proposed Director:

- as an inducement to become, or to qualify as, a Director; or
- for services provided in connection with:
 - the formation or promotion of the Company; or
 - the Offer.

16.3 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, or
- promoter of the Company,

holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company, or
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion, or
 - the Offer, and
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- the formation or promotion of the Company, or
- the Offer.

AI Maynard & Associates Pty Ltd has acted as Independent Geologist – Australia and has prepared an Independent Geologist's Report on the Company's Australian Tenements, which has been included in Section 10. The Company estimates it will pay AI Maynard & Associates approximately \$7,000 plus GST for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, AI Maynard & Associates Pty Ltd has received other fees of \$9,000 the Company.

OMNI Geox Pty Ltd has acted as Independent Geologist – Madagascar and has prepared an Independent Geologist's Report on the Company's Madagascan Tenements, which has been included in Section 11. The Company estimates it will pay OMNI Geox Pty Ltd approximately \$6,000 plus GST for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, OMNI Geox Pty Ltd has not received any other fees from the Company.

William Buck Consulting (WA) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report, which has been included in Section 12. The Company estimates it will pay William Buck Consulting (WA) Pty Ltd approximately \$7,000 plus GST and disbursements for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, William Buck Consulting (WA) Pty Ltd has received no other fees from the Company for consulting services.

Cardinals Lawyers and Consultants has acted as the solicitors to the Company in relation to the Offer and has prepared the Solicitors' Report on Tenements – Australia, which has been included in Section 13. The Company estimates it will pay Cardinals Lawyers and Consultants approximately \$90,000 plus GST and disbursements for these services. Subsequently, fees will be charged in accordance with normal charge-out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Cardinals Lawyers and Consultants has received other fees of \$48,500 plus GST from the Company for legal services.

LEXEL Juridique & Fiscal has prepared the Solicitors' Report on Tenements – Madagascar, which has been included in Section 14. The Company estimates it will pay LEXEL Juridique & Fiscal approximately \$10,500 plus VAT and disbursements for these services. Subsequently, fees will be charged in accordance with normal charge-out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, LEXEL Juridique & Fiscal has received no other fees from the Company for legal services.

Automic Pty Ltd has been appointed as the Company's Share registry and will be paid for these services on normal commercial terms.

16.4 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, any persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make the Offer;
- (b) has not authorised or caused the issue of this Prospectus;
- (c) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section, and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement included in or omitted from this Prospectus, other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 16.4.

Al Maynard & Associates Pty Ltd has given his written consent to being named as the Independent Geologist – Australia to the Company in this Prospectus, to the inclusion of the Independent Geologist's Report – Australia in Section 10 in the form and context in which the report is included and to his Competent Person's Statement in Section 2.9. Al Maynard & Associates Pty Ltd has not withdrawn his consent prior to the lodgement of this Prospectus with ASIC.

OMNI Geox Pty Ltd has given his written consent to being named as the Independent Geologist – Madagascar to the Company in this Prospectus, to the inclusion of the Independent Geologist's Report – Madagascar in Section 11 in the form and context in which the report is included and to his Competent Person's Statement in Section 2.9. OMNI Geox Pty Ltd has not withdrawn his consent prior to the lodgement of this Prospectus with ASIC.

William Buck Consulting (WA) Pty Ltd has given written consent to being named as investigating accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 12 in the form and context in which the report is included. William Buck Consulting (WA) Pty Ltd has not withdrawn that consent prior to lodgement of this Prospectus with ASIC.

Cardinals Lawyers and Consultants has given written consent to being named as solicitors to the Offer in this Prospectus and to the inclusion of the Solicitors' Report on Tenements – Australia in Section 13 in the form and context in which the report is included. Cardinals Lawyers and Consultants has not withdrawn that consent prior to the lodgement of this Prospectus with ASIC.

LEXEL Juridique & Fiscal has given written consent to the inclusion of the Solicitors' Report on Tenements – Madagascar in Section 14 in the form and context in which the report is included. LEXEL Juridique & Fiscal has not withdrawn that consent prior to the lodgement of this Prospectus with ASIC.

16.5 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$550,000 at Minimum Subscription and \$650,000 at Full Subscription and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)	Amount (\$)
	Minimum Subscription \$4.5 million	Full Subscription \$6 million
ASIC fees	2,400	2,400
ASX fees	85,290	86,954
Brokers' commissions*	225,000	300,000
Lead manager corporate advisory fee	60,000	60,000
Lead manager fee	45,000	60,000
Investigating Accountant's Report	7,000	7,000
Legal expenses (Australia)	90,000	90,000
Legal expenses (Madagascar)	10,500	10,500
Independent Geologists' Reports (Australia and Madagascar)	13,000	13,000
Printing and distribution	5,000	5,000
Miscellaneous	6,810	15,146
TOTAL	550,000	650,000

* Brokers' commissions will only be paid on applications made through a licensed securities dealer or Australian financial services licensee and accepted by the Company (refer to Section 6.15 for further information). The amount calculated is based on 100% of applications being made in this manner. For those applications made directly to or accepted by the Company, no broker commissions will be payable and the expenses of the Offer will be reduced and additional funds will be put towards new project evaluation.

16.6 Continuous Disclosure Obligations

Following the admission of the Company to the Official List, the Company will be a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all ASX-listed companies, the Company will be required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of the Securities.

Price-sensitive information will be publicly released through the ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

16.7 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending against the Company.

16.8 Financial Forecasts and Cashflow Projections

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and consider that they do not have a reasonable basis to forecast future earnings for the Company. Given the speculative nature of mineral exploration and the early stage of the Company's projects, there are significant uncertainties associated with the future revenue-earning potential of the Company and the timing and sustainability of the cash flow. On the basis of these inherent uncertainties, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that the Directors believe that reliable best-estimate forecasts cannot be prepared and accordingly have not included forecasts or projection in this Prospectus.

16.9 Privacy Statement

If you complete an Application Form or Priority Offer Application Form you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application and, if your application is successful, to service your needs as a Shareholder and facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the Share register, including bidders for your Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry, contact details of which are set out in Section 1: Corporate Directory.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules, such as the ASX Settlement Operating Rules.

You should note that if you do not provide the information required on applications, the Company may not be able to accept or process your application.

16.10 Clearing House Electronic Subregister System (CHESS) and Issuer Sponsorship

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd, a wholly owned subsidiary of the ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister. The two subregisters together will make up the Company's principal register of Securities.

Under CHESS the Company will not issue Share certificates to investors. Instead, holders of Securities will receive a statement of their holdings in the Company. If an investor is broker-sponsored, ASX Settlement Pty Ltd will send a CHESS statement. This statement will also advise investors of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub register or a Securityholder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub register.

A statement will be routinely sent to Security holders at the end of any calendar month during which their holding changes. A Security holder may request a statement at any other time; however, a charge may be incurred for additional statements.

17. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings, unless the context requires otherwise.

\$ means an Australian dollar.

Acquisition Agreements means the Madagascar Acquisition Agreement and the WA Acquisition Agreement.

Ampanihy Project or **Madagascar Projects** means the Company's Ianapera Project and Maniry Project.

Application Form means the application form so titled attached to and forming part of this Prospectus.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the market operated by it (as the context requires).

ASX Settlement Operating Rules means the operating rules of the settlement facility operated by ASX Settlement Pty Ltd (ACN 008 504 532), as amended from time to time.

BCMM means Bureau du Cadastre Minier de Madagascar, being the department in the Republic of Madagascar responsible for the administration of the Mining Code (Republic of Madagascar) 1999.

Board means the board of Directors.

Business Day means a day other than a Saturday or a Sunday when trading banks are ordinarily open for business in Perth, Western Australia.

C or **TC** means total carbon or carbon respectively and represents all carbon sources, including inorganics, graphite and volatile organics.

Capricorn means Capricorn Metals Ltd ACN 126 732 689 (ASX code CMM).

Chairman means the chairman of the Board.

Closing Date means the closing date of the Offer, as set out in the indicative timetable in the Investment Overview in Section 5 (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **BlackEarth** means BlackEarth Minerals NL ACN 610 168 191.

Constitution means the constitution of the Company.

Contingent Entitlement Trustee means Greyhound Investments Pty Ltd ACN 123 686 386, the trustee holding the Contingent Entitlement Shares for distribution to Eligible Beneficiaries.

Contingent Entitlement Shares means 5,000,000 Shares held on trust by the Contingent Entitlement Trustee.

Corporate Governance Principles and Recommendations means the *Corporate Governance Principles and Recommendations (Third Edition)*, as published by the ASX Corporate Governance Council.

Corporations Act means the *Corporations Act 2001* (Cth) and any regulations promulgated under it.

Deed of Trust and Acknowledgment means the deed summarised in Section 15.4.

Directors means the directors of the Company from time to time.

Donnelly River Project means the Company's Donnelly River graphite project located in WA, consisting of Exploration Licence Application E70/4972, applied for under the Mining Act, and Exploration Licences E70/4824 and E70/4825, applied for and granted under the Mining Act, further details of which are set out in Section 7.2 and in Section 10.

Eligible Beneficiaries is defined in Section 15.5.

Entitlement Date is defined in Section 6.15.

Exploitation Permit or **Exploitation Tenement** means an exploitation permit (*Permis d'Exploitation*) applied for and granted under the Mining Code.

Exploration Licence means an exploration licence applied for and granted under the Mining Act.

Exploration Licence Application means an exploration licence applied for under the Mining Act.

Exploitation Permit or **Exploitation Tenement** means an exploitation permit (*Permis d'Exploitation*) applied for and granted under the Mining Code.

Exploration Permit or **Exploration Tenement** or **Research (Exploration) Permit** means a research permit (*Permis de Recherche*) applied for and granted under the Mining Code.

Full Subscription is defined in Section 6.5.

General Offer is defined in Section 6.2.

Greenhills Project means the Company's Greenhills graphite project located in WA, consisting of Exploration Licences E70/4811, E70/4812, E70/4903 and E70/4906, applied for and granted under the Mining Act, further details of which are set out in Section 7.2 and in Section 10.

Group means the Company and its related bodies corporate (as that term is defined in the Corporations Act), including the Subsidiary.

Ianapera Project means the Ianapera graphite project located in Madagascar, consisting of Exploitation Permits PE/5391, PE/5392, PE/5393, PE/25093 and PE/25094, applied for and granted under the Mining Code, further details of which are set out in Section 7.2, Section 11 and Section 14.

JORC Code means the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004)* prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Listing Date means the date upon which the Company is admitted to the Official List.

Listing Rules means the Listing Rules of the ASX and any other rules of the ASX that are applicable while the Company is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Lithium Australia means Lithium Australia NL ACN 126 129 413 (ASX code LIT).

Mada-Aust means Mada-Aust SARL, a company registered and domiciled in the Republic of Madagascar and being company number 2004 B 00494.

Madagascan Acquisition Agreement means the agreement summarised in Section 15.3 as amended by letter agreements dated 21 July 2017 and 27 October 2017 and as further amended by the Deed of Trust and Acknowledgment.

Madagascar Graphite means Madagascar Graphite Ltd, a company registered and domiciled in the Republic of Mauritius and being company number 134314 C2GBL.

Managing Director means the managing director of the Company.

Maniry Project means the Maniry graphite project located in Madagascar, consisting of Exploration Permits PR/39750, PR/39751, PR/3432, PR/25605 (subject to an application for renewal as at the date of this Prospectus) and PR/25606 (subject to an application for renewal as at the date of this Prospectus), applied for and granted under the Mining Code, and Exploitation Permit PE/5394, applied for and granted under the Mining Code, further details of which are set out in Section 7.2 and in Section 11.

Minimum Subscription is defined in Section 6.6.

Mining Act means the *Mining Act 1978* (WA) and any regulations made under it, each as amended from time to time.

Mining Code means the Mining Code (Republic of Madagascar 1999) as amended from time to time.

Minister means the minister referred to in section 10 of the Mining Act.

Northern Gully Project means the Company's Northern Gully graphite project, located in WA and consisting of Exploration Licence E66/95, applied for and granted under the Mining Act, further details of which are set out in Section 7.2 and in Section 10.

Original Prospectus means the prospectus lodged with ASIC by the Company dated 8 November 2017, as amended by the supplementary prospectus lodged with ASIC by the Company dated 20 November 2017.

Offer means the invitation to apply for Shares and free attaching Partly Paid Shares under this Prospectus, comprising the General Offer and the Priority Offer.

Official List means the official list of the ASX.

Option means an option to acquire a Share on the terms and conditions set out in Section 16.1(c).

Partly Paid Share means a partly paid ordinary share in the capital of the Company, paid to \$0.0001 and unpaid to \$0.2499, on the terms and conditions set out in Section 16.1(b).

Priority Offer is defined in Section 6.7.

Priority Offer Application Form means the application form titled 'Priority Offer Application Form' attached to and forming part of this Prospectus.

Priority Closing Date means the closing date of the Priority Offer, as set out in the indicative timetable in the Investment Overview in Section 5 (subject to the Company reserving the right to extend the Priority Closing Date or close the Offer early).

Priority Offer Record Date means the record date for the Priority Date, as set out in the indicative timetable in the Investment Overview in Section 5.

Projects means the WA Projects and the Madagascar Projects.

Prospectus means this prospectus dated 24 November 2017.

Quotation means official quotation by the ASX in accordance with the Listing Rules.

Recommendations means *The Corporate Governance Principles and Recommendations (Third Edition)* published by the ASX Corporate Governance Council.

Section means a section of this Prospectus.

Securities means Shares, Partly Paid Shares and Options, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Automic Pty Ltd ACN 152 260 814.

Shareholder means a holder of a Share.

Subsidiary means BlackEarth Australia Pty Ltd ACN 619 001 893.

Tenements means the tenements held, or to be acquired, by the Company and its subsidiaries, details of which are set out in the Solicitors' Report on Tenements – Australia in Section 13 and the Solicitors' Report on Tenements – Madagascar in Section 14, or any one of them, as the context requires.

TC or C means total carbon or carbon respectively and represents all carbon sources, including inorganics, graphite and volatile organics.

TGC means total graphitic carbon, also known as fixed carbon, representing the total graphite content only and excluding all other sources of carbon.

Vendor means Malagasy Graphite Holdings Ltd ACN 609 447 976, the vendor of 100% of the shares in Madagascar Graphite, which in turn owns 100% of the shares in Mada-Aust, the registered holder of the Madagascar Projects, pursuant to the Madagascan Acquisition Agreement and being a subsidiary of Capricorn as at the date of this Prospectus.

WA means Western Australia.

WA Acquisition Agreement means the agreement summarised in Section 15.2.

WA Projects means the Company's Donnelly River Project, Greenhills Project, Northern Gully Project and Yalbra Project.

WST means Western Standard Time, as observed in Perth, Western Australia.

Yalbra Project means the Company's Yalbra graphite project located in WA, consisting of Exploration Licence Application E09/2234, applied for under the Mining Act, further details of which are set out in Section 7.2 and in Section 10.

18. DIRECTORS' AUTHORISATION AND CONSENT

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

Each Director has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Dated the 24th day of November 2017.

A handwritten signature in black ink, appearing to read 'Thomas Revy', with a long, sweeping horizontal stroke extending to the right.

Thomas Revy
Managing Director

For and on behalf of BlackEarth Minerals NL

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the *Corporations Act 2001* requires that information about you as a securityholder (including your name, address and details of the securities you hold) be included in the public register of the entity in which you hold securities. Primarily, your personal information is used to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law, and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website - www.automic.com.au

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), a company(s) or other legal entity(s) acceptable by the Company. At least one full given name and surname is required for each natural person.

Type of investor	Correct form of registration	Incorrect form of registration
Individual	Mr John Richard Sample	J R Sample
Joint holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/unincorporated bodies	Mr John Sample < Food Health Club A/C>	Food Health Club
Deceased estates	Mr John Sample <Estate late Anne Sample A/C>	Anne Sample (deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE REPLACEMENT PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for ordinary fully paid shares ('Shares') and Partly Paid Shares in BlackEarth Minerals NL (ACN 610 168 191) ('Company'), made under the terms set out in the Replacement Prospectus dated 24 November 2017 and any supplementary prospectus (if applicable). The expiry date of the Replacement Prospectus is the date which is 13 months after the date of the Prospectus.

The Replacement Prospectus and any supplementary prospectus (if applicable) contains important information relevant to your decision to invest and you should read the entire Replacement Prospectus and any supplementary prospectus (if applicable) before applying for Shares and Partly Paid Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Replacement Prospectus and any supplementary prospectus (if applicable) is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.

- Shares applied for and payment amount** - Enter the number of Shares you wish to apply for. Your application must be for a minimum of 10,000 Shares (A\$2,000). Applications for greater than 10,000 shares must be in multiples of 1,000 Shares (A\$200). Next, enter the amount of the application monies payable. To calculate this amount, multiply the number of Shares applied for by the Offer price, which is A\$0.20 per share.
- Applicant name(s) and postal address** - Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), company(s) or other legal entity(s) acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact details** - Please provide details of where we can contact you between 9:00 am AEDT and 5:00 pm AEDT should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHES holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this application on the CHES subregister, enter your CHES HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a 'Securityholder Reference Number' (SRN) will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFNs is authorised by taxation laws but quotation is not compulsory and it will not affect your application.
- Payment** - Payments for applications made through this Application Form can only be made by cheque. Payment can be made by BPAY® or EFT but only by making an online application, which can be accessed by following the web address provided on the front of the Application Form. **Do not forward cash with this Application Form as it will not be accepted.**

Your cheque must be made payable to 'BlackEarth Minerals NL' and drawn on an Australian bank and expressed in Australian currency and crossed 'Not negotiable'. Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account, as your acceptance may be rejected if your cheque is dishonoured.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, YOU DECLARE THAT:

- all details and statements made on the form are complete and accurate;
- where information has been provided about another individual, that individual's consent has been obtained to transfer the information to the Company;
- the Company and its respective officers and agents are authorised to do anything on your behalf (including the completion and execution of documents) to enable the Shares and Partly Paid Shares to be allocated to you;
- you agree to be bound by the constitution of the Company;
- neither the Company nor any person or entity guarantees any particular rate of return on the Shares and Partly Paid Shares; nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Offer opens at 9.00 am (AEDT) on 24 November 2017 and is expected to close at 5.00 pm (AEDT) on 14 December 2017. The Company may elect to extend the Offer or close it (after the Offer is open) at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their applications as early as possible. Completed Application Forms and cheques must be:

POSTED TO:	DELIVERED TO (during business hours only - 9.00 am to 5.00 pm (AEDT):
BlackEarth Minerals NL C/- Automic PO Box 2226 STRAWBERRY HILLS NSW 2012	BlackEarth Minerals NL C/- Automic Level 3, 50 Holt Street SURREY HILLS NSW 2010

Your Application Form must be received by Automic no later than 5.00 pm (AEDT) on 14 December 2017.

If you have any queries in respect of this application, please contact Automic either by phone on 1300 288 664 or at hello@automic.com.au.

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic advises that Chapter 2C of the *Corporations Act 2001* requires that information about you as a securityholder (including your name, address and details of the securities you hold) be included in the public register of the entity in which you hold securities. Primarily, your personal information is used to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law, and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website - www.automic.com.au

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), a company(s) or other legal entity(s) acceptable by the Company. At least one full given name and surname is required for each natural person.

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Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/unincorporated bodies	Mr John Sample < Food Health Club A/C>	Food Health Club
Deceased estates	Mr John Sample <Estate late Anne Sample A/C>	Anne Sample (deceased)

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The Replacement Prospectus and any supplementary prospectus (if applicable) contains important information relevant to your decision to invest and you should read the entire Replacement Prospectus and any supplementary prospectus (if applicable) before applying for Shares and Partly Paid Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable) and an Application Form, on request and without charge.

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- Applicant name(s) and postal address** - Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), company(s) or other legal entity(s) acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact details** - Please provide details of where we can contact you between 9:00 am AEDT and 5:00 pm AEDT should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>
- CHESS holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a 'Securityholder Reference Number' (SRN) will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFNs is authorised by taxation laws but quotation is not compulsory and it will not affect your application.
- Payment** - Payments for applications made through this Application Form can only be made by cheque. Payment can be made by BPAY® or EFT but only by making an online application, which can be accessed by following the web address provided on the front of the Application Form. **Do not forward cash with this Application Form as it will not be accepted.**

Your cheque must be made payable to 'BlackEarth Minerals NL' and drawn on an Australian bank and expressed in Australian currency and crossed 'Not negotiable'. Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account, as your acceptance may be rejected if your cheque is dishonoured.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, YOU DECLARE THAT:

- all details and statements made on the form are complete and accurate;
- where information has been provided about another individual, that individual's consent has been obtained to transfer the information to the Company;
- the Company and its respective officers and agents are authorised to do anything on your behalf (including the completion and execution of documents) to enable the Shares and Partly Paid Shares to be allocated to you;
- you agree to be bound by the constitution of the Company;
- neither the Company nor any person or entity guarantees any particular rate of return on the Shares and Partly Paid Shares; nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

The Offer opens at 9.00 am (AEDT) on 24 November 2017 and is expected to close at 5.00 pm (AEDT) on 7 December 2017. The Company may elect to extend the Offer or close it (after the Offer is open) at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be:

POSTED TO:	DELIVERED TO (during business hours only - 9.00 am to 5.00 pm (AEDT)):
BlackEarth Minerals NL C/- Automic PO Box 2226 STRAWBERRY HILLS NSW 2012	BlackEarth Minerals NL C/- Automic Level 3, 50 Holt Street SURREY HILLS NSW 2010

Your Application Form must be received by Automic no later than 5.00 pm (AEDT) on 7 December 2017.

If you have any queries in respect of this application, please contact Automic either by phone on 1300 288 664 or at hello@automic.com.au.

