Blackstone Resources

Semi-annual Report 2021

SEMI-ANNUAL REPORT AND OUTLOOK BY THE CHAIRMAN OF THE BOARD

Ladies and Gentlemen,
Dear shareholders,

It is with my greatest pleasure to announce our activities and successes during the first half of 2021. This has been one of the most successful periods in the company's history. We have seen several trends that have accelerated the vision of Blackstone Resources for the future. Our goal is to develop and commercialise a battery technology that will help ensure a sustainable clean-energy world in the future.

We have constructed the most ecologically compatible battery of the next generation through a sustainable production process. I believe that zero emissions and the complete decarbonisation of the world is within reach with advanced battery technology as a major contributing factor. We care deeply about the carbon footprint of the battery supply chain and the battery production process.

We need to store renewable energy at reasonable price. The electric revolution is driven by electric vehicles, battery infrastructure and demand for battery technology that can deliver longer operating times for laptops, tools, and mobile phones.

Blackstone Resources is structured into three separate segments: battery technology, battery metals and other assets. Below is a comprehensive summary of how each of these segments have developed in the first half of the year.

Blackstone Technology GmbH in Döbeln, Germany

1. Battery technology

- Since early 2019, Blackstone Resources has heavily invested in researching and developing the next generation of battery technology through its German subsidiary Blackstone Technology GmbH and has been very successful. It has achieved excellent results through its collaboration with its strategic innovation partners such as the Fraunhofer Institute (FI) at Offenburg and Goslar (Germany), the Eidgenössische Materialprüfungsanstalt (EMPA) and the Berner Fachhochschule (BFH), both located in Switzerland.

Subsequently, the company has developed the next generation of batteries, plus the manufacturing process needed for its first 50MWh small series production. During this process it has applied the company's patented proprietary 3D-printing technique. This allows a sustainable battery manufacturing process that can produce batteries in a variety of shapes and performance attributes. The objective here is to reduce the amount of battery input materials needed, as well as the cost of the battery production process while increasing the battery's energy density.

- Blackstone Technology GmbH held its Battery Day on February 16, 2021, when management proudly presented the first 40 fully functional 3D-printed cells with 3.2V and 50Ah, which are currently undergoing various testing procedures.

- On April 12, 2021, Blackstone Technology presented the first solid-state battery cell with a solid electrolyte as a separator, which has been certified by the institutions the company works with and its technology partners.

- **As of June 30, 2021, the three following crucial proof of concepts were achieved:**
    - Completion of a 3D-printed mechanically stable solid-state electrolyte as a separator.
    - Production of a printed composite cathode and anode including the composite of a solid-state electrolyte which offers a significant increase in energy density and sustains a much higher number of charging cycles.
    - Readiness of small series production to start in September 2021.

Our 3D-printed battery cells

- Blackstone Technology received multiple grants provided by the EU Current Direct Programme, Innosuisse and the Development Bank of Saxony for the support of their innovation projects after the successful completion of a rigid application process.

- Blackstone Technology has entered several letters of intent (LOI) for 3D-printed battery orders of approx. EUR 184.000.000.

- The constitution of the Advisory Board has been adjusted to increase its level of experience and knowledge. New members include Dr. Franz Fink, Dr. Ulrich Ehmes, Prof. Dr. Arno Kwade and Prof Dr. Jürgen Janek who all represent significant additions for Blackstone.

- Blackstone has started comprehensive research on the recycling process for 3D-printed cells.

Visualisation of battery production in Döbeln, Germany

The advantages of the Blackstone 3D-printed battery cells:

- It represents a gamechanger for the entire battery production through a next generation industry 4.0 battery production process.
- There is a 25% increase in battery energy density through our patented Thick Layer Technology®.
- These batteries use an environmentally friendly and sustainable supply of battery materials, including water soluble binder systems for the production process.
- They require lower capital expenditure and operational expenditure, saving between 30% to 70% respectively. The goal is to decrease the battery prices to USD 65 per KWh within the next decade.
- The production process is fast – the goal is to produce 3D-printed batteries with an output of one cell per second.
- Batteries in a variety of forms and shapes are possible.
- Production will start in September 2021 and mass production thereafter.

<u>2. Battery metals</u>

- Blackstone continued its successful exploration of lithium assets and concessions in Chile and is now holding more than 8,900 ha, an increase of 3,100 ha since December 31, 2020, through our subsidiary Blackstone Resources Chile. Blackstone received various technical NI 43-101 standard reports for its local projects in Chile.

- First Cobalt – a company where Blackstone Resources has a significant invested interest – announced a positive feasibility study and additional finance raised for their cobalt refinery. They will start production by the end of this year with the goal to annually extract and refine more than 10,000 tonnes of cobalt.

- Our Norway concessions, now consist of 8,505 ha, and our nickel cooperation in Indonesia are currently in the exploration and development phase.

Our lithium concession in Chile

<u>3. Other assets</u>

- Our gold milling plant in Peru is intended to produce a healthy cash flow for the company and is not a major part of the company's operations.

- The plant will start production by the second half of 2021 and will increase production in 2022 to 100 tonnes milling capacity.

- The purpose of the other assets and of the gold milling plant is to pay and stabilise the company's growth in its exploration activities for battery metals and the research and development of new battery technology.

Our gold milling plant in Peru

Other developments

- In May 2021 Blackstone received a buy recommendation from AlphaValue – an independent equity research house that covers over 470 European stocks, split between 32 seasoned analysts.

- Thereby AlphaValue gave Blackstone a target price of CHF 12.10 after significant stock price appreciation occurred following major breakthroughs in its battery business, Blackstone Technology.

- AlphaValue also awarded Blackstone Resources a CC→ credit rating.

Outlook for 2021 and beyond

What we have witnessed is an acceleration and pickup in interest for the battery technology that we are developing.

The long-term fundamentals that support the battery metal market remain strong. Electric vehicle sales are expected to increase 28 times from their current level by 2040. Each electric vehicle uses more than 10,000 times the lithium in a smartphone today. The electric vehicle industry is now booming and is turning to battery technology and battery material suppliers for solutions. This is exactly how Blackstone has positioned itself.

Lithium faces technical challenges and the supply of ethically sourced cobalt hinges on the success of new projects. The good news is that Blackstone is well-positioned in both areas.

The success of our lithium exploration project in Chile has been the highlight of the first six months of 2021. The project now has a NI 43-101 resource report and is entering the next phases of exploration.

The company is actively in discussion with various interested partners for the sale of one or more lithium brine lakes, for a joint venture or an offtake agreement.

We also foresee that First Cobalt – where we have invested interests – will commence production from the only cobalt refinery in North America. This would be a tremendous milestone to achieve.

In the second half of 2021, we are starting mass production and will have the proof of concept for a new battery making system. This will ultimately revolutionise the world's battery making process. We intend to increase the production of batteries up to 24GWh by 2025 and beyond.

In addition to setting up our own battery manufacturing sites, we are planning to license and franchise our production and battery technology to interested industrial partners.

2021 has proved to be a very exciting and decisive year for the company as we are unlocking its full value with a potential IPO of the battery technology activities. This could represent an inflection point for the company and its stakeholders and path towards future success.

I would like to thank our investors for their continued loyalty and support in 2021.

Yours faithfully,

Ulrich Ernst, lic. oec. publ

Chairman and CEO

CONSOLIDATED FINANCIAL STATEMENTS OF BLACKSTONE GROUP

Consolidated Balance Sheet (unaudited)

in CHF	Notes	June 30, 2021	December 31, 2020
Assets			
Property, plant and equipment	9	10’023’230	9’808’451
Right-of-use assets		1’140’017	1’258’555
Exploration & evaluation assets		360’277	261’861
Goodwill	10	80’854’958	77’630’455
Other intangible assets	10	11’078’057	10’824’424
Advances and loans		67’329	-
Deferred tax assets		15’506	15’506
Total non-current assets		**103’539’374**	**99’799’253**
Trade and other receivables (including innovation grant receivables)	13	267’177	70’358
Convertible note	11	950’000	1’890’000
Accrued income		743’423	335’602
Other current assets		3’218’549	1’409’496
Marketable securities and short-term financial assets		338’333	317’738
Cash and cash equivalents		1’918’518	673’477
Restricted cash		64’200	64’200
Total current assets		**7’500’200**	**4’760’870**
Total assets		**111’039’574**	**104’560’123**
Liabilities			
Share capital	12	21’350’000	21’350’000
Share premium		25’962’001	26’049’517
Treasury shares		0	-85’095
Retained earnings/(losses) and other reserves		-8'865’183	-8’318’591
Equity attributable to shareholders		**38'446’818**	**38’995’831**
Non-controlling interest		45'685’821	43’988’466
Total equity		**84'132’639**	**82’984’297**
Borrowings		12’434’847	9’700’441
Convertible note	11	3’550’267	1’885’192
Deferred tax liability		6’017’908	5’913’983
Pension liability		129’219	129’219
Non-current lease liabilities		931’158	1’053’526
Total non-current liabilities		**23’063’398**	**18’682’361**
Trade and other payables (including innovation grant prepayments)	13	2’209’206	639’606
Other payables to shareholders from convertible note		74’250	-
Accrued expenses		776’722	1’028’945
Borrowings		513’926	996’926
Current lease liabilities		269’433	227’988
Total current liabilities		**3’843’537**	**2’893’465**
Total liabilities		**26’906’935**	**21’575’826**
Total liabilities and equity		**111'039’574**	**104’560’123**

Consolidated Income Statement (unaudited)

in CHF	Notes	**January – June 2021**	January – June 2020
Revenues		-	-
Other income (including innovation grant income)	13	444’785	-
Cost of goods sold		-	-
Gross profit		**444’785**	-
Personnel expenses		-862’949	-731’097
General and administrative expenses		-1’075’464	-436’420
Marketing expenses		-42’948	-17’435
Other expenses		-41’728	-85’702
Depreciation and amortization		-764’351	-631’736
Total operating expenses		**-2’787’440**	**-1'902’390**
Operating profit/loss		**-2’342’655**	**-1'902’390**
Financial income		18’156	-
Unrealised revaluation gain/(loss)		-8’063	14’410
Realised gain/(loss) on securities		-	-
Impairment investment in associate		-	-
Net realised gain/(loss) [1]		22’226	22'140’000
Interest expense		-104’976	-487’111
Foreign exchange differences		-114’824	-65’383
Other financial expenses		-281’404	-44’169
Income before taxes		**-2’811’539**	**19’655’358**
Income taxes		122’121	169’703
Net income		**-2’689’418**	**19’825’061**
of which attributable to non-controlling interests		-310’583	-309’258
of which attributable to shareholders of the parent		-2’378’835	20'134’320
Non-diluted earnings per share		-0.06	0.46
Diluted earnings per share		-0.03	0.46

[1] Pursuant to the shareholder agreement dated June 5, 2020, between Adriatica Group Ltd and Blackstone, Adriatica Group Ltd acquired five rare earth concessions in Norway for a total consideration of CHF 22’340’000. The net gain from the disposal of the Norwegian mining rights was CHF 22’140’000. The purchase price was settled through the existing loan facility with Adriatica Group. As of June 30, 2020, the loan facility between Adriatica and Blackstone have been settled in full.

Consolidated Statement of Comprehensive Income (unaudited)

in CHF	January – June 2021	January – June 2020
Net income	-2’689’418	19'825’061
Other comprehensive income after taxes		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	-29’673	-
Items that may be reclassified subsequently to profit or loss		
Currency translation	6’351’043	-1'039’109
Total comprehensive income	**3’631’952**	**18'785’952**
of which attributable to non-controlling interests	2’007’939	-826’138
of which attributable to shareholders of the parent	1’624’014	19’612’090

Consolidated Statement of Changes in Equity (unaudited)

in CHF thousand	Note	Share capital	Share Premium	Treasury Shares	Retained earnings	Foreign currency translation adjustment	Equity attributable to Shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2021	12	**21’350**	**26’050**	**-85**	**-1’692**	**-6’627**	**38’996**	**43’988**	**82’984**
Profit/(loss) of the period		-	-	-	-2’379	-	-2’379	-311	-2’689
Other comprehensive income		-	-	-	-30	1’654	1’624	2’008	3’632
Total comprehensive income		**-**	**-**	**-**	**-2’409**	**1’654**	**-755**	**1’697**	**943**
Cost of IFRS 2 employee compensation plan					-85		-85		-85
Warrants issued linked to convertible debenture note	11				293	-	293		293
Costs related to conditional capital increase	11	-	-88	-	-	-	-88	-	-88
Transaction with shareholder / Sale of treasury shares				85	-	-	85	-	85
Balance as of June 30, 2021		**21’350**	**25’962**	**-**	**-3’892**	**-4’973**	**38’446**	**45’685**	**84’132**
Balance as of January 1, 2020	12	**21’350**	**25’755**	**-7**	**-19’058**	**-2’186**	**25’854**	**48’650**	**74’504**
Profit/(loss) of the period		-	-	-	20’134	-	20’134	-309	19’825
Other comprehensive income		-	-	-	-	-1’039	-1’039	-1’106	-2’145
Total comprehensive income		**-**	**-**	**-**	**20’134**	**-1’039**	**19’095**	**-1’415**	**17’680**
Non-cash contribution		-	294	2	-375	-	-79	-	-79
Balance as of June 30, 2020	12	**21’350**	**26’050**	**-5**	**702**	**-3’225**	**44’871**	**47’235**	**92’105**

Consolidated Cash Flow Statement (unaudited)

In CHF thousand	Note	January – June 2021	January – June 2020
Operating activities			
Net Profit/(loss)		-2’689	19'825
Adjustments to reconcile earnings for the year to net cash flows:			
Income tax		-122	-
Financial income		-18	-
Other financial expenses		281	130
Unrealised mark-to-market movements on investments		8	26
Gain on disposal of E&E asset[1]		-	-22’140
Depreciation and amortization	9, 10	764	632
Accrued income		-408	323
Deferred tax asset and liability		104	-295
Other non-cash items net[2]		-420	9
Cash generated by operating activities before working capital changes		**-2’500**	**-1’490**
Working capital changes			
Decrease/(increase) in trade and other receivables		-197	1
Decrease/(increase) in marketable securities		-21	-
Decrease/(increase) in other current assets		-137	-150
Increase/(decrease) in trade and other payables		1’570	-123
Increase/(decrease) in accrued expenses		-252	-
Increase/(decrease) in other current liabilities		-	-65
Income tax paid		-1	-
Total working capital changes		**962**	**-337**
Net cash generated by operating activities		**-1’536**	**-1'826**
Investing activities			
Investment in PP&E[3]		-1’809	-
Investment in E&E assets		-78	46
Disposal of E&E assets		-	-197
Decrease/(increase) in loans and advances		-67	-11
Investment in intangible assets		-	8
Investment/(disposal) of marketable securities		-	215
Net cash used by investing activities		**-1’955**	**61**
Financing activities			
Draw down/(repayment) from financing facilities	11, 12	6’889	-
Increase/(repayment) of borrowings		-407	1'324
Change in long-term payables with shareholder		-1’630	-
Interest paid on lease liabilities		-103	-
Interest paid		-22	-
Net cash used by financing activities		**4’727**	**1'324**
Net change in cash and cash equivalents		1’236	-441
Currency translation effect on cash and cash equivalents		10	2
Cash and cash equivalents at the beginning of the period		673	840
Cash and cash equivalents at the end of the period		**1’919**	**402**
Non-cash disclosure:			
Disposal of E&E assets[1]		-	22’140

[1] Pursuant to the shareholder agreement dated June 5, 2020, between Adriatica Group Ltd and Blackstone, Adriatica Group Ltd acquired rare earth concessions in Norway for a total consideration of CHF 22’340’000. The net gain from the disposal of the Norwegian mining rights was CHF 22’140’000. The purchase price was settled through the existing loan facility with Adriatica Group. As of June 30, 2020, the loan facility between Adriatica and Blackstone have been settled in full.

[2] Includes change in pension liability, share-based payment expenses and foreign currency differences.

[3] Includes prepayments for Blackstone Technology GmbH, Germany.

Notes to Condensed Consolidated Financial Statements

1. Organisation

Blackstone Resources AG (the Company or Blackstone) is incorporated in Baar, Switzerland. Blackstone develops new battery technology and its manufacturing techniques. Furthermore, it acquires mining rights, concessions, licenses and mining technologies for development purposes. The Company will grow its already existing interests in mineral deposits and battery technology by acquiring additional licenses and making new investments.

The condensed consolidated interim financial statements of the Company for the six months period ended June 30, 2021, comprises the Company and its interests in subsidiaries (the Group).

The subsidiaries of Blackstone are:

					30 June 2021		31 December 2020	
Country	Domicile	Subsidiary	Business activity	Currency	Ownership %	Capital	Ownership %	Capital
Switzerland	Geroldswil	Blackstone Resources Management AG	Management services	CHF	100	100'000	100	100'000
Switzerland	Zug	BS Canada AG	Investment vehicle	CHF	100	100'000	100	100'000
Germany	Döbeln	Blackstone Technology GmbH	Development of battery technology	EUR	100	200'000	100	200'000
Gibraltar	Gibraltar	Marcor Ltd	Investment vehicle	GBP	100	2'000	100	2'000
Chile	Santiago	Blackstone Resources Chile SpA	Development of lithium resources	CLP	100	195'936'158	100	500'000
BVI	Tortola	South America Invest Ltd	Gold mining plant in Peru	USD	50.94	3'986'208	50.94	3'986'208
Peru	Lima	German Engineering & Cie, S.A.C. (GESAC)	Gold mining plant in Peru	SOL	50.24	6'141'692	50.24	6'141'692
BVI	Tortola	Blackstone Norway Ltd	Exploration in Norway, gold, rare earth	USD	100	50'000	100	50'000
Hong Kong	Hong Kong	Cobalt Trading International Ltd	Trading vehicle	HKD	100	1	100	1

2. Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2020.

3. Basis of preparation

The condensed consolidated interim financial statements are presented in Swiss Francs (CHF). They are prepared on a historical cost basis except for certain financial instruments, which are stated at fair value.

The preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual result may differ from these estimates. Judgements made by the management in the application of International Financial Reporting Standards that have a significant effect on the condensed consolidated interim financial statements and estimates with a significant risk of material adjustment in the next period were the same as those applied to the consolidated financial statements for the year ended December 31, 2020.

4. Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020. The new or amended IFRS standards and interpretations from the Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16, which must be applied for the reporting period starting on January 1, 2021, had no significant impact on this semi-annual report.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Other new, revised and amended standards, amendments, improvements and interpretations apply for the first time in 2021, but do not have a material impact on the condensed consolidated interim financial statements of the Group.

5. Impact of Covid-19

For these condensed consolidated interim financial statements, the impact of the Covid-19 pandemic and containment measures taken by various governments are considered and assessments for the future are based on various scenarios, taking into the account the prevailing situation of uncertainty.

Overall, the Covid-19 pandemic has no material impact on the Company's earnings or profitability. Although lockdown restrictions halted some business activity, none of those business lines that were affected are currently cash generating. This includes the gold milling plant in Peru and the lithium exploration project in Chile. However, in both instances, these are long-term investments and despite some delays being incurred, they are still on track to deliver the future earnings potential once they are operational in the years to come.

There was only a negligible impact on the battery technology operations as most activity was not required on site. The start-up and opening process of the new battery factory in Germany was also not affected as it is expected to commence operations during the second half of 2021.

The Swiss COVID-19 bridging loan facility amounting to CHF 483’000 was repaid on March 11, 2021.

6. Foreign Exchange rates

Blackstone applied the following exchange rates:

		Balance sheet (period-end rates)		**Income statement and cash flow statement (average rates for the period)**	
CHF		**June 30, 2021**	December 31, 2020	**January – June 2021**	January – June 2020
Euro zone	1 EUR	1.0961	1.0816	1.1032	1.0617
USA	1 USD	0.9207	0.8839	0.9146	0.9658
United Kingdom	1 GBP	1.2751	1.2083	1.25815	1.2176
Hong Kong	100 HKD	11.8590	11.3900	11.7860	12.4400
Peru	100 SOL	23.4440	24.2000	24.9641	28.3969
Chile	1'000 CLP	1.2500	1.2390	1.2686	1.1872

7. Seasonality

The Group is not exposed to significant seasonal or cyclical variations in its operations.

8. Segment reporting

The Group provides integrated solutions across the value chain of battery metals, development of state-of-the art battery technology and other assets related to mining and metals sourcing which are required to produce battery cells.

The three reportable segments, battery technology, battery metals and other assets, reflect the internal management and reporting structure through specific organisational hierarchies which were introduced during the financial year 2020. Before, Blackstone Resources was organised and managed by means of individual countries.

Since the Company currently does not generate any revenues and profits from its organisational units, a segment income disclosure is not feasible and therefore, for the time being, omitted for disclosure purposes.

9. Property, plant and equipment

The summarised financial information in respect of Blackstone's property, plant and equipment is set out below:

in CHF	Real Estate Buildings	Plant and Equipment	Total
Acquisition costs as of January 1, 2021	**4'743'576**	**6'529'793**	**11'273'369**
Acquisitions	-	137'073	137'073
Currency translation	105'790	92'711	198'501
Acquisition costs as of June 30, 2021	**4'849'366**	**6'759'577**	**11'608'943**
Accumulated depreciation as of January 1, 2021	**-605'967**	**-858'951**	**-1'464'918**
Additions	-68'541	-20'197	-88'738
Currency translation	71'092	-103'149	-32'057
Accumulated depreciation as of June 30, 2021	**-603'416**	**-982'297**	**-1'585'713**
Net property, plant and equipment as of June 30, 2021	**4'245'950**	**5'777'280**	**10'023'230**
Carrying amount			
As of January 1, 2021	4'137'608	5'670'841	9'808'451
As of June 30, 2021	**4'245'950**	**5'777'280**	**10'023'230**

10. Goodwill and other intangible assets

The summarised financial information in respect of Blackstone's goodwill and other intangible assets is set out below:

in CHF	Goodwill	Concession	Other
Acquisition costs as of January 1, 2021	**77'630'455**	**11'511'881**	**1**
Acquisitions	-	-	-
Retirements	-	-	-
Currency translation	3'224'503	392'944	-
Acquisition costs as of June 30, 2021	**80'854'958**	**11'904'825**	1
Accumulated depreciation as of January 1, 2021	-	**-687'458**	**-**
Additions	-	-217'045	-
Currency translation	-	77'735	-
Accumulated depreciation as of June 30, 2021	-	**-826'768**	-
Carrying amount			
As of January 1, 2021	77'630'455	10'824'423	1
As of June 30, 2021	**80'854'958**	**11'078'057**	**1**

There was no acquisition during the first six month of 2021.

The Company's goodwill amounting to CHF 80'854'958 is allocated to their Peruvian gold mining activities (GESAC) and is the result of the acquisition of the majority of South America Invest ("SAI") on May 30, 2019, including the adoption of the functional currency of SAI and its 100% subsidiary GESAC to USD. SAI is fully consolidated.

The Company has performed a goodwill impairment test at the end of the financial year 2020 at the level of the cash-generation unit being their Peruvian gold mining activities and the recoverable amount exceeded the carrying value and consequently no impairment of goodwill was recognised in the year 2020.

During the first six months of 2021, the Company was monitoring the key assumptions of the underlying cash flow projections being the movement of the gold price per ounce in USD (+/- 10%), changes to the operating costs (+/- 5%) and the TCF-WACC (+/- 0.5% point) as well as the impact of the Covid-19 pandemic to identify potential impairment triggers.

As no such triggers were identified for this period, no detailed goodwill impairment test was performed as of June 30, 2021.

11. Convertible note

On December 30, 2020, the Company subscribed to a credit facility of a maximum of CHF 20 million 0% convertible notes. The summarised information in respect of Blackstone's convertible note is set out below:

In CHF when not otherwise stated

Draw down date	Draw down amount	Remittance date	Remittance amount	Conversion date	Conversion amount	Receivable from convertible note	Number of granted shares	Strike price	Share price
December 30, 2020*	1'000'000	Jan 4, 2021	940'000	Jan 4, 2021	875'000	-	346'420	2.88	
Tranche 1*	1'000'000	Jan 5, 2021	950'000	Jan 5, 2021	875'000	-	259'815	2.88	
March 25, 2021	750'000	Mar 26, 2021	707'500	-	-	-	-	6.27	
Tranche 2	750'000	Mar 29, 2021	712'500	-	-	-	-	6.27	
June 25, 2021	1'000'000	Jun 28, 2021	924'750	-	-	-	-	5.03	
Tranche 3	1'000'000	Jul 1, 2021	-	-	-	950'000	-	5.03	
As of June 30, 2021	**5'500'000**		**4'234'750**		**1'750'000**	**950'000**	**606'235**		**3.80**
December 31, 2020*	1'000'000	Jan 4, 2021	-	-	-	950'000	-	2.88	
Tranche 1*	1'000'000	Jan 5, 2021	-	-	-	940'000	-	2.88	
As of December 31, 2020	**2'000'000**		**-**	**-**	**-**	**1'890'000**	**-**		**2.16**

On June 25, 2021, the Company drew down the notes' third tranche of CHF 2 million. One of the investors remitted the funds early July 2021 and therefore CHF 950'000 were recognised as a receivable from convertible note as of June 30, 2021. On December 30, 2020, the Company drew down the notes' initial tranche of CHF 2 million. The investors remitted the funds early January 2021 and therefore CHF 1'890'000 were recognised as a receivable from convertible note as of December 31, 2020.

During the first six-month of 2021 cash amounting to CHF 4,2 million was provided to the Company by way of convertible note draw down, zero in prior periods.

The Company had the obligation to provide shares to the investors for their financing of CHF 3'550'267 as of June 30, 2021, and CHF 1'885'192 as of December 31, 2020, respectively (carrying amount presented as convertible note).

On June 30,2021, the Company had the right to draw down additional notes in the total amount of CHF 14,5 million.

Conditions for the note tranches

Blackstone grants to the investors a conversion right into Blackstone shares (strike price to be defined according to terms and conditions agreed on in the subscription agreement) until December 30, 2022. Alternatively, Blackstone agreed on an early cash redemption option at 107.5% (if repaid by Blackstone before the maturity date). If the notes will not be repaid by Blackstone before maturity nor converted by the investors until December 30, 2022, the notes have to be repaid at 100%.

Warrants issued for the note tranches

Based on the associated warrant agreement with the investors dated December 30, 2020, Blackstone grants for each notes' tranche drawn down a specific amount of call warrants (fair value hierarchy – level 3) with a predefined strike price as per the above table to the investor. The warrants have a maturity period until December 31, 2023.

The number of granted call warrants amounted to 266'259 (47'847 with strike price of CHF 6.27 and 79'523 with strike price of CHF 5.03) as of June 30, 2021, and to 138'889 (strike price of CHF 2.88) as of December 31, 2020.

Guarantee agreement

Pursuant to the associated guarantee agreement dated December 30, 2020, Blackstone as the “Issuer”, Blackstone Technology GmbH, South America Invest Ltd., Blackstone Norway Ltd. and Blackstone Resources Chile SpA (all four subsidiaries of Blackstone as “Guarantors”) and the third-party investors as the (Secured Party) agree that each Guarantor guarantees to the Secured Party punctual performance by the Issuer relating to the payment up to CHF 20 million convertible notes.

Subordination agreement

Pursuant to the associated subordination and assignment agreement dated December 30, 2020, between Ulrich Ernst, Blackstone and the third-party investors, Ulrich Ernst has agreed as the subordinated lender to grant a subordination of his shareholder loan up to CHF 5 million based on the loan agreement with the Company and any further loans already made or to be made in the future by the subordinated lender to Blackstone.

Share lending agreement

Pursuant to the share lending agreement dated December 30, 2020, between Ulrich Ernst and Marcor Holdings Ltd., jointly as the “Lenders” and Blackstone who is obliged to deliver Blackstone shares to the third-party investors, if and when a conversion, in accordance with the terms of the notes documents, is being exercised. The Lenders agree, jointly and severally, to assist Blackstone with its delivery obligation by lending Blackstone up to any necessary amount of Blackstone shares which are required to fulfill the delivery obligation.

12. Share capital

A. Authorized and conditional share capital

The Company was authorised by the general assembly taking place at May 19, 2021 to prolong the increase of its authorised capital to issuing up to a maximum of 21’350’000 fully paid-in registered shares with a par value of CHF 0.50 per share, representing a maximum amount of CHF 10’675’000 as well as to increase its conditional capital by issuing up to a maximum of 4’270’000 fully paid-in registered shares with a par value of CHF 0.50 per share, representing a maximum amount of CHF 2’135’000 through the exercise of option rights granted to members of the Board of Directors of the Company, employees of the holding companies and related persons. The period to increase the authorized and conditional share capital is from May 19, 2021 until May 18, 2023.

B. Issued share capital

As of June 30, 2021, and unchanged to December 31, 2020, the Company had 42’700’000 registered shares issued and outstanding with a par value of CHF 0.50 each, amounting to a total share capital of CHF 21’350’000.

C. Share subscription facility agreement for the issuance of equity up to CHF 30 million

On October 2, 2020, Blackstone entered a CHF 30 million share subscription facility with an external investor. Blackstone has the call option right, but not the obligation to draw tranches of new shares from the Share subscription facility agreement at market price.

As an additional commitment defined in the share subscription facility agreement, Blackstone grants the external investor 2,5 million call warrants with an anti-dilution protection at a strike price of CHF 3.00 and maturity until October 2, 2023.

As of June 30, 2021, 800’000 call warrants at the strike price of CHF 3.00 were exercised by the investor in equal lots on January 20, 2021, February 2, 2021, March 12, 2021, and April 8, 2021 against cash amounting to CHF 2,4 million. No call warrants were exercised as of December 31, 2020.

D. Subscription agreement for up to CHF 20 million convertible notes

On December 30, 2020, the Company subscribed a credit facility of a maximum of CHF 20 million 0% convertible notes. Blackstone grants to the investors a conversion right into Blackstone shares for the note tranches drawn down with a maturity of two years each. If not converted by the investors, the note tranches must be repaid at 100% on the respective maturity date.

Based on the associated warrant agreement with the investors dated December 30, 2020, Blackstone must grant for each note tranche drawn down additional call warrants. The number of warrants to be granted will be calculated based on the terms defined in the warrant agreement. The warrants have a maturity period until December 31, 2023

Please see note 11 for details on drawn down amounts, number of granted call warrants and respective strike prices.

E. Deferred capital increase

On June 30, the convertible note investors owned 606'235 and the equity facility investor 800'000 shares of the Company requiring the Company to conduct a respective capital increase in the nominal amount of CHF 4'150'000. No deferred capital increase commitment existed on December 31, 2020.

F. Treasury shares

On June 30, 2021, and December 31, 2020, the Company held zero and 7'381 treasury shares, respectively.

13. Innovation grants

Blackstone Technology GmbH, a wholly owned subsidiary of the Company, is receiving government grants for their innovation programs focussing on the mass production of batteries using proprietary 3D printing technology with plans to disrupt traditional battery technology via solid-state batteries. These batteries are targeted for the use in the electric vehicle and telecommunication industry.

The grants are provided by the EU or German governmental sponsors for specific innovation projects after the successful completion of a rigid application process.

The Company is accounting innovation grants related to income (mainly development projects) as part of the profit or loss as other income over the respective project period. Innovation grants relating to assets (mainly production facilities) are presented in the statement of financial position by setting up the grant as a deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

The summarised financial information in respect of Blackstone's innovation grants received as of June 30, 2021, is set out below:

Balances as of June 30, 2021 in CHF	**Innovation grants as per German R&D incentives**		**Innovation grants as per EU Horizon program**	**Total**
	Project 1	**Project 2**		
Approved grants	268'535	228'254	2'290'634	2'787'423
Grant prepayments	0	0	1'589'597	1'589'597
Outstanding grants	*268'535*	*228'254*	*701'037*	*1'197'826*
Other income	93'695	10'411	340'679	444'785
Grant receivable	93'089	10'344	*338'474	103'433

*Deducted from respective grant prepayments

Balances as of December 31, 2020 in CHF	**Innovation grants as per German R&D incentives**	**Innovation grants as per EU Horizon program**	**Total**
Grant prepayments	-	-	-
Other income	-	-	-
Grant receivables	-	-	-

The approved innovation grants from the various sponsors amount to CHF 2'787'423 as of June 30, 2021, and zero as of December 31, 2020. Grant prepayments totalling CHF 1'589'597 were received during the first six month of 2021, and zero in previous periods.

Grant receivables amounting to CHF 103'433 were accounting for as of June 2021, and zero as of December 2020. Other income from innovation grants amounting to CHF 444'785 were recognized as of June 30, 2021, and zero in previous periods.

The confirmed innovation grants as per the EU Horizon2020 program amount to CHF 2’290’634 covering the period from January 2021 to May 2022. An amount of CHF 1’589’597 was received as per January 26, 2021,

with the remaining balance expected to be reimbursed in January 2022. CHF 340’679 were recorded as other income during the first six months of 2021, zero in previous periods.

The confirmed innovation grants as per the German R&D tax incentive programs (“Forschungszulagengesetz”) amount to CHF 496’789 for the year 2021. The reimbursement of the full amount is based on the filing and assessment of the 2020 German tax return and hence expected for in the second half of 2021. CHF 104’106 were recorded as other income during the first six months of 2021, zero in previous periods.

14. Events after the Balance Sheet Date

There have been the following material events between June 30, 2021, and the date of authorisation of these condensed consolidated interim financial statements:

- Blackstone Technology GmbH’s innovation grant application with the Saxony Development Bank for investments in production equipment was approved as of July 16, 2021, for a total amount of CHF 786’971;

- Blackstone Resources AG increased the paid-in capital of Blackstone Technology GmbH by EUR 800’000 (CHF 877’000) as of July 22, 2021;

- Blackstone Resources AG secured funding in the amount of EUR 40 million (CHF 43,8 million) as of August 5, 2021, for its German subsidiary Blackstone Technology GmbH in respect to the 2022 expansion of their battery production facility to 500MWh per annum.

These unaudited condensed consolidated interim financial statements of the Blackstone Resources AG were authorised for issue by the Board of Directors on September 23, 2021.

INFORMATION

Corporate Calendar

Blackstone reports on the business at the following times:

April 2022	Annual report 2021
May 2022	Annual General Meeting of Shareholders
September 2022	Semi-annual report 2022

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This information is always published in the Swiss and international financial press.

This information can also be obtained from Blackstone's website at https://www.blackstoneresources.ch/ and in particular under the "Investor Relations" section. The annual report can also be viewed and downloaded using the link http://www.blackstoneresources.ch/investors/financial-reports/. In addition, Blackstone's homepage allows for the possibility of subscribing to the push-and-pull information service in order to receive ah-hoc financial announcements.

For queries there is a contact form at http://www.blackstoneresources.ch/contact/. Queries may also be sent by post (Blackstone Resources AG, Blegistrasse 5, CH-6340 Baar) or by telephone on +41 41 449 61 63.

Disclaimer

This brochure was set up solely to give investors an overview of the business of Blackstone Resources AG. All information is compiled to the best of our knowledge and are as per the actual situation.

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