

10 February 2021

ASX Announcement

BLACKEARTH SIGNS GRAPHITE SUPPLY & MARKETING AGREEMENT WITH WORLD LEADING, GERMAN BASED GRAPHITE SUPPLY CHAIN GROUP

Highlights

- **An Agreement has been signed with World Leaders in the procurement, supply and marketing of graphite concentrate and downstream graphite products, Luxcarbon GmbH, Germany (“Luxcarbon”)**
- **Luxcarbon is currently one of Germany’s major suppliers of Graphite & Carbon products to top tier suppliers of Volkswagen, Mercedes, Ford and to major chemical corporations.**
- **BlackEarth, as part of its MOU commitment with Urbix Inc, will use this to secure the supply of up to 25,000t of high grade product to assist Urbix in completing their plant development.**
- **The supply arrangement will continue whilst BlackEarth fast tracks the development of its own high grade, large scale graphite properties in Madagascar, which will then form a regular supply to its proposed downstream graphite operations.**
- **The Agreement also provides that BlackEarth will sell up to 25,000 mtpa of downstream products from its operations and JV operations into the European market to meet the growing demand for battery EV material.**
- **Luxcarbon will also provide technical advisory services to BlackEarth on the production of downstream products from the Company’s proposed facilities in Australia and / or Madagascar.**
- **Luxcarbon will work closely with the BlackEarth Executive team to further develop supply chain, logistics and sales channels for their downstream graphite production into the expanding EV and Battery markets.**

BlackEarth Minerals NL
ACN 610 168 191

Level 1, 677 Murray Street
West Perth WA 6872

info@blackearthminerals.com.au
blackearthminerals.com.au

PO BOX 1088
West Perth WA 6872

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Commenting on the signing of the Agreement, BlackEarth Managing Director, Tom Revy, said:

"The Board are delighted to sign this Agreement with Luxcarbon, a leader in the graphite supply and marketing of graphite concentrate and downstream products throughout Europe.

This Agreement provides a number of great outcomes for BlackEarth. Firstly, it enables us to secure a supply of world class graphite concentrate that can be supplied to Urbix's operations in the USA and also our own downstream processing facility whilst we complete the development of our plants in Australia and Madagascar.

Secondly, Luxcarbon are leaders in the supply and understanding of downstream graphite products and this will assist us greatly. Members of the Luxcarbon team and BlackEarth Director, David Round, have previously worked extensively together in developing sales and market networks for the supply of substantial quantities of graphite and we are very confident this relationship will ensure similar, positive commercial outcomes for our companies. We are excited at the prospects and opportunities this unique agreement provides to our shareholders.

Terms of the Agreement

Under the terms of the Agreement, Luxcarbon will source and supply to BlackEarth ("BEM" or "the Company") up to the amount of 25,000mt pa of high grade concentrate, with the graphite supplied from world class operations known to the BEM executive team. This forms a key element of the concentrate supply component of the Agreement.

The Agreement also provides that Luxcarbon shall exclusively market and sell BEM and BEM JV produced material into the European markets to well known and defined end users. BEM's focus will be for the initial supply of downstream products for use in the rapidly expanding EV and battery market.

The marketing and sales component of the Agreement provides that Luxcarbon will sell up to 25,000mt pa of BEM and BEM JV produced product. Much work has been done to date by parties to this agreement and our research indicates there is extensive demand for downstream graphite products now and in the future.

The terms of this Agreement are for 3 years with the ability for the parties to extend this by mutual consent.

Practical Advantages of the Agreement for BEM

As announced on 5 February 2021, BEM has signed a Collaborative MOU with well known U.S based downstream graphite developers, Urbix Inc.

The Agreement allows BEM to quickly source high grade graphite concentrate to provide to Urbix for their use after a series of quality tests. Information available to BEM suggests that the high grade graphite concentrate is highly suitable for use in downstream production and this product can be successfully treated to a purified graphite form.

The Agreement also provides the BEM team with the advantage of having a secure and substantial product supply to meet its proposed downstream JV operations and other downstream production plans that it is developing in Australia and in overseas jurisdictions.

The BEM team see this as unique strategic advantage that will position the Company well for growth and development during 2021 and beyond.

The marketing and sales components of the Agreement provide BEM with the opportunity to supply its refined product to meeting growing demand from EV manufacturers and related industries that require expanded and purified graphite products.

Members of the BEM executive team have extensive experience with developing supply and logistical networks in Europe (and other markets) and the Company's relationship with Luxcarbon will assist us to position the Company as a preferred supplier in the early stages of the anticipated strong demand for downstream graphite products.

About Luxcarbon

The Luxcarbon Group of Companies is based in the city of Essen, Germany and is one of Germany's major suppliers of graphite based products, with an extensive treatment facility. Luxcarbon has an extensive processing plant at Essen that can supply a range of natural graphite related products and high value, downstream graphite products.

The Luxcarbon Group is a large supplier of graphite products to the automotive and rapidly expanding EV markets.

Luxcarbon's supply chain of downstream graphite products has expanded and continues to grow in Germany and other parts of Europe. The Company is well positioned to meet the growing demand for their products and the opportunity to form a relationship with BlackEarth Minerals NL is highly beneficial.

This supply and agency agreement will ensure BlackEarth has access to an extensive range of products from anywhere in the world and our world class supply network will ensure their concentrate and downstream produced products are sold to Tier 1 buyers throughout Europe.

Growth of EV and Battery Power in Europe

BEM and Luxcarbon are excited by the prospects for further growth in the EV market in Europe and the regions continued commitment to battery and alternative energy.

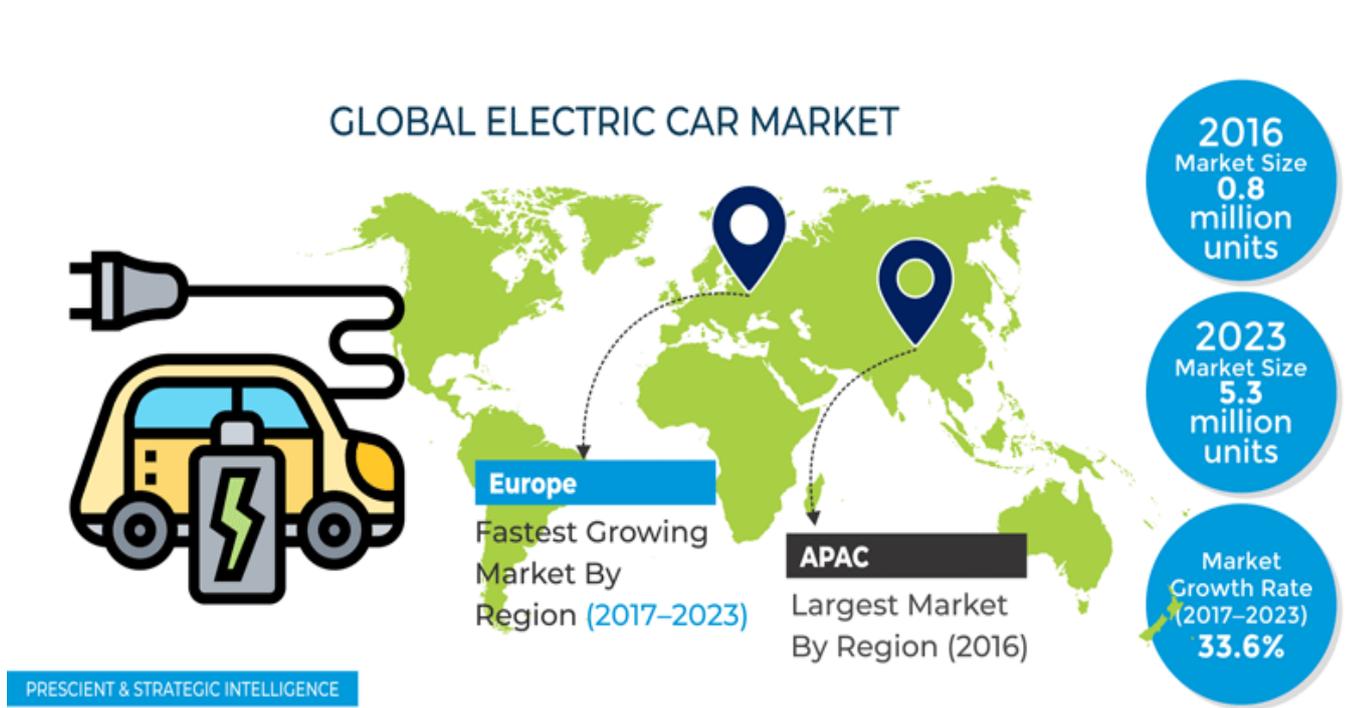
Europe has seen significant EV growth. In 2019, sales increased by 44 percent, the highest rate since 2016. The EU's new emissions standard—95 grams of carbon dioxide per kilometer for passenger cars—could also boost EV sales because it stipulates that 95 percent of the fleet must meet this standard in 2020 and 100 percent in 2021.

EV sales increased by double-digit percentages in 2019 in almost every European country. EV sales in Germany and the Netherlands contributed nearly half—44 percent—of overall EV-market growth in Europe; in both countries, units sold increased by about 40,000 units. Those numbers translate into a 2018 growth rate of 55 percent for Germany and 144 percent for the Netherlands. In both countries, these strong EV sales resulted from increased demand for new models, the availability of existing models with larger battery sizes, and changed government incentives.

(source - <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/mckinsey-electric-vehicle-index-europe-cushions-a-global-plunge-in-ev-sales#>)

In the first quarter of 2020, European EV sales rose as the overall EV penetration rate increased to 7.5 percent.

With the exception of Hong Kong, all of the top ten markets for EV penetration were in Europe, a key target market for BlackEarth. The strong regulatory tailwinds and high purchase incentives in several European countries could dampen the impact of the COVID-19 pandemic and further boost the EV market.



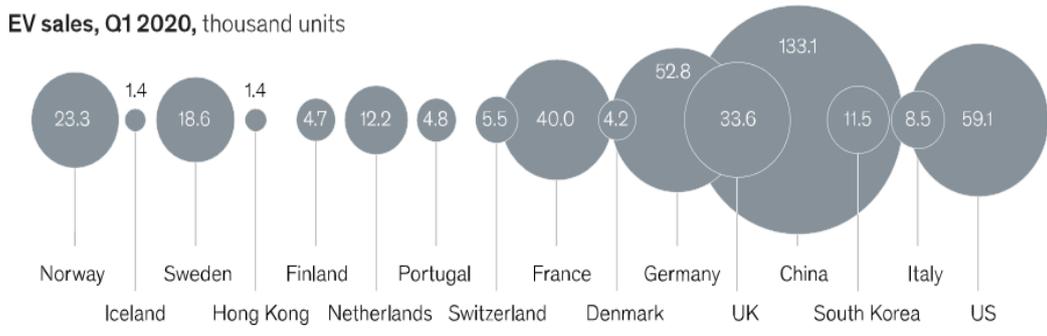
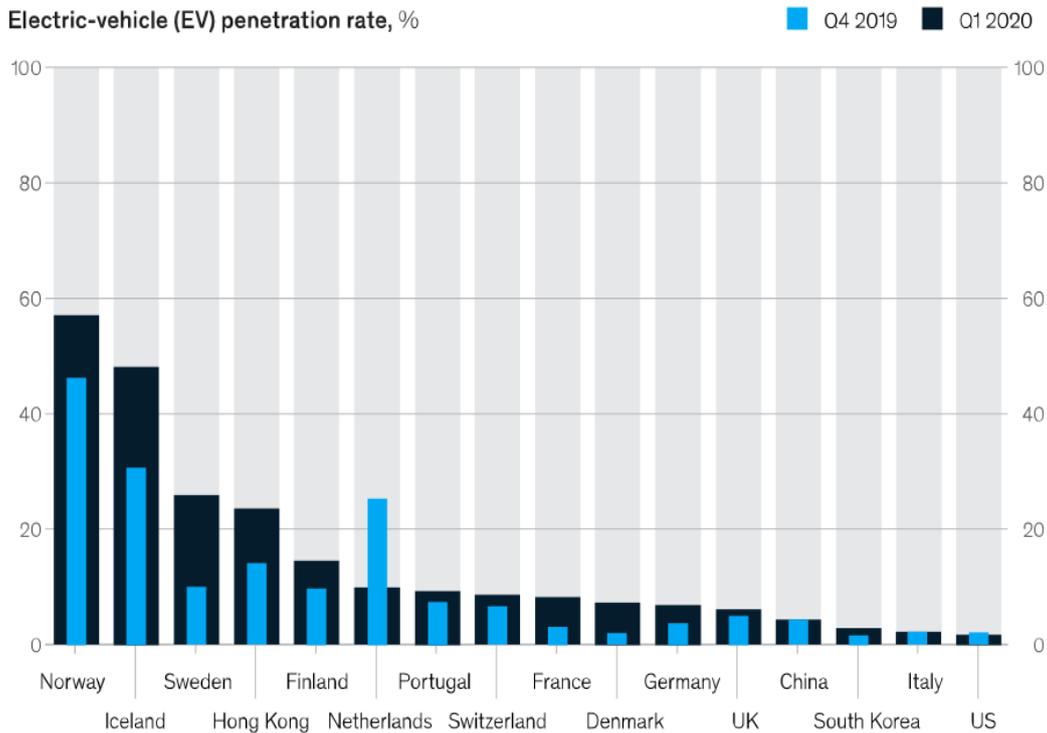
Source - <https://www.psmarketresearch.com/market-analysis/electric-car-market>

Whilst BEM and its partners are cognisant of the world wide demand growth for EV and alternative energy power, the Company believes European demand will continue to grow exponentially and offer unique supply opportunities in the short and long term.

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Evidence of this growth is outlined in the below chart –

Nine of the top ten markets for electric-vehicle penetration rate were European.



Source – *Ev-volume.com; Light Vehicle Sales Forecast May2020 HIS Makit*
 McKinsey & Co Report, July 2020

Downstream Graphite Global outlook and demand

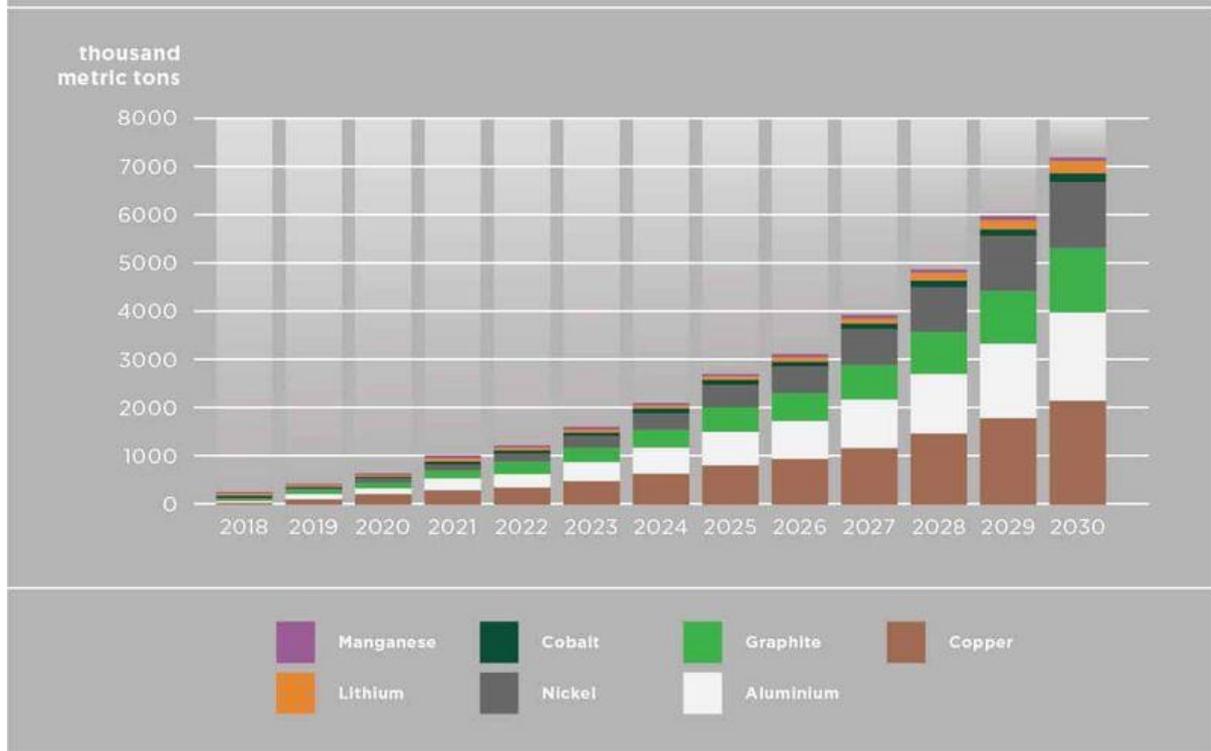
The World Bank has recently stated that the demand for energy store and use is expected to surge over the next few decades and that the production of critical commodities such as graphite will need to jump to unprecedented levels just to meet demand.

According to a new World Bank Report, just to meet the increasing demand from this segment, graphite output will need to jump by nearly 500 percent by 2050.

Source - <http://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>

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Metal and materials demand from lithium-ion battery packs in passenger EVs



Source - Bloomberg

Outlook for BlackEarth

The Board of BEM are delighted with the recent signing of its MOU and today's conclusion of the Supply and Marketing Agreement, further positions the Company to establish itself as a global supplier of graphite concentrate and downstream graphite products to the EV and alternative energy and graphite markets.

The Board look forward to updating the market with progress of its MOU and other initiatives in the development of its wholly owned properties in Madagascar.

This release is authorised by the Boards disclosure committee

CONTACTS

Tom Revy – Managing Director, BlackEarth Minerals NL
 David Round – Finance Director, BlackEarth Minerals NL
 Jane Morgan - Investor and Media Relations

08 6145 0289 | 0411 475 376
 0411 160 445
 0405 555 618

BlackEarth encourages investors to update their contact details to stay up to date with Company news and announcements here: <http://www.blackearthminerals.com.au/update-details/>

For more information – www.blackearthminerals.com.au