BROCKMAN

BROCKMAN MINING LIMITED
布莱克萬礦業有限公司*

(incorporated in Bermuda with limited liability)

(SEHK Stock Code: 159)
(ASX Stock Code: BCK)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The Board of Directors (the "Board") of Brockman Mining Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2018, together with the comparative figures for the corresponding period in 2017. The unaudited consolidated interim results have been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

BROCKMAN MINING LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December	
		2018	2017
	Note	***HK\$'000***	*HK\$'000*
		(Unaudited)	(Unaudited)
Other income		**—**	79
Other gain/(loss)	*6*	**9,617**	(29)
Selling and administrative expenses	*5*	**(15,636)**	(7,122)
Exploration and evaluation expenses		**(6,080)**	(7,034)
Operating loss		**(12,099)**	(14,106)
Finance income		**28**	12
Finance costs		**(665)**	(2,658)
Finance costs, net	*7*	**(637)**	(2,646)
Share of profit/(loss) of joint ventures		**491**	(201)
Loss before income tax		**(12,245)**	(16,953)
Income tax expense	*8*	**—**	—
Loss for the period		**(12,245)**	(16,953)

* *For identification purpose only*

	Note	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss			
Exchange differences arising from translation of foreign operations		**(27,886)**	1,841
Other comprehensive (loss)/income for the period		**(27,886)**	1,841
Total comprehensive loss for the period		**(40,131)**	(15,112)
Loss for the period attributable to:			
Equity holders of the Company		**(12,245)**	(16,953)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(40,131)**	(15,112)
Loss per share attributable to the equity holders of the Company during the period		***HK cents***	*HK cents*
Basic loss per share	*9*	**(0.14)**	(0.20)
Diluted loss per share	*9*	**(0.14)**	(0.20)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		31 December	30 June
		2018	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Mining exploration properties	*10*	**763,246**	802,617
Property, plant and equipment		**201**	268
Interest in joint ventures		**640**	126
Other non-current assets		**512**	538
		764,599	803,549
Current assets			
Other receivables, deposits and prepayments		**1,632**	390
Cash and cash equivalents		**25,108**	34,258
		26,740	34,648
Total assets		**791,339**	838,197
Equity and liabilities			
Share capital	*13*	**916,198**	916,198
Reserves		**(366,712)**	(331,473)
Total equity attributable to the equity holders of the Company		**549,486**	584,725

		As at	
		31 December	30 June
		2018	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred income tax liability		**227,249**	238,954
Borrowings	*12*	**12,173**	11,508
Provisions		**31**	58
		239,453	250,520
Current liabilities			
Trade and other payables	*11*	**2,400**	2,952
		2,400	2,952
Total liabilities		**241,853**	253,472
Total equity and liabilities		**791,339**	838,197

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2018 has been prepared in accordance with International Accounting Standard ('IAS') 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2018.

(a) Going concern basis

For the period ended 31 December 2018, the Group recorded a net loss attributable to equity holders of the Company of HK$12,245,000 (six months ended 31 December 2017 HK$16,953,000) and had operating cash outflows of HK$18,556,000 (six months ended 31 December 2017 HK$20,830,000). The Group did not record any revenue during the period and the loss for the period was primarily attributable to the exploration and evaluation of the Company's iron ore exploration projects and corporate overhead costs. As at 31 December 2018, the Group's cash and cash equivalents amounted to HK$25,108,000 (30 June 2018 HK$34,258,000).

During the interim period the Group made good progress in respect of the development of the Farm-in and Joint Venture (FJV) Agreement between Brockman Iron Pty Ltd ('Brockman Iron') and Polaris Metals Pty Ltd ('Polaris').

The directors are confident that the Group can continue to advance the FJV with the aim of unlocking the value of the Marillana Project. Once Polaris fulfils its Farm-in Obligations, an interest-free loan of A$10,000,000 (equivalent to approx. HK$58,000,000), which is currently secured in an escrow account will be released to Brockman Iron. The loan proceeds shall be used to meet Brockman Iron's financial obligations under the FJV Agreement and for working capital in relation to the Group's iron ore business in the Pilbara region of Western Australia. This loan will only be repaid from net revenue received by Brockman Iron from the sale of its share of product sold from the Marillana Project that is transported under the rail and port system contemplated in the Mine to Ship Logistics Agreement.

The Group has therefore taken a number of measures to improve its liquidity position, including, but not limited to, the following:

(i) Extending the repayment date of the existing loans of HK$12,173,000 from the substantial shareholder to 31 October 2020. These loans bear interest at 12% per annum.

(ii) On 18 September 2018, the Group secured a standby loan facility from its substantial shareholder amounting to HK$10,000,000. If drawn down, the loan will be unsecured, bear interest at 12% per annum and be repayable on 31 October 2020.

The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of approval of this condensed consolidated financial information. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of this condensed consolidated financial information.

The directors are confident that the Group can continue to access debt and equity funding to meet medium term working capital requirements and has a history of securing such funding as required in the past to support their confidence.

In the event that funding of an amount necessary to meet the future budgeted operational and investing activities of the Group is unavailable, the directors would undertake steps to curtail these operating and investment activities. Accordingly, the directors of the Company consider that it is appropriate to prepare the Group's consolidated financial information on a going concern basis.

Notwithstanding the above, there remains material uncertainty as to whether the Group can raise sufficient funding as outlined above which may cast significant doubt about the Group's ability to continue as a going concern and, therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this condensed consolidated financial information.

The condensed consolidated financial information does not include any adjustments relating to the recoverability and classification of the Group's assets or to the amounts and classification of liabilities which might be necessary should the Group not continue as a going conern.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2018, except as described in this condensed consolidated financial information.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Changes in accounting policy and disclosures

New and amendments to standards adopted by the Group

The following standards and amendments to standards are effective for accounting year beginning on or after 1 July 2018, and have been adopted in preparing this condensed consolidated financial information:

		Effective for annual periods beginning on or after
Annual improvements Project IFRS 1 and IAS 28 (Amendment)	Annual Improvements 2014-2016 Cycle	1 January 2018
IAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
IFRS 2 (Amendment)	Share-based Payment, Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018

		Effective for annual periods beginning on or after
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 (Amendment)	Clarification to IFRS 15	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

There has been no material impact from the adoption of these accounting standards.

(a) New and amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the Group's six months ending 31 December 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
IFRIC 23	Uncertainty Over Income Tax Treatments	1 January 2019
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
IAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2020
IFRS 3	Definition of a Business	1 January 2020
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below, the effect of which is yet to be determined:

IFRS 16 Leases

IFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The new standard will result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated statements of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 are HK$1,731,000.

The standard is mandatory for financial years beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other IFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. REVENUE

There was no revenue during the six months ended 31 December 2018 (six months ended 31 December 2017: nil).

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reports provided to executive directors of the Company who are responsible for allocating resources and assessing performance of the operating segments. The executive directors consider the performance of the Group from a business perspective.

The Group's reportable operating segment is as follows:

Mineral tenements in Australia — tenement acquisition, exploration and towards future development of iron ore project in Western Australia

Others primarily relate to the provision of corporate services for investment holding companies. These activities are excluded from the reportable operating segments and are presented to reconcile to the totals included in the Group's condensed consolidated statement of comprehensive income and condensed consolidated balance sheet.

Executive directors assess and review the performance of the operating segments based on segment results which is calculated as loss before income tax less share of profit/(losses) of joint ventures.

Segment assets reported to executive directors of the Company are measured in a manner consistent with that in the condensed consolidated balance sheet.

The following is an analysis of the Group's revenue and results by business segment:

	Mineral tenements in Australia	Others	Sub-Total	Dis-continued operation Mining operation in the PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 31 December 2018 (Unaudited):					
Segments results	**(677)**	**(12,059)**	**(12,736)**	—	**(12,736)**
Share of profit/(loss) of joint ventures	—	—	—	—	**491**
Loss before income tax					**(12,245)**
Other information:					
Depreciation of property, plant and equipment	**(63)**	**(5)**	**(68)**	—	**(68)**
Exploration and evaluation expenses	**(6,080)**	—	**(6,080)**	—	**(6,080)**
For the six months ended 31 December 2017 (Unaudited):					
Segments results	(7,910)	(9,384)	(17,294)	542	(16,752)
Share of loss of joint ventures	—	—	—	—	(201)
Loss before income tax					(16,953)
Other information:					
Depreciation of property, plant and equipment	(86)	(5)	(91)	—	(91)
Exploration and evaluation expenses	(7,034)	—	(7,034)	—	(7,034)
Reversal of over-provision of social security expenses	—	—	—	715	715

The following is an analysis of the Group's total assets by business segment as at 31 December 2018:

	Mineral tenements in Australia *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the six months ended 31 December 2018 (Unaudited):			
Segment assets	**769,610**	**21,729**	**791,339**
Total segment assets include:			
Interest in joint ventures	**640**	**—**	**640**
Additions to property, plant and equipment	**—**	**13**	**13**
As at 30 June 2018 (Audited):			
Segment assets	805,684	32,513	838,197
Total segment assets include:			
Interests in joint ventures	126	—	126
Additions to property, plant & equipment	125	1	126

5. EXPENSES BY NATURE

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**68**	91
Operating lease rentals	**864**	1,078
Reversal of over-provision of social security expenses, net	**—**	(715)
Staff costs (including directors' emoluments)	**6,568**	10,867
Share-based compensation	**4,892**	—
Exploration and evaluation expenses (excluding staff costs and rental expenses	**5,007**	4,369
	17,399	15,690

6. OTHER GAINS/(LOSSES)

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**—**	(29)
Gain on disposal of mineral tenement	**9,617**	—
	9,617	(29)

7. FINANCE COSTS, NET

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	**28**	12
Finance costs		
Interest on borrowings *(Note 12)*	**(665)**	(2,658)
Finance costs, net	**(637)**	(2,646)

8. INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average income tax rate expected for the full financial year. No provision for income tax expense has been made as there is no assessable profit for the six month period ended 31 December 2018 (six months ended 31 December 2017: Nil).

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares on issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
Loss for the period attributable to the equity holders of the Company *(HK$'000)*	**(12,245)**	(16,953)
Weighted average number of ordinary shares for the purpose for calculating the basic loss per share *(thousand)*	**8,514,475**	8,381,982
Loss per share attributable to the equity holders of the Company:		
Basic *(HK cents)*	**(0.14)**	(0.20)
Diluted *(HK cents)*	**(0.14)**	(0.20)

Diluted loss per share is the same as basic loss per share for the six months ended 31 December 2018 and 2017 because the effect of the assumed exercise of share options of the Company during these periods was anti-dilutive.

10. MINING EXPLORATION PROPERTIES

	Mining exploration properties in Australia
	HK$'000
Balance as at 1 July 2017 (Audited)	829,031
Exchange differences	(26,414)
Balance as at 30 June 2018 (Audited)	802,617
Exchange differences	(39,371)
Balance as at 31 December 2018 (Unaudited)	763,246

The mining properties in Australia represent the carrying value of mining and exploration projects in Australia (including the Marillana iron ore project) held by the Group.

As at 31 December 2018, the Group assessed whether events or changes in circumstances indicate a potential material change to the recoverable value of the mining properties since 30 June 2018. The Group performed an assessment of impairment indicators.

Based on this assessment, management concluded that as at 31 December 2018, there was no indication that the recoverable value of the mining properties has materially changed and thus impairment assessment was not required.

11. TRADE PAYABLES AND OTHER PAYABLES

Trade payables of the Group principally represent amounts outstanding to suppliers. The normal credit period is between 30 days and 90 days.

12. BORROWINGS

	As at	
	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current		
Loans from a substantial shareholder	**12,173**	11,508
	12,173	11,508

As at 31 December 2018, the borrowings from a substantial shareholder are unsecured, they bear an interest at 12% (30 June 2018: 12%) per annum and are repayable on 31 October 2020 (30 June 2018: 31 October 2019).

13. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised		
As at 30 June 2018 and 31 December 2018	20,000,000	2,000,000
Issued and fully paid		
As at 30 June 2018 and 31 December 2018	9,161,982	916,198

14. INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

15. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 19 December 2018 the Company despatched a circular and notice of Special General Meeting (‘SGM’) to shareholders. The circular outlined information regarding the Farm-in Joint Venture (FJV) Agreement and the Marillana Project, including but not limited to an updated valuation of the Marillana Project by an independent expert. The valuation, which is based on the project value following the establishment of the joint venture as stipulated under the FJV agreement, provided an NPV at an annual discount rate of 10% (NPV10) of A$1,086 million (equivalent to approximately HK$6,299 million) based on 100% of the Marillana Project and consequently A$543 million (equivalent to approximately HK$3,149 million) for the Company’s 50% ownership in the Joint Venture.

The SGM was held on 8 January 2019 for the purpose of approving the FJV agreement and authorising the Board in relation to waivers, variations and amendments that it deemed necessary and appropriate in completing the joint venture transaction. The SGM resolutions passed by a majority of the shareholders voting at the SGM.

The FJV agreement became Unconditional on 21 January 2019. The joint venturer and a subsidiary of Mineral Resources Limited (‘MRL’) entered into a Mine to Ship Logistics agreement for the transport of the Marillana iron ore product via a light-rail system from the mine site to Port Hedland.

On the 17 January 2019, the Chairman Mr Kwai Sze Hoi exercised, 40,000,000 options with an exercise price of HK$0.124 each for net proceeds of HK$4,960,000 and Mr Kwai Kwun, Lawrence, an Executive Director, exercised 17,500,000 options with an exercise price of HK$0.124 each for net proceeds of HK$2,170,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Highlights

During the period under review, the Group entered into a Farm-in Joint Venture (FJV) Agreement with Polaris Metals Pty Ltd (a wholly owned subsidiary of Mineral Resources Limited (MRL) to develop the Group’s flagship Marillana Iron Ore Project located in the Pilbara region of Western Australia.

Under the terms of the FJV and following satisfaction of the conditions precedent and completion of the Farm-In Obligations, Polaris will earn a 50% interest in Marillana and MRL will be responsible for the development of the mine, construction and operation of the processing plant for an estimated minimum production rate of 20 million tonnes per annum (Mtpa) of high quality Marillana product. The funding for the mine development, covering items such as roads, accommodation village and the airstrip (Development Funding), which is estimated to be a maximum of A$300 million, will be shared by the Joint Venturers. Under the terms of the FJV, MRL will use its best endeavours to secure debt funding for Brockman’s A$150 million contribution.

The capital cost for the process plant construction will be borne entirely by MRL in return for a service fee to be paid by the Joint Venture based on production volumes.

MRL has also committed to the construction and operation of rail and port infrastructure, which consists of a ~320km long light railway connecting Marillana to a port at South West Creek in the Port Hedland inner harbour. It is expected that construction of this railway and port will commence before the end of 2019 and be operational by the end of 2021. The processing plant is scheduled to commence operations concurrently with the railway. The establishment of the Joint Venture will unlock the value of the Marillana Iron Ore Project and may assist in the future development of the Group's other iron ore assets in the Pilbara. The Company is looking forward to working with MRL, an established Australian mining services and processing company. The proven capability of MRL in constructing and operating process plants in the Pilbara also significantly de-risks the development of Marillana.

As at 31 December 2018, the Group's net asset value amounted to HK$549.4 million (30 June 2018: HK$584.7 million) and cash at bank HK$25.1 million (30 June 2018: HK$34.2 million).

Loss attributable to equity holders of the Company amounted to HK$12.2 million for the six months ended 31 December 2018 (2017: HK$17.0 million). Operational related production costs and exploration expenditure have decreased due to a reduction in exploration activities and cost saving measures. There were no impairment indicators to our mining exploration properties during the period (2017: Nil).

During the six months ended 31 December 2018, the Group's basic loss per share for the period was HK$0.14 cents (2017: HK$0.20 cents) and the cash outflows from operating activities were HK$18.5 million (2017: HK$20.4 million).

Outlook

Upon the completion of the Farm-In Obligations, Polaris will have earned a 50% interest in the Marillana Project. Aside from the mine and infrastructure development, the completion of the Farm-In Obligation will cause a A$10 million loan from Polaris to be released to the Group for its working capital purposes.

Mineral Tenements

Iron Ore Operations — Western Australia

This segment of the business is comprised of the 100% owned Marillana Iron Ore Project ('Marillana' or 'the Project'), the Ophthalmia Iron Ore Project ('Ophthalmia') and other regional exploration projects.

The net operating loss before income tax expense for the period for this segment and attributable to the Group was HK$0.7 million (2017: HK$7.9 million). Total expenditure associated with mineral exploration and evaluation for the period ended 31 December 2018 amounted to HK$6.0 million (2017: HK$7.0 million).

Total expenditure associated with mineral exploration and evaluation by each of the projects in Western Australia for the financial periods is summarised as follows:

	Six months ended 31 December	
	2018	2017
Project	***HK$'000***	*HK$'000*
Marillana	**3,959**	5,574
Ophthalmia	**1,536**	503
Regional Exploration	**585**	957
	6,080	7,034

The Group is yet to make a final investment decision toward commencing development of any of its iron ore projects in Western Australia. Accordingly, no development expenditures have been recognised in the financial information during the half year ended 31 December 2018 and six months period ended 31 December 2017.

There was no capital expenditure for each of the projects in Western Australia for the 2018 and 2017 financial periods.

Mine exploration properties

The Group assessed whether any indicators of impairment existed with reference to both external and internal sources of information. As at 31 December 2018, the Group assessed and concluded there were no impairment indicators present which required detailed impairment testing.

Marillana Iron Ore Project

The 100% owned Marillana Iron Ore Project ('Marillana' or the 'the Project') is Brockman's flagship project located in the Hamersley Iron Province within the Pilbara region of Western Australia, approximately 100 km north-west of the township of Newman. The Project is located within mining lease M47/1414.

The Project area covers 82 km^2 bordering the Hamersley Range, where extensive areas of supergene iron ore mineralisation have developed within the dissected Brockman Iron Formation that caps the Range.

Marillana Development

On 26 July 2018 Brockman Iron (a wholly-owned subsidiary of the Company) and Polaris (a wholly-owned subsidiary of MRL) entered into a Farm-in Joint Venture (FJV) Agreement (see announcements dated 27 July 2018 on the HKEX and ASX platforms) pursuant to which and subject to the terms and conditions therein, Polaris may farm-in by satisfying certain Farm-in Obligations and earn a 50% interest in Marillana. Once the FJV becomes unconditional, Polaris will commence carrying out its Farm-in Obligations. Once, Polaris has met its Farm-in Obligations, the farm-in interest will be transferred to Polaris and the Joint Venture will be established with each party holding a 50% interest in Marillana.

The FJV Agreement was subject to certain conditions precedent, including Brockman shareholder approval to enter into the transaction. On 19 December 2018 the Company despatched a circular and notice of SGM to shareholders. The circular outlines information regarding the FJV Agreement and the Marillana Project, including but not limited to, an updated valuation of the Marillana Project by an independent expert. The valuation, which is based on the project value following the establishment of the joint venture as stipulated under the FJV Agreement, provided a NPV at an annual discount rate of 10% (NPV10) of AUD 1,086 million (equivalent to approximately HK$6,299 million) based on 100% of the Marillana Project and consequently AUD 543 million (equivalent to approximately HK$3,149 million) for the Company's 50% ownership in the Joint Venture.

The SGM was held on 8 January 2019 for the purpose of approving the FJV Agreement and authorising the Board in relation to waivers, variations and amendments that it deemed necessary and appropriate in completing the Joint Venture transaction. The SGM resolutions were passed with a majority of the shareholders voting at the SGM.

The FJV Agreement became Unconditional on 21 January 2019. The Joint Venturer and a subsidiary of MRL (SPV) entered into the Mine to Ship Logistics Agreement for the transport of the Marillana iron ore product via a light-rail system from the mine site to Port Hedland.

The Mine to Ship Logistics Agreement is itself subject to several conditions precedent including execution of an agreement with the State of Western Australia; procuring all the leases and licences for the light rail system and port development; MRL and SPV obtaining the finance to fund the construction and commissioning of the rail and port infrastructure needed to establish, operate and provide a service to transport up to 30Mtpa of iron ore from the mine site to Port Hedland and on to vessels for export for the life of the Marillana Project.

Upon satisfaction of all conditions under the Mine to Ship Logistics Agreement, MRL will be obliged to construct and commission the rail and port infrastructure needed to establish, operate and provide a service to transport up to 30Mtpa of iron ore from the mine site to Port Hedland and on to vessels for export for the life of the Marillana Project.

With the FJV Agreement becoming Unconditional, the Farm-in Period has therefore commenced. During the Farm-In Period Polaris shall perform its Farm-In obligations on the Marillana Project (as set out below). Upon Polaris satisfying the Farm-in Obligations on or before expiry of the Farm-in Period, the Joint Venture shall be established (Farm-in Date). Following the Farm-in Date, the Farm-in interest will be transferred to Polaris.

Farm-in prior to Joint Venture

Farm-in obligations and interest

Polaris shall earn a 50% interest in Marillana by satisfying the following obligations within 6 months from the FJV Agreement becoming unconditional (farm-in period):

(i) expenditure of A$250,000 on exploration and development of Marillana;

(ii) completion of the following to evaluate the economic feasibility of mining minerals on the tenements under Marillana (or such other areas as the parties may agree):

    (a) Polaris' process design criteria of the processing plant(s);

    (b) completion of Polaris' optimised mine plan study; and

    (c) completion of a mine site layout that illustrates Polaris' preferred location for the processing plant(s) on the tenements under Marillana consistent with the optimised mine plan referred to in paragraph (b) above.

Joint Venture

Formation and scope

The parties have agreed to establish the Joint Venture as an unincorporated joint venture (in which both parties have a 50% interest). The scope of the Joint Venture is to establish a mining and processing operation at Marillana at a minimum 20Mtpa production rate, with the product to be transported to Port Hedland using a light railway to be constructed by a subsidiary of MRL.

Management committee

A management committee comprising a total of six representatives shall be established. Each of the Joint Venturers shall appoint three representatives.

The role of the management committee is to make all strategic decisions relating to the conduct of the activities undertaken by the Joint Venture including the consideration and approval of any work programme and budget in the management of the joint venture.

Development funding

The Joint Venturers will be responsible for funding the development activities of Marillana up to a maximum of A$300 million in total or A$150 million by each Joint Venturer. Polaris will use all reasonable endeavours to procure the debt financing to fund the development activities for and behalf of the Joint Venturers. The development activities include all site establishment and non-process infrastructure costs. Brockman shall repay its share of the debt financing over a loan term to be agreed.

Manager

Pursuant to the terms of the FJV Agreement, Polaris has agreed to act as the first manager of the Joint Venture.

Loan Agreement

Polaris to provide an interest-free loan of A$10 million to Brockman Iron to fund Brockman Iron's financial obligations under the FJV Agreement and for working capital in relation to the Group's iron ore business in the Pilbara region of Western Australia. The loan will be repaid from the net revenue received by Brockman Iron from the sale of its share of Marillana ore sold which is transported under the Mine to Ship Logistics Agreement.

Process and Loading Agreement

Under the Process and Loading Agreement, MRL (or a subsidiary) will be granted the exclusive life of mine right to build, own and operate Marillana's processing plants, product stockpiling, management of tailings facility, and reclaiming and loading of products on to trains. The parties have agreed a provisional service fee subject to standard escalation clauses typical for an agreement of this nature.

Mine to Ship Logistics Agreement

Under the Mine to Ship Logistics Agreement, MRL (or a subsidiary) will construct (at its own cost) and operate a rail and port infrastructure system in accordance with the following timeline:

(i) construction is to commence on or before 31 December 2019; and

(ii) operation is to commence on or before 31 December 2021.

The rail and port infrastructure system comprises a light railway connecting Marillana to the port of Port Hedland plus train unloading, product stockpiling, reclaim and ship-loading facilities connected to a deep water cape-size berth at South West Creek in the inner harbour of Port Hedland.

The rail and port infrastructure system provision and cooperation will be reflected in the Mine to Ship Logistics Agreement with MRL (or a subsidiary), granting them an exclusive life of mine right to provide the transport of the product by train from Marillana site to the inner harbour of Port Hedland, unloading and stockpiling of product at the port, followed by reclaim and ship loading. The parties have agreed on a provisional service fee subject to standard escalation clauses typical for an agreement of this nature.

Reasons for the transaction

The key to unlocking the value of the Group's highly prospective iron ore mineral tenements relies on securing a rail and port infrastructure solution and funding. The Directors consider that under the joint venture, the Company would partner with an established mining services and processing company based in Australia as well as obtaining the necessary funding and access to rail and port infrastructure for Marillana to realise its full potential value.

Schedule

Processing plant

Following execution of the Process and Loading Agreement, MRL (or a subsidiary) will construct the processing plants under a build, own and operate arrangement for Marillana. The plant construction is expected to commence early in calendar year (CY) 2020 (aligned with commencement of construction of the railway) with commissioning and operations by the fourth quarter of CY 2021. Target production from Marillana upon the availability of rail and port system will be 20 to 30 Mtpa.

Rail and port infrastructure system

Construction of the rail is expected to commence in the second half of CY 2019 and is expected to be operational no later than the fourth quarter of CY 2021. Construction of the port facilities at South West Creek is expected to commence in CY 2020 and also be operational by the fourth quarter of CY 2021. By that time, the Joint Venture expects to be ramping up Marillana to steady state production of 20 to 30 Mtpa.

Ophthalmia Iron Ore Project

The 100% owned Ophthalmia Iron Ore Project located north of Newman in the East Pilbara of Western Australia, is the most significant iron ore project for the Company outside of its flagship Marillana Project. Since the discovery of significant occurrences of bedded hematite mineralisation by field reconnaissance mapping and surface sampling in August 2011, major exploration drilling programmes have been completed and JORC 2012 compliant Mineral Resources have been estimated and reported for the Sirius, Coondiner and Kalgan Creek deposits (see announcement dated 28 November 2014). The total Mineral Resources at Ophthalmia now stand at 341 Mt grading 59.3% Fe.

A short Reverse Circulation drilling program totalling 112 metres in two holes was completed to test for extensions of mineralisation at Three Pools. The Three Pools area contains the eastern strike extensions of the Coondiner deposits and is outside of the current mineral resources defined at Ophthalmia. The results will be available in Q1 CY 19.

Other Projects

Irwin-Coglia Ni-Co and Ni-Cu Prospect – 40% Interest

Following the Group's decision to divest the 40% interest in the Irwin-Coglia nickel laterite project, a competitive sale process was undertaken by PCF Capital Group. The outcome from this process was that the 60% participant in the Irwin Joint Venture Project(Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd) purchased the Company's 40% interest, matching an offer received from a third party. The consideration received by the Company was A$1,700,000, (HK$9,617,000) which was paid in September 2018 following execution of a sale and purchase agreement and satisfaction of all conditions precedent.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its short-term funding requirements with equity funding and borrowings. The Group's ability to advance its iron ore project developments is reliant among other things, on access to appropriate and timely funding.

The current ratio as at 31 December 2018 is 11.14 (30 June 2018: 11.73). The gearing ratio of the Group (long-term debt over equity and long-term debt) is measured at 0.02 (30 June 2018: 0.02).

During the period, the Group did not engage in the use of any financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 31 December 2018.

CAPITAL STRUCTURE

The Company has no changes in its issued share capital for the interim period.

As at 31 December 2018, the total number of issued shares outstanding for the Company amounted to 9,161,982,131 shares.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018 there were no assets that were pledged to secure any debt, and the Company did not provide any financial guarantees and there was no material contingent liability of the Group. (30 June 2018: Nil)

MARKET RISK

The Group is exposed to various types of market risks, including fluctuations in iron ore price and exchange rates.

(a) Commodities price risk

Iron ore price:

The fair value of the Group's mining exploration properties in Australia is exposed to fluctuations in expected future iron ore price.

We have not used any commodity derivative instruments or futures for speculation or hedging purposes. Management will review market conditions from time to time and determine the best strategy to deal with the fluctuations of iron ore price as required.

(b) Funding risk

The commencement of exploration and potential development of the iron ore projects depend on whether the Group can secure the necessary funding.

(c) Risk of the project will not be materialised

The risk is largely driven by various factors such as commodity prices, government regulations, regulation related to prices, taxes, royalties, land tenure, viable infrastructure solution, capital raising ability and etc. The Board will therefore closely monitor the development of the project.

STAFF AND REMUNERATION

As at 31 December 2018, the Group employed 16 full time employees (30 June 2018: 17), of which 5 were in Australia (includes 1 non-executive director) (30 June 2018: 5) and 11 in Hong Kong (includes 5 non-executive directors) (30 June 2018: 12).

The remuneration of employees includes salary and discretionary bonuses. The Group also adopted a share option scheme to provide incentives to employees.

The remuneration policy and packages, including share options of the Group's employees, senior management and directors are maintained at market levels and are reviewed periodically by the management and the remuneration committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (six months ended 31 December 2017: Nil).

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is listed on both the ASX and on the SEHK. The Company's corporate governance policies have been formulated to ensure that it is a responsible corporate citizen.

The Company complies with all aspects of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK, except for the following:

(i) Code Provision A.2.1, which requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. The position of chief executive officer at the Group level has been vacant during the period. Nonetheless, Mr. Colin Paterson, an executive director of the Company, also serves as the Chief Executive Officer of Brockman Mining Australia Pty Ltd (a wholly-owned subsidiary of the Company), and is responsible for the oversight of the core iron ore business operation; and

(ii) under Code Provision A.6.7, non-executive directors should attend general meetings. During the year, due to Directors' other commitments and travels, not all of the non-executive directors of the Company attended the general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code') as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry to all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2018.

AUDIT COMMITTEE

As at 31 December 2018, the audit committee comprises of three independent non-executive directors Messrs. Yap Fat Suan, Henry, Uwe Henke Von Parpart and Choi Yue Chun Eugene (the 'Audit Committee'). Mr. Yap Fat Suan, Henry was the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee has reviewed the Group's interim results for the six months ended 31 December 2018.

REVIEW CONCLUSION

The auditor of the Group will issue a review conclusion with an emphasis of matter on the condensed consolidated financial information of the Group for the period under review. An extract of the review report is set out in the section headed "EXTRACT OF REVIEW REPORT" below.

EXTRACT OF REVIEW REPORT

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By Order of the Board
Brockman Mining Limited
Kwai Sze Hoi
Chairman

Hong Kong, 26 February 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Kwai Sze Hoi (Chairman), Mr. Liu Zhengui (Vice Chairman) and Mr. Ross Stewart Norgard as non-executive directors; Mr. Chan Kam Kwan, Jason (Company Secretary), Mr. Kwai Kwun Lawrence and Mr. Colin Paterson as executive directors; Mr. Yap Fat Suan, Henry, Mr. Uwe Henke Von Parpart and Mr. Choi Yue Chun, Eugene as independent non-executive directors.

GLOSSARY

"ASX"	ASX Limited (trading as the Australian Securities Exchange)
"AUD"	Australian dollars, the lawful currency of Australia
"Board"	the board of Directors
"Brockman Iron"	Brockman Iron Pty Ltd, a wholly-owned subsidiary of the Company
"Business Day(s)"	a day, other than a Saturday, Sunday or public holiday in Perth, Western Australia
"Buy-Out"	Brockman Iron's acquisition of Polaris' JV Interest in the event the certain timeline in relation to the Rail and Port System is not met pursuant to the FJV Agreement
"Company"	Brockman Mining Limited, the shares of which are dually listed on the Stock Exchange and ASX
"Corporations Act"	the Corporations Act 2001 (Cth)
"Debt Financing"	the debt funding to be procured by Polaris for and on behalf of the Joint Venturers to finance the costs for the development of the Marillana Project
"Deed of Cross Security"	the deed of cross security under an agreed form to be entered into between Brockman Iron and Polaris upon establishment of the Joint Venture as set out under the section headed "Cross security" in this announcement
"Development Activities"	the establishment of roads, site offices, amenities, workshops, a power station, an accommodation village, an airport, refuelling facilities, water treatment laboratories, tailings facility (including initial construction, subsequent wall lifts and dam maintenance), tailings pumping station and tailings pipelines (including initial construction and any subsequent expansion and renewal of such tailings related assets) and such other non-process infrastructure required to operate an iron ore mine but does not include any activities carried out under the Process and Loading Agreement or the Mine to Ship Logistics Agreement
"Directors"	the directors of the Company
"Farm-in Date"	the date the Farm-in Obligations are satisfied by Polaris

"Farm-in Interest"	a 50% undivided registered legal interest in the Tenements
"Farm-in Obligations"	the obligations under which Polaris is required to satisfy in order to earn a 50% interest in the Marillana Project under the FJV Agreement
"Farm-in Period"	the period commencing on the Unconditional Date and ending on the date that is the later of the date that Polaris satisfies the Farm-in Obligations and the date that is 6 months after the Unconditional Date
"FJV Agreement"	the farm-in and joint venture agreement dated 26 July 2018 entered into between Brockman Iron and Polaris in relation to the Transactions
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HOA"	the non-binding heads of agreement entered into by the Company and MRL on 6 June 2018 and the accompanying proposal from MRL dated 20 April 2018 in relation to the Transactions
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Joint Venture"	the unincorporated joint venture to be established between Brockman Iron and Polaris pursuant to the terms of the FJV Agreement
"Joint Venturer"	a party which holds a JV Interest, which as at the date of the FJV Agreement means each of Brockman Iron and Polaris
"JV Interest(s)"	the rights, liabilities and obligations under the FJV Agreement in relation to the Joint Venture
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreement"	the loan agreement in the amount of AUD10 million (equivalent to approximately HK$58 million) to be executed by Brockman Iron and Polaris on or before the Unconditional Date
"Management Committee"	the management committee to be established in respect of the management of the Joint Venture on the Farm-in Date
"Marillana Project"	the 100% owned iron ore project of the Company located in the Hamersley Iron Province within the Pilbara region of Western Australia

"Mine to Ship Logistics Agreement"	the agreements to be entered into between each of the Joint Venturers and a subsidiary of MRL under the principal terms as set out under the section headed "Mine to Ship Logistics Agreement"
"Mining Act"	the Mining Act 1978 (WA) and includes the Mining Regulations 1981 (WA), where applicable
"MRL"	Mineral Resources Limited, the shares of which are listed on ASX
"Mtpa"	metric tonnes per annum
"Polaris"	Polaris Metals Pty Ltd, a wholly-owned subsidiary of MRL
"PPA"	Pilbara Ports Authority, being a corporation owned by the State of Western Australia
"Process and Loading Agreement"	the agreements to be entered into between each of the Joint Venturers and a subsidiary of MRL under the principal terms as set out in the section headed "Process and Loading Agreement" in this announcement
"Products"	all iron ore or other mineral or metallic ores, concentrates, metals and other mineralised products, and any other mineral resources, processed, smelted or refined from ores extracted from the Marillana Project
"Rail and Port System"	a bulk ore rail and port system to enable Products from the Marillana Project to be transported to Port Hedland
"SGM"	the special general meeting to be convened by the Company to seek the approval of the Shareholders for the FJV Agreement and the transactions contemplated thereunder
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"South West Creek"	an area in Port Hedland, Western Australia, designated for the development of additional port facilities
"State Agreement"	a legal contract between the Western Australian Government and a proponent of a major project within the boundaries of Western Australia setting out the rights, obligations, terms and conditions for the development of the specific project

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sunken Capital Costs"	the actual capital costs incurred by MRL in the period from the Farm-in Date until the Buy-Out
"Tenements"	mining tenements with numbers M47/1414 (which is held by Brockman Iron) and E47/3170 (which is held by Brockman Exploration Pty Ltd, a wholly owned subsidiary of the Company) and any additional tenements applied for or acquired by the Joint Venturers in connection with the Marillana Project including L45/238 and E47/3532 being applied for by Brockman Iron
"Transactions"	the transactions contemplated under the FJV Agreement including the transfer of the Farm-in Interest to Polaris and the establishment of the Joint Venture
"Unconditional Date"	the date on which notification has been given as to satisfaction of all the conditions precedent of the FJV Agreement which shall be given within 3 Business Days after becoming aware of such satisfaction
"Utah Point"	an operational multi-user bulk-handling facility located in Port Hedland, Western Australia, and owned by the PPA