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BROCKMAN

BROCKMAN MINING LIMITED

布萊克萬礦業有限公司 *

(incorporated in Bermuda with limited liability)

(SEHK Stock Code: 159)

(ASX Stock Code: BCK)

OVERSEAS REGULATORY ANNOUNCEMENT QUARTERLY ACTIVITIES REPORT

The following is the text of the quarterly activities report of Brockman Mining Limited (the “Company”) released by the Company on ASX Limited today.

By order of the board of directors of
Brockman Mining Limited
Chan Kam Kwan, Jason
Company Secretary

Hong Kong, 30 January 2018

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.

* *For identification purpose only*



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QUARTERLY REPORT

For the quarter ended
31 Dec 2017

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1. HIGHLIGHTS

- On 6 December 2017, the Company entered into two Subscription Agreements pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for an aggregate of 130,000,000 shares at an aggregate consideration of HK\$13,000,000. In addition the Company entered into a Subscription Agreement with Ocean Lines Holdings Limited ("Ocean Line"), the major shareholder of the Company, whereby Ocean Line agreed to subscribe for 650,000,000 shares for an aggregate consideration of HK\$65,000,000. The Ocean Line consideration will be settled by cash and offset of existing loans and accrued interest payable to Ocean Line.
- On 17 November 2017, Brockman executed a termsheet with BBI Group Pty Ltd ('BBIG') for Marillana Farm-in and Join Venture and Ophthalmia Pre-emptive Right (the 'Term Sheet'). Pursuant to the cooperation arrangements with BBIG, which are contemplated by the Term Sheet and to be formalised by executed Transaction Documents, Brockman and BBIG intend to investigate production capacity of around 30 to 40Mtpa from Marillana to be commensurate with BBIG's future rail and port infrastructure (as Marillana's transport and logistics solution).
- Formalisation of Brockman's cooperation with BBIG will alter the Company's current production strategy. Instead of a 2-stage strategy for the development of its Marillana tenement through project initiatives dubbed: (i) Maverick, and (ii) Agincourt, Brockman together with BBIG now intend to progress Marillana as a single project.
- Appointed PCF Capital Group to seek expressions of interest from parties in relation to divestment of the Company's interest in the Irwin Hills – Cogia Well lateritic Ni-Co deposit.

2. MARILLANA IRON ORE PROJECT

2.1 Marillana Development

During the quarter the Company and BBIG executed a Term Sheet in relation to a Proposed Transaction whereby, subject to execution of the Transaction Documents. BBIG will undertake to prepare a definitive feasibility study ('DFS') in respect of the construction and development of the Marillana Project, following which if determined to be feasible, the parties would establish a Joint Venture to carry out the development of the Marillana Project.

The Proposed Transaction offers a means to unlocking the value of Brockman's iron ore assets, which relies on securing a rail and port infrastructure solution and funding. BBIG is developing the Balla Balla Infrastructure project ('BBI Infrastructure'), a rail and port project, which when constructed will comprise an integrated port and rail infrastructure system that will provide a new gateway to the iron ore rich Pilbara region in Western Australia.

The Proposed Transaction represents an opportunity for Brockman to partner with BBIG to develop the Marillana Project, which shall utilise the rail and port infrastructure under the BBI Infrastructure and at the same time secure funding to develop the Marillana Project.

About BBIG

BBIG is a subsidiary of The Todd Corporation Limited. It is co-owned by The Todd Corporation (as to approximately 90%) and Mr. Nicholas Curtis (as to approximately 10%). The Todd Corporation is one of New Zealand's leading companies with a range of interests including energy, minerals and property.

The Balla Balla port site is located approximately halfway between Dampier and Port Hedland in close proximity to road, gas and electrical infrastructure. Proposed infrastructure for the BBI Infrastructure includes a 160 km single-track standard gauge railway, and a multi-user port facility capable of handling and loading transshipment shuttle vessels (TSVs). Initial planned annual capacity of the rail and port is 50 million tonnes per annum (Mtpa) (wet) with the potential to scale this up.

The BBI Infrastructure has full agreement and support from the traditional owners who hold Native Title over the BBI Infrastructure land. The proposed port facility involves no dredging and has a low environmental footprint. All primary BBI Infrastructure environmental approvals are in place. The Western Australian State Parliament recently ratified the State Agreement over the proposed railway (the Railway (BBI Rail Aus Pty Ltd) Agreement 2017) providing certainty to BBIG and its operational partners.

The Proposed Transaction

Under the Proposed Transaction, BBIG will undertake to prepare a DFS in respect of the construction and development of the Marillana project within 3 years from satisfaction of the Conditions Precedent.

BBIG will fund the costs of preparing the DFS up to an aggregate amount of A\$10 million. Any further costs exceeding such threshold will be borne by the Company and BBIG as at 50% each.

The DFS will be of a standard that would be sufficient to support a project financing by a major international bank and be based on the assumption that the Marillana Project will utilise the BBI Infrastructure.

Within 2 years from the completion of the DFS, BBIG may notify the Company of its intention to make Financial Investment Decision ('FID') in relation to the development of the Marillana Project ('FID Proposal'), which must satisfy certain criterion (refer to the ASX announcement 20 November 2017).

By issuing the FID Proposal, BBIG would have confirmed its commitment to fund 75% of the equity Component and completion support for the Marillana Project ('BBIG Commitment'). Refer to page 3 ASX announcement 20 November 2017.

Conditions Precedent

The transaction documents are subject to the satisfaction or waiver of the following Conditions Precedent:

- (i) any required regulatory approvals, including FIRB;

- (ii) any board or shareholder approvals of the Company and BBIG (if necessary); and
- (iii) the conduct of due diligence by, and satisfactory to, BBIG in respect of the Marillana Project.

Project Maverick

Formalisation of Brockman's cooperation with BBIG will alter the Company's current production strategy. Instead of a 2-stage strategy for the development of its Marillana tenement through project initiatives dubbed: (i) Maverick, and (ii) Agincourt, Brockman together with BBIG now intend to progress Marillana as a single project.

As stated in the announcement dated 20 November 2017, the Term Sheet contained an exclusivity period of 5 months during which Brockman shall not participate in negotiations or discussions with any other parties in connection with any other proposals pertaining to Marillana. As such, all negotiations for Project Maverick with funding prerequisites, including but not limited to the port Multi-User Agreement have now been suspended. Subject to the execution of Transaction Documents, all the associated activities for Project Maverick will cease.

3. CORPORATE REVIEW

Cash position

The consolidated cash position of the Group as at 31 December 2017 was HK\$8.6 million.

There were no mining operations carried during the quarter, the payment of production expense was mainly for the settlement of other payables in the previous periods.

On 6 December 2017, the Company entered into a Subscription Agreement with Ocean Lines Holdings Limited, the major shareholder of the Company, whereby Ocean Line agreed to subscribe for 650,000,000 shares for an aggregate consideration of HK\$65,000,000. The Ocean Line consideration will be settled by cash and offset of existing loans and accrued interest payable to Ocean Line.

Additionally, the Company entered into two other Subscription Agreements pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for an aggregate of 130,000,000 shares for an aggregate consideration of HK\$13,000,000.

Since Ocean Line is a substantial shareholder of the Company, the Ocean Line Subscription is subject to approval of the independent shareholders. The Company will seek independent shareholders' approval for the Ocean Line subscription and the other Subscriptions at a Special General Meeting (SGM) of shareholders to be held in early 2018. The Company will establish an Independent Board Committee and will appoint an independent financial advisor to advise in respect of the Ocean Line Subscription.

In addition, the Company has proposed to grant a total of 210,500,000 share options to Directors and employees of the Company and its subsidiaries. As a requirement of the listing rules in the Australian Securities Exchange, any grant of share options to Directors or related parties of the Company shall be subject to the approval of the shareholders.

The Company will issue a circular (including letters of advice from the independent financial advisor and the Independent Board Committee in relation to the Ocean Line Subscription) and the proposed grant of options as soon as possible, setting out the details of these matters and the date of the SGM.

During the quarter, Brockman resolved to consider opportunities for the divestment of the Irwin Hills – Coglia Well lateritic Ni-Co deposit (owned 40% by Brockman and 60% by subsidiaries of Glencore). PCF Capital Group has been engaged to undertake the sales process.

4. TENEMENTS

Tenements disposed of during the Quarter

Project	Location	Tenement type	Tenement number	Commodity	Status	Interest held
Jeerinah	West Pilbara	E	47/3441	Iron Ore	Surrendered	0%
Ophthalmia	East Pilbara	E	47/2594	Iron Ore	Surrendered	0%
Ophthalmia	East Pilbara	P	47/1715	Iron Ore	Surrendered	0%
Shovelanna	East Pilbara	E	46/0781	Iron Ore	Expired	0%

Tenements acquired during the Quarter

Project	Location	Tenement type	Tenement number	Commodity	Status	Interest held

Tenements held at end of Quarter

Project	Location	Tenement type	Tenement number	Commodity	Status	Interest held
Coolawanyah	West Pilbara	E	47/3491	Iron Ore	Granted	100%
Duck Creek	West Pilbara	E	47/1725	Iron Ore	Granted	100%
Duck Creek	West Pilbara	E	47/3152	Iron Ore	Granted	100%
Duck Creek East	West Pilbara	E	47/2215	Iron Ore	Granted	100%
Duck Creek East	West Pilbara	E	47/2994	Iron Ore	Granted	100%
Fig Tree	East Pilbara	E	47/3025	Iron Ore	Granted	100%
Innawally Pool	West Pilbara	E	46/1087	Iron Ore	Granted	100%
Irwin Hills	Goldfields	L	39/0232	Nickel/Cobalt	Granted	40%
Irwin Hills	Goldfields	L	39/0163	Nickel/Cobalt	Granted	40%
Irwin Hills	Goldfields	M	39/1088	Nickel/Cobalt	Granted	40%
Juna Downs	West Pilbara	E	47/3363	Iron Ore	Granted	100%
Juna Downs	West Pilbara	E	47/3364	Iron Ore	Granted	100%
Madala Bore	West Pilbara	E	47/3285	Iron Ore	Granted	100%
Marandoo	West Pilbara	E	47/3105	Iron Ore	Granted	100%
Marillana	East Pilbara	L	45/0238	Iron Ore	Application	100%
Marillana	East Pilbara	M	47/1414	Iron Ore	Granted	100%
Marillana	East Pilbara	E	47/3170	Iron Ore	Application	100%
Marillana	East Pilbara	E	47/3532	Iron Ore	Application	100%
Mindy	West Pilbara	E	47/3585	Iron Ore	Application	100%
Mt Grant	East Pilbara	E	45/4496	Iron Ore	Granted	100%
Mt King	West Pilbara	E	47/3446	Iron Ore	Application	100%
Ophthalmia	East Pilbara	E	47/1598	Iron Ore	Granted	100%
Ophthalmia	East Pilbara	E	47/2280	Iron Ore	Granted	100%
Ophthalmia	East Pilbara	E	47/2291	Iron Ore	Granted	100%
Ophthalmia	East Pilbara	E	47/3549	Iron Ore	Granted	100%
Ophthalmia	East Pilbara	R	47/0013	Iron Ore	Granted	100%
Ophthalmia	East Pilbara	R	47/0015	Iron Ore	Granted	100%
Ophthalmia	East Pilbara	R	47/0016	Iron Ore	Granted	100%
Parson George	East Pilbara	E	47/3217	Iron Ore	Granted	100%
Phils Bore	West Pilbara	E	47/2905	Iron Ore	Application	100%
Punda Springs	West Pilbara	E	47/3575	Iron Ore	Application	100%
Tom Price	West Pilbara	E	47/3565	Iron Ore	Application	100%

5. CORPORATE PROFILE

Brockman Mining Limited

ARBN 143 211 867

Non-executive Directors:

Kwai Sze Hoi (Chairman)
Liu Zhengui (Vice Chairman)
Ross Stewart Norgard

Executive Directors:

Chan Kam Kwan Jason
(Company Secretary)
Kwai Kwun Lawrence
Colin Paterson

Independent Non-executive Directors:

Uwe Henke Von Parpart
Yap Henry Fat Suan
Choi Yue Chun Eugene

Registrars

Principal Share Registrars and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Branch Share Registrars and Transfer Office —Hong Kong

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Branch Share Registrars and Transfer Office —Australia

Computershare Investor Services Pty Limited
Reserve Bank Building
Level 2, 45 St George's Terrace
Perth, Western Australia, 6000

Securities on issue at 31 Dec 2017

Quoted securities

8,381,982,131 fully paid shares on issue

Unquoted securities

73,000,000 unlisted options granted
— 62,000,000 share options, expiring
31 December 2020 EX HK\$0.124

— 3,000,000 share options, expiring
31 December 2020 EX HK\$0.162

— 8,000,000 share options, expiring
18 January 2018 EX HK\$0.45

There were no shares issued during the period. A total of 65,000,000 share options were issued during the period.

By order of the Board of Directors of
Brockman Mining Limited
Chan Kam Kwan, Jason
Company Secretary, Hong Kong

6. GLOSSARY

“ASX”	ASX Limited ABN 98 008 624 691
“Board”	the Board of Directors
“Brockman” or “Company”	Brockman Mining Limited ARBN 143 211 867, a company listed on the SEHK and ASX
“Group”	Brockman Mining Limited, its associates and subsidiaries
“Marillana Project”	The 100% owned Marillana iron ore project is Brockman’s flagship project located in the Hamersley Iron Province
“SEHK”	The Stock Exchange of Hong Kong Limited

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

BROCKMAN MINING LIMITED

ABN

ARBN 143 211 867

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter HK\$'000	Year to date (6 months) HK\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	—	—
1.2 Payments for		
(a) exploration & evaluation	(1,788)	(3,840)
(b) development	—	—
(c) production	(45)	(115)
(d) staff costs	(5,971)	(11,440)
(e) administration and corporate costs	(3,477)	(6,456)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	3	16
1.5 Interest and other costs of finance paid	—	—
1.6 Income taxes paid	—	—
1.7 Research and development refunds	—	—
1.8 Other (provide details if material)		
(a) Advanced from related party	—	—
1.9 Net cash from / (used in) operating activities	(11,278)	(21,835)

Consolidated statement of cash flows	Current quarter HK\$'000	Year to date (6 months) HK\$'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	—	—
(b) tenements (see item 10)	—	—
(c) investments	—	—
(d) other non-current assets	—	—
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	20	76
(b) tenements (see item 10)	—	—
(c) investments	—	—
(d) other non-current assets	—	—
2.3 Cash flows from loans to other entities	—	—
2.4 Dividends received (see note 3)	—	—
2.5 Other (provide details if material)	—	—
2.6 Net cash from / (used in) investing activities	20	76

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	—	—
3.2 Proceeds from issue of convertible notes	—	—
3.3 Proceeds from exercise of share options	—	—
3.4 Transaction costs related to issues of shares, convertible notes or options	—	—
3.5 Proceeds from borrowings	5,219	6,258
3.6 Repayment of borrowings	—	—
3.7 Transaction costs related to loans and borrowings	—	—
3.8 Dividends paid	—	—
3.9 Other (provide details if material)	—	—
3.10 Net cash from / (used in) financing activities	5,219	6,258

Consolidated statement of cash flows		Current quarter HK\$'000	Year to date (6 months) HK\$'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,656	23,995
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(11,278)	(21,835)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	20	76
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,219	6,258
4.5	Effect of movement in exchange rates on cash held	(1)	122
4.6	Cash and cash equivalents at end of period	8,616	8,616

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter HK\$'000	Previous quarter HK\$'000
5.1	Bank balances	8,616	14,656
5.2	Call deposits	—	—
5.3	Bank overdrafts	—	—
5.4	Other (provide details)	—	—
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,616	14,656

6.	Payments to directors of the entity and their associates	Current quarter HK\$'000
6.1	Aggregate amount of payments to these parties included in item 1.2	1,447
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	—
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 6.1 Being payment of executive directors' salary and non-executive directors' fees.	

7.	Payments to related entities of the entity and their associates	Current quarter HK\$'000
7.1	Aggregate amount of payments to these parties included in item 1.2	—
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	—
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end HK\$'000	Amount drawn at quarter end HK\$'000
8.1	Loan facilities	(A)39,793 (B) 5,000	(A) 39,793 (B) 5,000
8.2	Credit standby arrangements	90,000	—
8.3	Other (please specify)	—	—
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
8.1	(A) Such loan is granted from a substantial shareholder (Ocean Line Holdings Ltd) and is unsecured, bears interest at 12% per annum and is repayable on 30 Oct 2018.		
	(B) Such loan is also granted from a substantial shareholder (Ocean Line Holdings Ltd). The loan is unsecured, bears interest at 12% per annum and is repayable on 30 Oct 2018.		
8.2	On 21 September 2016, a shareholder has undertaken to grant a loan facility of up to HK\$60,000,000 to the Company to satisfy its future working capital requirements, and to meet its financial obligations. On 19 September 2017, a shareholder has increased the loan facility from HK\$60,000,000 to HK\$90,000,000, of which HK\$55,000,000 can only be drawn down for purpose of financing the payment to settle liabilities in respect of the mine in the PRC when necessary. The loan is available for draw down within 14 months from 21 September 2016. Such loan is unsecured, bears interest at 15% per annum and once drawn down, is repayable on 30 Oct 2018.		

9.	Estimated cash outflows for next quarter	HK\$'000
9.1	Exploration and evaluation	(1,220)
9.2	Development	—
9.3	Production	—
9.4	Staff costs	(4,426)
9.5	Administration and corporate costs	(2,750)
9.6	Other (provide details if material)	—
9.7	Total estimated cash outflows	(8,396)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	E47/3441 Jeerinah E47/2594 Ophthalmia P47/1715 Ophthalmia E46/0781 Shovelanna	Surrendered Surrendered Surrendered Expired	100% 100% 100% 100%	0% 0% 0% 0%
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 30 January 2018

(Company secretary)

Print name:Chan Kam Kwan, Jason.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.