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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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 2020, together with the comparative figures for the corresponding period in 2019. 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".

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December	
		2020	2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Other income		**162**	—
Administrative expenses		**(7,933)**	(9,521)
Exploration and evaluation expenses		**(3,547)**	(3,396)
Operating loss		**(11,318)**	(12,917)
Finance income		**78**	132
Finance costs		**(737)**	(665)
Finance costs, net	*6*	**(659)**	(533)
Share of loss of joint ventures		**(62)**	(58)
Loss before income tax		**(12,039)**	(13,508)
Income tax benefit	*7*	**9,778**	—
Loss for the period		**(2,261)**	(13,508)

* *For identification purposes only*

	Note	Six months ended 31 December 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences arising from translation of foreign operations		**73,301**	(2,280)
Other comprehensive income/(loss) for the period		**73,301**	(2,280)
Total comprehensive income/(loss) for the period		**71,040**	(15,788)
Loss for the period attributable to:			
Equity holders of the Company		**(2,261)**	(13,508)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**71,040**	(15,788)
Loss per share attributable to the equity holders of the Company during the period		***HK cents***	*HK cents*
Basic loss per share	*8*	**(0.02)**	(0.15)
Diluted loss per share	*8*	**(0.02)**	(0.15)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		31 December	30 June
		2020	2020
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Mining exploration properties	*9*	**813,626**	731,048
Property, plant and equipment		**174**	181
Right-of-use assets		**1,880**	1,226
Interest in joint ventures		**696**	644
Other non-current assets		**136**	121
		816,512	733,220
Current assets			
Other receivables, deposits and prepayments		**1,669**	1,581
Cash and cash equivalents		**25,922**	34,919
		27,591	36,500
Total assets		**844,103**	769,720
Equity and liabilities			
Share capital	*12*	**927,923**	927,923
Reserves		**3,871,332**	3,798,031
Accumulated losses		**(4,126,122)**	(4,123,861)
Total equity attributable to the equity holders of the Company		**673,133**	602,093

	Note	As at 31 December 2020 HK$'000 (Unaudited)	30 June 2020 HK$'000 (Audited)
Non-current liabilities			
Deferred income tax liability		**134,143**	128,850
Borrowings	*11*	**32,583**	35,353
Lease liabilities		**1,833**	1,111
		168,559	165,354
Current liabilities			
Trade and other payables	*10*	**2,025**	1,891
Lease liabilities		**386**	382
		2,411	2,273
Total liabilities		**170,970**	167,627
Total equity and liabilities		**844,103**	769,720

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2020 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 2020.

On 11 March 2020, the World Health Organisation declared a global pandemic related to COVID-19. The impacts on the global economy and commerce have already been significant and are expected to continue in the future. The Directors consider that there does not currently appear to be either any significant impact on the condensed consolidated financial statements or significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

(a) Going concern basis

For the period ended 31 December 2020, the Group recorded a net loss before tax of HK$12,039,000 (six months ended 31 December 2019: HK$13,508,000) and had operating cash outflows of HK$11,185,000 (31 December 2019: HK$12,293,000). The Group did not record any revenue during the period and the loss before tax 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 2020, the Group's cash and cash equivalents amounted to HK$25,922,000 (as at 30 June 2020: HK$34,919,000).

On 27 November 2020, both Brockman Iron Pty Ltd (a wholly-owned subsidiary of the Company) ('Brockman Iron') and Polaris Metals Pty Ltd ('Polaris') agreed that the Farm-in Obligations under the Farm-in and Joint Venture ('FJV') agreement between them may take up to a further 12 months (an additional 12 months from the previous 19 July 2019 notification) to complete and therefore the parties have agreed to extend certain key dates under the FJV Agreement.

The directors believe that the Group can continue to advance the FJV with the aim of unlocking the value of the Marillana Project. In late 2019 Brockman Iron and Polaris agreed to a development plan for the Marillana Project including an extensive confirmatory drilling and testwork program. The outcome of both these undertakings has resulted in Polaris providing the Company with an Indicative Development Proposal. Polaris also has released A$5,000,000 of the A$10,000,000 loan, held in the escrow account pursuant to the FJV Agreement (in the prior year). Under the terms of the FJV Agreement this loan is to be repaid from net revenue received by Brockman Iron from the sale of its share of product produced and sold from the joint venture operation. However, the loan would become immediately repayable (within 14 days) in the event that Polaris approves the development of the project but Brockman Iron does not proceed.

The Group has 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$14,817,000 from the substantial shareholder to 31 October 2022. 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 2022. As at 31 December 2020, the facility of HK$10,000,000 was undrawn.

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 these condensed consolidated financial statements. 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 these condensed consolidated financial statements.

The directors believe 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 belief. 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 condensed consolidated financial statements 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 these condensed consolidated financial statements.

These condensed consolidated financial statements do 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 concern.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of annual financial statements for the year ended 30 June 2020, 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

(a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create input. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the interim condensed consolidated financial statements of the Group, nor is there expected to be any future impact on the Group.

Amendments to IFRS 7, IFRS 9 and IAS 19: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

Conceptual Framework for Financial Reporting issued on 28 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the condensed consolidated financial statements of the Group.

3. REVENUE

There was no revenue during the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reports provided to Chief Operating Decision Makers being the 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 projects 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 loss 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 *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the six months ended 31 December 2020 (Unaudited):			
Segment results	(6,124)	(5,853)	(11,977)
Share of loss of joint ventures			(62)
Loss before income tax			(12,039)
Other information:			
Depreciation of property, plant and equipment	(193)	(2)	(195)
Exploration and evaluation expenses	(3,547)	—	(3,547)
Income tax benefit	9,778	—	9,778
For the six months ended 31 December 2019 (Unaudited):			
Segment results	(6,096)	(7,354)	(13,450)
Share of loss of joint ventures			(58)
Loss before income tax			(13,508)
Other information:			
Depreciation of property, plant and equipment	(40)	(4)	(44)
Exploration and evaluation expenses	(3,396)	—	(3,396)

The following is an analysis of the Group's total assets by business segment as at 31 December 2020:

	Mineral tenements in Australia *HK$'000*	Others *HK$'000*	Total *HK$'000*
As at 31 December 2020 (Unaudited):			
Segment assets	834,393	9,710	844,103
Total segment assets include:			
Interest in joint ventures	696	—	696
Additions to property, plant and equipment	7	—	7
Right-of-use assets	1,204	676	1,880
As at 30 June 2020 (Audited):			
Segment assets	756,141	13,579	769,720
Total segment assets include:			
Interest in joint ventures	644	—	644
Additions to property, plant and equipment	137	—	137
Right-of-use assets	1,226	—	1,226

5. PROFIT/LOSS BEFORE TAX

The Group's profit/loss before tax from continuing operations is arrived at after charging:

	Six months ended 31 December	
	2020 ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Depreciation of property, plant and equipment	**33**	44
Depreciation of right-of-use assets	**163**	—
Short term and low-value lease payments	**198**	713
Staff costs (including directors' emoluments)	**6,149**	5,706
Equity-settled share option expense	**—**	1,477
Exploration and evaluation expenses (excluding staff costs and rental expenses)	**2,842**	2,725

6. FINANCE COSTS, NET

	Six months ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income and bank deposits	**78**	132
Finance costs		
Interest on borrowings *(Note 11)*	**(665)**	(665)
Interest on lease liabilities	**(72)**	—
Finance costs, net	**(659)**	(533)

7. INCOME TAX BENEFIT

No provision for Hong Kong Profits tax or overseas income tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil). The applicable corporate income tax rate is 30% (31 December 2019: 30%) for subsidiaries in Australia.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the consolidated entities as follows:

	Six months ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax	**(12,039)**	(13,508)
Tax calculated at the applicable domestic tax rate of respective companies	**(3,612)**	(4,052)
Expenses not deductible for tax purposes	**2,347**	—
Recognition of previously unrecognised tax losses	**(8,513)**	—
Tax losses for which no deferred income tax asset was recognised	**—**	4,052
Income tax benefit	**(9,778)**	—

8. 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	
	2020	2019
	(Unaudited)	(Unaudited)
Loss for the period attributable to the equity holders of the Company *(HK$'000)*	**(2,261)**	(13,508)
Weighted average number of ordinary shares for the purpose for calculating the basic loss per share *(thousands)*	**9,279,232**	9,187,642
Effects of dilution from:		
— share of options *(thousands)*	**90,000**	45,250
Weighted average number of ordinary shares adjusted for the effect of dilution *(thousands)*	**9,369,232 (*)**	9,213,857
Loss per share attributable to the equity holders of the Company:		
— Basic *(HK cents)*	**(0.02)**	(0.15)
— Diluted *(HK cents)*	**(0.02) (*)**	(0.15)

Note (*): Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the loss for the year of HK$2,261,000, and the weighted average number of ordinary shares 9,369,232,000 in issue during the year.

9. MINING EXPLORATION PROPERTIES

	Mining exploration properties in Australia
	HK$'000
Balance as at 1 July 2019 (Audited)	757,345
Recoupment of benefit	(5,404)
Exchange differences	(20,893)
Balance as at 30 June 2020 (Audited)	731,048
Recoupment of benefit	(6,051)
Exchange differences	88,629
Balance as at 31 December 2020 (Unaudited)	813,626

The mining exploration 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 2020, the Group assessed whether events or changes in circumstances indicate a potential material change to the recoverable amount of the mining exploration properties since 30 June 2020. The Group performed an assessment of impairment indicators.

Based on this assessment, management concluded that as at 31 December 2020, there was no indication that the recoverable amount of the mining exploration properties has materially changed and thus impairment assessment was not required.

10. TRADE AND OTHER PAYABLES

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

11. BORROWINGS

	As at 31 December 2020 HK$'000 (Unaudited)	30 June 2020 HK$'000 (Audited)
Non-current		
Loans from a substantial shareholder	**14,817**	14,151
Loan from Polaris	**17,766**	21,242
	32,583	35,393

As at 31 December 2020, the borrowings from a substantial shareholder are unsecured, they bear an interest at 12% (30 June 2020: 12%) per annum and are repayable on 31 October 2022 (30 June 2020: 31 October 2021).

On 18 November 2019, Polaris provided a loan to Brockman Iron pursuant to the terms of the Farm-In Joint Venture Agreement over the Marillana Iron Ore Project. The loan is unsecured (but would become secured under the Deed of Cross Security upon establishment of the Joint Venture), and is carried at amortised cost. Under the terms of the FJV Agreement this loan is to be repaid from net revenue received by Brockman Iron from the sale of its share of product produced and sold from the joint venture operation. However, the loan would become immediately repayable (within 14 days) in the event that Polaris approves the development of the project but Brockman Iron does not proceed. The loan is not repayable in the event that Polaris gives notice to Brockman Iron that it does not proceed with the joint venture operation.

12. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
As at 31 December 2020 and 30 June 2020	20,000,000	2,000,000
Issued and fully paid		
As at 31 December 2020 and 30 June 2020	9,279,232	927,923

13. INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

14. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There is no significant event which has occurred after the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Highlights

During the period under review, Brockman Iron Pty Ltd ('Brockman Iron') (a wholly owned subsidiary of the Company) and Polaris Metals Pty Ltd ('Polaris') (a wholly owned subsidiary of Mineral Resources Limited ('MRL')) progressed activities towards satisfaction of their Farm-In obligations in relation to the Farm-In Joint Venture (FJV) Agreement over the Marillana Iron Ore Project. A drilling and metallurgical testing campaign by Polaris has been completed satisfactorily. Polaris also completed its technical and cost report on the Marillana Iron Ore Project. The outcome of both these undertakings has resulted in Polaris providing the Company with an Indicative Development Proposal.

As at 31 December 2020, the Group's net asset value amounted to HK$673.1 million (30 June 2020: HK$602.1 million) and cash at bank was HK$25.9 million (30 June 2020: HK$34.9 million).

Loss before income tax for the six months ended 31 December 2020 was HK$12.0 million (2019: HK$13.5 million). Operational related production costs and exploration expenditure have decreased due to a reduction in exploration activities and cost saving measures.

During the six months ended 31 December 2020, the Group's basic loss per share for the period was HK$0.02 cents (2019: HK$0.15 cents) and the cash outflows from operating activities were HK$11.1 million (2019: HK$12.3 million).

On 11 March 2020, the World Health Organisation declared a global pandemic related to COVID-19. The impacts on the global economy and commerce have already been significant and are expected to continue in the future. The duration of the pandemic and its impact on the global financial markets, did not affect the Group significantly; however, appropriate protocols are in place to minimise the associated risks to employees.

OUTLOOK

Upon the completion of the Farm-In Obligations, the Joint Venture on Marillana shall be established and development and construction for the project shall commence.

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$6.1 million (2019: HK$6.2 million). Total expenditure associated with mineral exploration and evaluation for the period ended 31 December 2020 amounted to HK$3.5 million (2019: HK$3.4 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	
Project	**2020**	2019
	HK$'000	*HK$'000*
Marillana	**1,897**	1,894
Ophthalmia	**868**	714
Regional Exploration	**782**	788
	3,547	3,396

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 recognized in the financial information during the half year ended 31 December 2020 and six months period ended 31 December 2019.

There was no capital expenditure for each of the projects in Western Australia for the 2020 and 2019 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 2020, 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 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 mineralization have developed within the dissected Brockman Iron Formation that caps the Range.

Farm-in prior to Joint Venture

Farm-in obligations and interest

In October 2020, the drilling and metallurgical testing campaign by Polaris was completed satisfactorily. Polaris also completed its technical and cost report. The outcome of both these undertakings has resulted in Polaris providing the Company with an Indicative Development Proposal, which includes the following:

1. An improved optimized mine plan and yield on the ore processing for production of low impurities 60.5% Fe product over more than a 25 year mine life.

2. A proposed logistics system to transport the ore from the mine to the port stockyard at Port Hedland. This logistics system is to be constructed and operated by MRL (or a subsidiary) for Marillana.

3. Construction of a berth at a dedicated location in Port Hedland subject to the approval from the State Government of Western Australia (the 'Government').

4. A current market-based estimate for project capital and operating costs, including the logistics services cost for transporting the ore from mine to ship.

The Company has accepted the Indicative Development Proposal in principle, pending the formal submission of a Final Investment Decision ('FID') proposal from MRL. MRL intends to submit such FID proposal once it has received the Government commitment for the intended berth allocation. FID is expected around mid 2021.

With the Indicative Development Proposal agreed in principle, both Brockman Iron and Polaris have agreed to proceed with the following:

1. Upon the receipt of FID submitted by Polaris, the Company will independently review and decide on FID for Marillana.

2. If both Brockman Iron and Polaris make a positive FID and a port agreement is in place:

    a. The Farm-in Obligations will be deemed to have been satisfied.

    b. The Joint Venture will be established.

    c. The FJV Agreement parties will make amendments to the FJV Agreement to reflect the final agreed transportation arrangements from the mine to the port and the removal of the requirement for MRL to construct a bulk ore rail system and to have commenced construction and operation of the rail system by certain sunset dates.

3. Under the FJV Agreement, the sunset date for commencing construction of the proposed transportation and port systems was extended to 31 December 2021 and the sunset date for commencing operations was extended to 31 December 2023.

4. Under the current Mine to Ship Services Agreement, the date for satisfaction of the various conditions precedent has also been extended until 31 December 2021.

Joint Venture Agreement

Formation and scope

Upon completion of the Farm-In Obligations, the parties shall 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.

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

Following the establishment of the Joint Venture, MRL (or its Related Party) agrees to provide the Joint Venturers with funding by way of a project loan sufficient to allow the Joint Venturers to fund the forecast project capital costs.

Manager

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

Loan Agreement

As part of the FJV Agreement, Polaris is to provide an interest-free loan of A$10 million (the Loan) to Brockman Iron for working capital purposes. A$5 million of the loan has already been released and the remaining A$5 million is in an escrow account and upon formation of the Joint Venture will be released from escrow. The loan will be repaid from the net revenue received by Brockman Iron from the sale of its share of product produced and sold.

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. The total Mineral Resources at Ophthalmia now stand at 341 Mt grading 59.3% Fe. Various studies on the mine plan, processing and transportation options for the project are progressing.

West Pilbara Project

The West Pilbara project comprises four tenements centred around Duck Creek, located about 100-130km WNW of Paraburdoo in the West Pilbara region. Brockman has completed an Inferred Mineral Resource estimate of 21.6Mt grading 55.9% Fe, for the channel iron ore deposit ('CID') mineralization of Duck Creek.

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 2020 is 11.44 (30 June 2020: 16.05). The gearing ratio of the Group (long-term debt over equity and long-term debt) is measured at 0.05 (30 June 2020: 0.05).

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 2020 (30 June 2020: Nil).

CAPITAL STRUCTURE

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

As at the date of the report, the total number of issued shares outstanding for the Company amounted to 9,279,232,131 shares.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020 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 2020: Nil).

RISK DISCLOSURE

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 in the iron ore price as required.

(b) Funding risk

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

(c) Risk of the project will not be materialized

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 etc. The Board will therefore closely monitor the development of the project.

(d) **Exchange rate risk**

The Group is exposed to exchange rate risk primarily in relation to our mineral tenements that are denominated in Australian dollars. Depreciation in the Australian dollar may adversely affect our net asset value when the value of such assets is converted to Hong Kong dollars. During the six months ended 31 December 2020, no financial instrument was used for hedging purposes.

STAFF AND REMUNERATION

As at 31 December 2020, the Group employed 15 employees (30 June 2020: 15), of which 5 were in Australia (includes 2 non-executive directors) (30 June 2020: 5) and 10 in Hong Kong (includes 4 non-executive directors) (30 June 2020: 10).

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 management and the remuneration committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2020, 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 2019: Nil).

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is listed on both the Australian Securities Exchange (the "ASX") and on The Stock Exchange of Hong Kong Limited (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 (the "Listing Rules") on the SEHK, except for the following:

(i) Code Provision A.2.1, states that 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) Code Provision A.6.7, states that non-executive Directors should attend general meetings. During the period, due to Directors' other commitments and schedule conflicts, not all of the non-executive directors of the Company attended all the general meetings.

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 2020.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there were no changes of directors' information of the Company during the six months ended 31 December 2020.

AUDIT COMMITTEE

As at 31 December 2020, the audit committee comprises of three independent non-executive directors Messrs. Yap Fat Suan, Henry, Choi Yue Chun, Eugene and David Rolf Welch (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 Corporate Governance Code. The Audit Committee has reviewed the Group's interim results for the six months ended 31 December 2020.

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

Emphasis of matter — Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the interim financial information (note 1(a) on page 5 and 6 of this Announcement), which describes the principal conditions that raise doubt about the group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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, 19 February 2021

As at the date of this announcement, the Board 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; and Mr. Yap Fat Suan, Henry, Mr. Choi Yue Chun, Eugene and Mr. David Rolf Welch as independent non-executive directors.