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 2021

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 2021, together with the comparative figures for the corresponding period in 2020. 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	
		2021	2020
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Other income		**—**	162
Administrative expenses		**(14,617)**	(7,933)
Exploration and evaluation expenses		**(8,163)**	(3,547)
Operating loss		**(22,780)**	(11,318)
Finance income		**9**	78
Finance costs		**(3,174)**	(737)
Finance costs, net	*6*	**(3,165)**	(659)
Share of loss of joint ventures		**(61)**	(62)
Loss before income tax		**(26,006)**	(12,039)
Income tax benefit	*7*	**3,108**	9,778
Loss for the period		**(22,898)**	(2,261)

** For identification purpose only*

	Note	Six months ended 31 December 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Exchange differences arising from translation of foreign operations		**(13,038)**	73,301
Other comprehensive (loss)/income for the period		**(13,038)**	73,301
Total comprehensive (loss)/income for the period		**(35,936)**	71,040
Loss for the period attributable to:			
Equity holders of the Company		**(22,898)**	(2,261)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(35,936)**	71,040
Loss per share attributable to the equity holders of the Company during the period		***HK cents***	*HK cents*
Basic loss per share	*8*	**(0.25)**	(0.02)
Diluted loss per share	*8*	**(0.25)**	(0.02)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		31 December 2021	30 June 2021
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Mining exploration properties	*9*	**762,461**	784,933
Property, plant and equipment		**175**	167
Right-of-use assets		**1,169**	1,538
Interest in joint ventures		**660**	703
Other non-current assets		**129**	132
		764,594	787,473
Current assets			
Other receivables, deposits and prepayments		**1,965**	1,033
Cash and cash equivalents		**38,218**	45,667
		40,183	46,700
Total assets		**804,777**	834,173
Equity and liabilities			
Share capital	*12*	**927,923**	927,923
Reserves		**3,849,162**	3,855,804
Accumulated losses		**(4,160,923)**	(4,138,025)
Total equity attributable to the equity holders of the Company		**616,162**	645,702
Non-current liabilities			
Deferred income tax liability		**119,980**	126,706
Borrowings	*11*	**59,059**	57,245
Lease liabilities		**971**	1,111
		180,010	185,062
Current liabilities			
Trade and other payables	*10*	**6,646**	1,123
Lease liabilities		**609**	828
Provisions		**1,350**	1,458
		8,605	3,409
Total liabilities		**188,615**	188,471
Total equity and liabilities		**804,777**	834,173

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 31 December 2021 has been prepared in accordance with International Accounting Standard ('IAS') 34 Interim Financial Reporting. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2021.

(a) Going concern basis

For the period ended 31 December 2021, the Group recorded a net loss before tax of HK$26,006,000 (six months ended 31 December 2020: HK$12,039,000) and had operating cash outflows of HK$11,643,000 (six months ended 31 December 2020: HK$11,247,000). 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 (including the Group's share of the joint operations expenses) of the Company's iron ore exploration projects and corporate overhead costs. As at 31 December 2021, the Group's cash and cash equivalents amounted to HK$38,218,000 (30 June 2021: HK$45,667,000).

On 22 April 2021, Brockman Iron Pty Ltd (a wholly-owned subsidiary of the Company) ('Brockman Iron') and Polaris Metals Pty Ltd ('Polaris') established the Joint Operation. Following the establishment of the Joint Operation, Polaris (or its related party) agreed to provide the Joint Operation with funding by way of a project loan sufficient to allow the Joint Operation to fund the forecast capital costs for development. The Joint Operators have agreed to initial development works that will be funded by Polaris with the cost estimated to be circa A$41,000,000 (~HK$237,779,000). The project loan agreement is expected to be executed by the end of March 2022.

The loans from Polaris of A$10,000,000 have been released from the escrow account pursuant to the Farm-in and Joint Venture ('FJV') Agreement. Under the terms of FJV Agreement these loans are to be repaid from net revenue received by Brockman Iron from the sale of its share of product produced and sold from the joint operation. The repayment of these loans to Polaris must be in priority to all other payments from Net Revenue received by Brockman Iron from the sale of its Percentage Share of Product sold from the Project.

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$16,136,000 from the substantial shareholder to 31 October 2023. These loans bear interest at 12% per annum.

(ii) On 19 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 2023. As at 31 December 2021, the facility of HK$10,000,000 is 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 the 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 the annual financial statements for the year ended 30 June 2021, 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 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective but, intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework — Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations — Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The Group is currently assessing the impact of these amendments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Group is currently assessing the impact of these amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates — Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement *2 Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

3. REVENUE

There was no revenue during the six months ended 31 December 2021 (six months ended 31 December 2020: 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 the 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 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**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
For the six months ended 31 December 2021 (Unaudited):			
Segments results	**(13,017)**	**(12,928)**	**(25,945)**
Share of loss of joint ventures			**(61)**
Loss before income tax			**(26,006)**
Other information:			
Depreciation of property, plant, equipment, and right-of-use assets	**(176)**	**(178)**	**(354)**
Exploration and evaluation expenses	**(8,163)**	—	**(8,163)**
Income tax benefit	**3,108**	—	**3,108**
Share based payment expense	—	**(6,396)**	**(6,396)**
For the six months ended 31 December 2020 (Unaudited):			
Segments 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, equipment, and right-of-use assets	(193)	(2)	(195)
Exploration and evaluation expenses	(3,547)	—	(3,547)
Income tax benefit	9,778	—	9,778

The following is an analysis of the Group's total assets by business segment as at 31 December 2021:

	Mineral tenements in Australia	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2021 (Unaudited):			
Segment assets	**793,614**	**11,163**	**804,777**
Total segment assets include:			
Interest in joint ventures	660	—	660
Additions to property, plant and equipment	26	—	26
Right-of-use assets	815	354	1,169
As at 30 June 2021 (Audited):			
Segment assets	**823,358**	**10,815**	**834,173**
Total segment assets include:			
Interests in joint ventures	703	—	703
Additions to property, plant & equipment	19	—	19
Right-of-use assets	1,006	532	1,538

5. LOSS BEFORE TAX

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

	Six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**14**	33
Depreciation of right-of-use assets	**340**	163
Short-term and low-value lease payments	**—**	198
Staff costs (including directors' emoluments)	**5,995**	6,149
Equity-settled share option expense	**6,396**	—
Exploration and evaluation expenses (excluding staff costs and rental expenses)	**7,456**	2,842

6. FINANCE COSTS, NET

	Six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	**9**	78
Finance costs		
Interest on borrowings *(Note 11)*	**(3,108)**	(665)
Interest on lease liabilities	**(66)**	(72)
	(3,174)	(737)
Finance costs, net	**(3,165)**	(659)

7. INCOME TAX BENEFIT

No provision for Hong Kong Profits Tax or overseas income tax has been made in these condensed consolidated financial statements as the Group has no assessable profit for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

The income tax on the Group's loss before income tax for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil) differs from the theoretical amount that would arise using the enacted tax rate of the consolidated entities as follows:

	Six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax	**(26,006)**	(12,039)
Tax calculated at the applicable domestic tax rate of respective companies	**(7,802)**	(3,612)
Expenses not deductible for tax purposes	**4,694**	2,347
Recognition of previously unrecognised tax losses	**—**	(8,513)
Income tax benefit	**(3,108)**	(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	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the period attributable to the equity holders of the Company *(HK$'000)*	**(22,898)**	(2,261)
Weighted average number of ordinary shares for the purpose for calculating the basic loss per share *(thousands)*	**9,279,232**	9,279,232
Effects of dilution from:		
— share of options *(thousands)*	**105,500**	90,000
Weighted average number of ordinary shares adjusted for the effect of dilution *(thousands)*	**9,332,416(*)**	9,369,232(*)
Loss per share attributable to the equity holders of the Company:		
— Basic *(HK cents)*	**(0.25)**	(0.02)
— Diluted *(HK cents)*	**(0.25)(*)**	(0.02)(*)

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 six months ended 31 December 2021 of HK$22,898,000 (six months ended 31 December 2020: HK$2,261,000) and the weighted average number of ordinary shares 9,332,416,000 in issue during the six months ended 31 December 2021 (six months ended 31 December 2020: 9,369,232,000).

9. MINING EXPLORATION PROPERTIES

	Mining exploration properties in Australia *HK$'000*
Balance as at 1 July 2020 (Audited)	731,048
Recoupment of benefit	(14,763)
Exchange differences	68,648
Balance as at 30 June 2021 (Audited)	**784,933**
Exchange differences	(22,472)
Balance as at 31 December 2021 (Unaudited)	**762,461**

At 31 December 2021 the Group held capitalised mining exploration properties in Australia of HK$762,461,000 (30 June 2021: HK$784,933,000) representing 95% (30 June 2021: 94%) of the Group's total assets.

The determination as to whether there are any indicators to require a mining exploration property to be assessed involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and where there is sufficient information for a decision to be made that the area of interest is not commercially viable. The Group performed an assessment of the impairment indicators at 31 December 2021 in accordance with IFRS 6, taking into account the following factors:

1. The Group still had the right to explore the tenements.

2. To date there have been no adverse findings reported or identified from technical studies undertaken that would affect the advancement of Marillana.

3. Substantial further expenditure is forecast for Marillana from 31 December 2021 and beyond, to continue to advance development of the project.

4. Since 1 January 2019, the iron ore price has increased to levels not seen since 2014 and at 31 December 2021 the price was still above A$160 per tonne or US$115 per dry metric tonne (at an exchange rate of US$0.71).

5. At 31 December 2021, the Group's market capitalisation was HK$2,690,977,000, well in excess of the net assets HK$616,162,000.

6. The Group's Mineral Resource estimate has not changed since September 2018.

As a result of considering these factors, the directors did not identify any impairment indicators.

10. 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.

11. BORROWINGS

	As at	
	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current		
Loans from a substantial shareholder	**16,137**	15,471
Loans from Polaris	**42,922**	41,774
	59,059	57,245

As at 31 December 2021, the borrowings from a substantial shareholder are unsecured, they bear an interest at 12% (30 June 2021: 12%) per annum and are repayable on 31 October 2023 (30 June 2021: 31 October 2022).

On 18 November 2019 and 4 May 2021, Polaris advanced the first and second tranche of the loans (total advanced of A$10,000,000) to Brockman Iron pursuant to the terms of the Farm-in Joint Venture Agreement over the Marillana Iron Ore Project. The loans are secured (per a Deed of Cross Security), carried at amortised cost and are repayable to Polaris from net revenue received by Brockman Iron from the sale of its percentage share of product sold from the joint operation.

12. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised		
As at 31 December 2021 and 30 June 2021	**20,000,000**	2,000,000
Issued and fully paid		
As at 31 December 2021 and 30 June 2021	**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 2021 (six months ended 31 December 2020: 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, significant progress was made on an infrastructure solution for the Marillana and Ophthalmia Projects with Mineral Resources Limited ('MRL') entering into an agreement with Hancock Prospecting Pty Ltd ('Hancock') and Roy Hill Holdings Pty Ltd ('Roy Hill') ('Rail Port Agreement') to jointly investigate the development of a new berth at the Port of Port Hedland's Stanley Point Berth 3 in South West Creek. Under the Rail Port Agreement, Roy Hill is to provide rail haulage and port services. The Rail Port Agreement will facilitate provision by MRL of an infrastructure solution for the Projects.

The Marillana joint operation advanced the initial development works, which included amongst others, commencement of a Bauer drilling programme. The drilling programme is for the purpose of obtaining bulk samples to support pilot plant test-work and, provide samples of tailings to support co-disposal (dry-stacking) testwork. The testwork will also support process review and flow sheet design. An application for a miscellaneous licence designed to connect Marillana to the Roy Hill railway was submitted in December 2021 by MRL.

On 8 December 2021, Brockman received notification from Polaris that the farm-in obligations for the Ophthalmia Joint Operation have been satisfied, and that the Ophthalmia Joint Operation is now operational.

As at 31 December 2021, the Group's net asset value amounted to HK$616.1 million (30 June 2021: HK$645.7 million) and cash at bank was HK$38.2 million (30 June 2021: HK$45.6 million).

The Group recorded a loss after tax from continuing operations of approximately HK$22.8 million (2020: HK$2.2 million). The increase in the loss after tax was mainly due to equity-settled share option expense of HK$6.4 million (2020: Nil) in the administrative expenses, and the Group's share of the joint operation's expenses of HK$5.9 million (2020: Nil) in the exploration and evaluation expenses, and also an increase of HK$2.4 million in finance costs arising from the treatment of the loans advanced by Polaris to the Group (2020: Nil). Partially offsetting the loss after tax is an income tax credit of HK$3.1 million (2020:HK$9.7 million) as a result of the recognition of a deferred tax asset in respect of certain of the Group's Australian tax losses for the current period.

During the six months ended 31 December 2021, the Group's basic loss per share for the period was HK$0.25 cents (2020: HK$0.02 cents) and the cash outflows from operating activities were HK$11.6 million (2020: HK$11.2 million).

OUTLOOK

Continuous advancement of the Marillana and Ophthalmia Projects overarching studies, approvals, construction, and production.

MINERAL TENEMENTS

Iron Ore Operations – Western Australia

This segment of the business is comprised of the 50% owned Marillana and Ophthalmia Projects plus other 100% owned regional exploration projects.

The net operating loss before income tax expense for the period for this segment and attributable to the Group was HK$13.0 million (2020: HK$6.1 million). Total expenditure associated with mineral exploration and evaluation for the period ended 31 December 2021 amounted to HK$8.1 million (2020: HK$3.5 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	
	2021	2020
Project	***HK$'000***	*HK$'000*
Marillana [(1)]	**6,151**	1,897
Ophthalmia [(1)]	**1,219**	868
Regional Exploration	**793**	782
	8,163	3,547

(1) Includes HK$5.9 million of joint operation expenditure in the 2021 half-year.

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 2021 and six months period ended 31 December 2020.

There was no capital expenditure for each of the projects in Western Australia for the 2021 and 2020 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 2021, the Group assessed and concluded there were no impairment indicators present, refer to note 13 of the condensed consolidated financial statements.

Marillana Iron Ore Project

The 50% 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 km2 bordering the Hamersley Range, where extensive areas of supergene iron ore mineralisation have developed within the dissected Brockman Iron Formation that caps the Range.

Joint Operation

Formation and scope

On 26 July 2018, Brockman Iron and Polaris 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 and earn a 50% interest in Marillana by satisfying certain Farm-in obligations.

On 22 April 2021, Brockman Iron and Polaris signed an Amended and Restated FJV Agreement and Deed of Amendment and Restatement (collectively the 'Agreement'). Both Brockman Iron and Polaris concluded that the Farm-in Obligations under the Agreement had been satisfied and the parties should form the Joint Operation. As such, a 50% interest in the Marillana Project ('the Farm-in interest') will be transferred to Polaris and the Joint Venture established according to the terms of the FJV Agreement.

Development

MRL has submitted an Indicative Development Proposal, which includes the following:

1. Development of the Marillana and Ophthalmia projects (refer below to the Ophthalmia section) into an iron ore mining hub capable of producing a minimum of 25Mtpa of final product for export.

2. Following the establishment of the Joint Operation, MRL (or its Related Party) agrees to provide the Joint Operators with funding by way of a project loan sufficient to allow the Joint Operators to fund the forecast capital cost for each development.

3. A build own operate arrangement between the Joint Operators and MRL for certain non-processing infrastructure at Marillana.

4. A build own operate arrangement for the crushing plant at Ophthalmia.

5. An infrastructure system to transport the ore from the respective mines to the port stockyard at Port Hedland. This logistics system is to be constructed and operated by MRL (or a subsidiary of MRL).

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

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

8. The Joint Operators have the right to dissolve the Joint Operation under certain conditions if the projects are not able to be progressed due to factors beyond their control.

9. MRL currently expects commencements of operations will be on or before the second quarter of calendar year 2025.

Initial development works

The initial development works by the Joint Operation advanced with a Bauer drilling programme for the purpose of obtaining bulk samples to support pilot plant test-work and, provide samples of tailings to support co-disposal (dry-stacking) testwork and approvals. The testwork will also support review and flow sheet design.

Management committee

A management committee comprising a total of six representatives has been established (three representatives from each of the Joint Operators).

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

Development funding

The Joint Operators will respectively fund their capital cost commitments for the development of Marillana with loans from MRL. The initial loan to the Joint Operation is expected to amount to A$790 million (up to a maximum of A$676 million for the development of the Marillana Iron Ore Project and up to a maximum of A$114 million for the development of the Ophthalmia Iron Ore Project). The terms and conditions under which Brockman Iron shall repay its share of the debt financing are to be determined but will initially only be required to be repaid from profits following commencement of operations at Marillana.

The Joint Operators' capital commitments will fund the ore processing facilities and certain parts of non-process infrastructure. Certain parts of the non-process infrastructure may not be funded by the Joint Operators but will be provided by MRL under build own operate life of mine services agreements.

Manager

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

Loan Agreement

As part of the FJV Agreement, Polaris has provided an interest-free loan, secured loan (in accordance with Deed of Cross Security signed by the Joint Operators) of A$10 million ('the Loan') to Brockman Iron for working capital purposes. The loan will be repaid from the net revenue received by Brockman Iron from the sale of its share of Marillana ore sold and transported under the Mine to Ship Services Agreement.

Ophthalmia Iron Ore Project

The 50% 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.

On 22 April 2021, the Company and Polaris agreed that in addition to the Marillana Project, the Company's Ophthalmia Project will be included in the Farm-In Interest. MRL will fund all the capital investment of the joint operation at the mine site in form of a loan, and will provide an infrastructure solution for the project in synergy with the infrastructure solution of the Marillana Project.

On 8 December 2021, the Company received notification from Polaris that the farm-in obligations have been satisfied and that the Ophthalmia Joint Operation is now operational.

Polaris have commenced a programme of works including mine planning studies, transport corridor studies, environmental surveys, and approvals, to expedite development of the Project.

Infrastructure

On 29 November 2021, MRL entered into an agreement with Hancock and Roy Hill in which they will investigate the development of new iron ore export facility at the Port of Port Hedland's Stanley Point Berth 3 in South West Creek, where Roy Hill will provide services to both MRL and Hancock for development and operation of the project, including rail haulage and port services ('the Project').

The development of the Project will be subject to:

(a) A grant by the Pilbara Ports Authority (PPA) of a capacity allocation for the Project, and all necessary approvals and agreements to develop and operate berth 3 in South West Creek and the other associated supporting port infrastructure; and

(b) MRL and Hancock each electing to take a positive final investment decision to proceed with the Project following the completion of a satisfactory expedited feasibility study.

MRL and Hancock will form a joint venture to seek to obtain necessary approvals and agreements with the PPA and, if obtained, to develop and operate the iron ore export facility at Port Hedland's Stanley Point Berth 3.

West Pilbara Project

The West Pilbara project comprises four tenements centred around Duck Creek, located about 100-130 km WNW of Paraburdoo in the West Pilbara region. Brockman has completed an Inferred Mineral Resource estimate of 21.6 Mt grading 55.9% Fe, for the channel iron ore deposit ('CID') mineralisation 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 2021 is 4.66 (30 June 2021: 13.69). The gearing ratio of the Group (long-term debt over equity and long-term debt) is measured at 0.08 (30 June 2021: 0.08).

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 2021 (30 June 2021: Nil).

CAPITAL STRUCTURE

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

As at the date of this announcement, 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 30 June 2021 and 31 December 2021 the Group has a Deed of Cross Security for the loans advanced by Polaris to Brockman Iron pursuant to the terms of the Marillana Farm-in Joint Venture Agreement, (refer to Note 11) (six month ended 31 December 2020: Nil).

As at 31 December 2021, the Company did not have any material contingent liabilities or financial guarantees. (30 June 2021: 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 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 materialised

This risk is largely driven by various factors such as commodity prices, government regulations, regulation related to prices, taxes, royalties, land tenure, viable infrastructure solutions, 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 and earnings when the value of such assets is converted to Hong Kong dollars. During the six months ended 31 December 2021 and 2020, no financial instrument was used for hedging purposes.

As at 31 December 2021 and 2020, the Group was not exposed to any significant exchange rate risk.

STAFF AND REMUNERATION

As at 31 December 2021, the Group employed 15 employees (30 June 2021: 15), of which 5 were in Australia (includes 2 non-executive directors) (30 June 2021: 5) and 10 in Hong Kong (includes 4 non-executive directors) (30 June 2021: 10).

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 2021, 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 2020: 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 on the SEHK (the "Listing Rules"), 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 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 2021.

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 2021.

AUDIT COMMITTEE

As at 31 December 2021, 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 2021.

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 4 and 5 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, 22 February 2022

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.