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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Brockman Mining Limited, you should at once hand this circular, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

- (1) SUBSCRIPTION OF SHARES BY THE SUBSCRIBERS;
- (2) CONNECTED TRANSACTION
SUBSCRIPTION OF SHARES BY OCEAN LINE;
- (3) PROPOSED GRANT OF SHARE OPTIONS TO DIRECTORS; AND
- (4) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the OL Subscription (as defined herein) is set out on page 27 of this circular. A letter from Somerley Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the OL Subscription (as defined herein) is set out on pages 28 to 52 of this circular.

A notice convening a special general meeting of the Company to be held at Suite 3903B, 39/F Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 27 April 2018 at 10:00 a.m. is set out on pages 60 to 67 of this circular. Whether or not you intend to attend and vote at the special general meeting or any adjourned meeting in person, you are requested to complete and return the relevant enclosed form of proxy in accordance with the instructions printed thereon. If your shares in the Company are recorded under the Company's Hong Kong branch registrar or the Company's Bermuda principal registrar, please complete the Hong Kong proxy form and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited. Please read and follow the instructions, including the deadline, on the Hong Kong proxy form to lodge the form. If your shares in the Company are recorded under the Company's Australia branch registrar, please complete the Australia proxy form and return it to the Company's branch share registrar in Australia, Computershare Investor Services Pty Limited. Please read and follow the instructions, including the deadline, on the Australia proxy form to lodge the form. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

* for identification purpose only

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The independent financial adviser, Somerley Capital Limited, considers that the terms of the OL Subscription Agreement (as defined herein) are fair and reasonable so far as the independent shareholders of the Company are concerned. A letter from Somerley Capital Limited containing its advice to the independent board committee and the independent shareholders of the Company in respect of the OL Subscription is set out on pages 28 to 52 of this circular.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

“A\$”	Australian dollars, the lawful currency of Australia
“ASX”	ASX Limited ACN 008 624 691, or the financial products market, the Australian Securities Exchange, as the situation requires
“ASX Listing Rules”	the official listing rules of the ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of the ASX, each as amended from time to time, except to the extent of any express written waiver by the ASX
“Australian Scheme”	the share option scheme complying with the relevant rules and regulations in Hong Kong and Australia for granting options to Eligible Participants, adopted by the Company pursuant to the resolution of the Shareholders passed on 13 November 2012, details of which were set out in the Company’s circular dated 11 October 2012
“BBI Infrastructure”	the infrastructure development projects comprising (i) the proposed export facilities and associated infrastructure in the Balla Balla port in the Pilbara, Western Australia designed to use transshipment vessels to load iron ore on to ocean going vessels; and (ii) the proposed rail line and associated infrastructure, underpinned by a 162km main line designed to transport iron ore from the Central Pilbara region to the Balla Balla port
“BBIG”	BBI Group Pty Limited
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday or public holiday) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong and the Stock Exchange is open for business of dealing in securities

DEFINITIONS

“Bye-laws”	the bye-laws of the Company
“CG Subscription”	the subscription of the CG Subscription Shares by China Guoyin pursuant to the CG Subscription Agreement
“CG Subscription Agreement”	the subscription agreement entered into between the Company and China Guoyin on 6 December 2017, as amended by a supplemental agreement dated 23 March 2018 entered into by the parties
“CG Subscription Shares”	the 50,000,000 new Shares to be issued under the CG Subscription
“China Guoyin”	China Guoyin Investment (HK) Ltd
“Company”	Brockman Mining Limited, the Shares of which are dually listed on the Stock Exchange (SEHK Stock Code: 159) and the ASX (ASX Stock Code: BCK), with an Australian Registered Body Number 143 211 867
“connected person(s)”	has the meaning ascribed to such term in the Listing Rules
“Corporations Act”	the Australian Corporations Act 2001 (Commonwealth)
“Director(s)”	the director(s) of the Company
“Duofu”	Duofu Holdings Group Co., Limited
“Eligible Participants”	full time or part time employees and Directors (excluding non-executive Directors in the case of the Australian Scheme) of the Group or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for Options under the Share Option Schemes (in the case of the Australian Scheme, all Eligible Participants are intended to be executive directors or employees who are also Australian residents)
“Explanatory Memorandum”	the explanatory memorandum prepared in accordance with the ASX Listing Rules, as set out on pages 68 to 77 of this circular

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Scheme”	the share option scheme complying with the relevant rules and regulations in Hong Kong and Australia for granting options to Eligible Participants, adopted by the Company pursuant to the resolution of the Shareholders passed on 13 November 2012, details of which were set out in the Company’s circular dated 11 October 2012
“Independent Board Committee”	the independent board committee of the Board, comprising the independent non-executive Directors, namely Mr. Yap Fat Suan, Henry, Mr. Uwe Henke Von Parpart and Mr. Choi Yue Chun, Eugene, established for the purpose of advising the Independent Shareholders on the OL Subscription
“Independent Shareholders”	holders of Shares other than China Guoyin and its associates for the purposes of the CG Subscription or holders of Shares other than Ocean Line and its associates for the purposes of the OL Subscription (as applicable)
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 Edition
“Latest Practicable Date”	29 March 2018, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular
“Loan”	the loan of principal amount of US\$5,130,000 (equivalent to approximate HK\$40,000,000) granted by Ocean Line on 20 September 2016, bearing interest of 12% per annum
“Marillana Project”	the 100% owned iron ore project of the Company located in the Hamersley Iron Province within the Pilbara region of Western Australia

DEFINITIONS

“Mr. Kwai”	Mr. Kwai Sze Hoi, the Chairman and a non-executive Director
“Notice”	the notice of the SGM accompanying this circular
“Ocean Line”	Ocean Line Holdings Limited
“OL Associates”	including Mr. Kwai and his spouse, Ms. Cheung Wai Fung
“OL Consideration”	the consideration for the OL Subscription
“OL Subscription”	the subscription of the OL Subscription Shares by Ocean Line pursuant to the OL Subscription Agreement
“OL Subscription Agreement”	the subscription agreement entered into between the Company and Ocean Line on 6 December 2017, as amended by a supplemental agreement dated 23 March 2018 entered into by the parties
“OL Subscription Completion Date”	the third Business Day after the fulfillment (or waiver as applicable) of the conditions set out in the OL Subscription Agreement or such other date as may be agreed in writing by the Company and Ocean Line
“OL Subscription Price”	the price at which each OL Subscription Share will be issued, being HK\$0.10 per OL Subscription Share
“OL Subscription Share(s)”	the 650,000,000 new Shares to be issued under the OL Subscription
“Option(s)”	an option to acquire a Share, offered or granted in accordance with the Share Option Schemes
“Optionholder(s)”	a holder of Options
“PRC”	the People’s Republic of China
“Proposed Grant”	proposed grant of 145,500,000 Options to Directors

DEFINITIONS

“Recipient(s)”	the Directors proposed as recipients of the Options to be issued under the Proposed Grant, the subject of Resolutions 4 to 12 (inclusive), as set out in the Notice and Explanatory Memorandum
“Resolution(s)”	the resolution(s) set out in the Notice
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened and held by the Company, on Friday, 27 April 2018 in relation to the Subscriptions, the OL Subscription and the Proposed Grant
“Shareholder(s)”	holder(s) of any Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Schemes”	the Hong Kong Scheme and the Australian Scheme
“Somerley”	Somerley Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the OL Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	China Guoyin and/or Duofu
“Subscription Agreement(s)”	the two subscription agreements entered into by the Company and respective Subscribers dated 6 December 2017 or any one of them, as amended by two respective supplemental agreements dated 23 March 2018 entered into by the Company and the respective Subscribers

DEFINITIONS

“Subscription Completion Date”	the third Business Day after the fulfillment (or waiver as applicable) of the conditions set out in the relevant Subscription Agreement or such other date as may be agreed in writing by the Company and the respective Subscribers
“Subscription Price”	the price at which each Subscription Share will be issued, being HK\$0.10 per Subscription Share
“Subscription Share(s)”	the 130,000,000 new Shares to be issued under the Subscriptions
“Subscriptions”	the subscriptions of an aggregate of 130,000,000 Shares by the Subscribers pursuant to the Subscription Agreements
“Term Sheet”	the term sheet executed by the Company and BBIG on 17 November 2017 in relation to the development of the Marillana Project as detailed in the Company’s announcement dated 17 November 2017
“US\$”	United States dollars
“%”	per cent

For illustration purposes, US\$ is converted into HK\$ at US\$1.00 = HK\$7.80.

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布萊克萬礦業有限公司*
(Incorporated in Bermuda with limited liability)
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Non-Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Executive Directors:

Mr. Kwai Kun, Lawrence
Mr. Chan Kam Kwan, Jason (*Company Secretary*)
Mr. Colin Paterson

*Head office and principal place of
business in Hong Kong:*

Suite 3903B
39/F Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Independent non-executive Directors:

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

10 April 2018

To the Shareholders

Dear Sirs,

- (1) SUBSCRIPTION OF SHARES BY THE SUBSCRIBERS;
(2) CONNECTED TRANSACTION
SUBSCRIPTION OF SHARES BY OCEAN LINE;
(3) PROPOSED GRANT OF SHARE OPTIONS TO DIRECTORS; AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 6 December 2017, the Company announced that it entered into (i) the Subscription Agreements with the Subscribers and (ii) the OL Subscription Agreement with Ocean Line pursuant to which the Company agreed to issue the Subscription Shares and the OL Subscription Shares to the Subscribers and Ocean Line respectively. Ocean Line is a substantial shareholder of the Company and is therefore a connected person of the Company. With reference to the announcement of the Company dated 23 March 2018, the long stop date for the satisfaction of the conditions precedent under each of the

* *for identification purpose only*

LETTER FROM THE BOARD

Subscription Agreements and the OL Subscription Agreement was extended to 15 May 2018. As such, the OL Subscription constitutes a connected transaction for the Company subject to Independent Shareholders' approval pursuant to the requirements of Chapter 14A of the Listing Rules and ASX Listing Rule 10.11. The Company will seek Independent Shareholders' approval for the OL Subscription as well as the Subscriptions at the SGM.

Further, as stated in the Company's announcement dated 7 December 2017, apart from granting 65,000,000 Options to employees of the Group (other than Directors), the Board proposes to grant 145,500,000 Options to the Directors under the Share Option Schemes. The Proposed Grant is subject to the approval of the Shareholders under the ASX Listing Rules and the grant of 80,000,000 Options to Mr. Kwai under the Proposed Grant is subject to Shareholders' approval pursuant to Rule 17.04(1) of the Hong Kong Listing Rules. The Company will seek Shareholders' approval for the Proposed Grant at the SGM.

The purpose of this circular is to provide you with among other things (i) details of the Subscriptions and the OL Subscription; (ii) details of the Proposed Grant; (iii) the recommendation of the Independent Board Committee in respect of the OL Subscription; (iv) the advice from Somerley in respect of the OL Subscription; and (v) the Notice convening the SGM at which resolutions will be proposed to consider and if thought fit approve the Subscriptions, the OL Subscription and the Proposed Grant.

SUBSCRIPTION OF SHARES BY THE SUBSCRIBERS

On 6 December 2017, the Company entered into two Subscription Agreements with the respective Subscribers pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for the Subscription Shares at an aggregate consideration of HK\$13,000,000.

Parties

	No. of Subscription Shares	Consideration <i>HK\$</i>
Subscribers		
China Guoyin	50,000,000	5,000,000
Duofu	80,000,000	8,000,000
	130,000,000	13,000,000

Issuer

The Company

LETTER FROM THE BOARD

As at the Latest Practicable Date, China Guoyin held 364,904,972 Shares, representing approximately 4.35% of the entire issued share capital of the Company. Mr. Liu Zhengui, a non-executive Director and Vice Chairman of the Company, is a director of a company controlled by the beneficial owner of China Guoyin. Save for the aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscribers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Each of the Subscribers has confirmed to the Company that (i) the Shares which they already hold and/or the Subscription Shares which they will be subscribing for have not been and/or will not be (as applicable to the Subscribers respectively) financed directly or indirectly by any of the Company's connected persons; and (ii) they are not accustomed to taking any instruction from any of the Company's connected persons in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in their respective name or otherwise held by each of them.

Number of Subscription Shares

The Subscribers will subscribe for an aggregate of 130,000,000 new Shares (with an aggregate nominal value of HK\$13,000,000), representing (1) approximately 1.55% of the issued share capital of the Company as at the Latest Practicable Date, (2) approximately 1.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (3) approximately 1.42% of the issued share capital of the Company as enlarged by the allotment and issue of both of the Subscription Shares and the OL Subscription Shares.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects with the Shares in issue as at the date of such allotment.

Subscription Price

The Subscription Price of HK\$0.10 per Subscription Share represents:

- (1) a discount of approximately 18.7% to the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on 6 December 2017, being the date of the Subscription Agreements;

LETTER FROM THE BOARD

- (2) a discount of approximately 16.1% to the average closing price per Share of approximately HK\$0.1192 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 December 2017, being the last trading day prior to the date of the Subscription Agreements;
- (3) a discount of 13.0% to the closing price per Share of HK\$0.115 as quoted on the Stock Exchange on the Latest Practicable Date; and
- (4) a premium of 85.2% over the net asset value of the Company per Share of approximately HK\$0.054 (“NAV per Share”) based on the unaudited consolidated net assets value of the Company as of 31 December 2017 and the number of issued Shares as at the Latest Practicable Date.

The Subscription Price was determined on an arm’s length basis between the parties with reference to the prevailing market price and the recent trading volume of the Shares at the time of entering into of the Subscription Agreements and the net asset value of the Company. The Company negotiated with the Subscribers to obtain the best possible subscription price for the Subscriptions. It negotiated to have a higher subscription price, but was eventually able to command the current Subscription Price. Having considered the aforesaid and the Subscription Price representing a substantial premium over the NAV per Share, the Directors (including the independent non-executive Directors) consider that the terms of the Subscriptions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The consideration for the Subscriptions shall be settled in cash.

Conditions of the Subscriptions

Completion of each of the Subscriptions is conditional upon the following conditions being satisfied (or waived as applicable) by 6:00 p.m. on 15 May 2018 (or such other date as the Company and the respective Subscribers may agree in writing):

- (1) there being no breach of the warranties given by the Company under the relevant Subscription Agreement;
- (2) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the relevant Subscription Shares;
- (3) the passing by the Independent Shareholders at the SGM of the relevant resolution approving the relevant Subscription Agreement and the transactions contemplated thereunder; and

LETTER FROM THE BOARD

- (4) there being (from the date of the relevant Subscription Agreement up till the time immediately prior to the Subscription Completion Date) no material adverse change in the financial position and trading prospects of the Group and no event which has or could reasonably be expected to have a material adverse effect on the Group to the reasonable satisfaction of the respective Subscribers.

The relevant Subscriber is entitled to waive the satisfaction of conditions (1) and (4) above. As at the Latest Practicable Date, none of the conditions had been satisfied or waived in respect of each of the Subscriptions.

Completion of the Subscriptions

Completion of each of the Subscriptions shall take place on the Subscription Completion Date.

SUBSCRIPTION OF SHARES BY OCEAN LINE

On 6 December 2017, the Company and Ocean Line entered into the OL Subscription Agreement pursuant to which the Company agreed to issue and Ocean Line agreed to subscribe for the OL Subscription Shares at an aggregate consideration of HK\$65,000,000.

Parties

- (1) Subscriber: Ocean Line Holdings Limited
- (2) Issuer: the Company

Ocean Line is owned as to 60% by Mr. Kwai and as to 40% by his spouse, Ms. Cheung Wai Fung. As at the Latest Practicable Date, Ocean Line and the OL Associates in aggregate held 1,837,680,137 Shares, representing approximately 21.92% of the entire issued share capital of the Company. In addition, Mr. Kwai Kwun, Lawrence, an executive Director and the son of Mr. Kwai, was interested in 87,658,412 Shares, representing approximately 1.05% of the entire issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Number of OL Subscription Shares

Ocean Line will subscribe for 650,000,000 new Shares (with an aggregate nominal value of HK\$65,000,000), representing (1) approximately 7.75% of the issued share capital of the Company as at the Latest Practicable Date; (2) approximately 7.20% of the issued share capital of the Company as enlarged by the allotment and issue of the OL Subscription Shares; and (3) approximately 7.09% of the issued share capital of the Company as enlarged by the allotment and issue of both of the OL Subscription Shares and the Subscription Shares.

Ranking of the OL Subscription Shares

The OL Subscription Shares, when allotted and issued, will rank equally in all respects with the Shares in issue as at the date of such allotment.

OL Subscription Price

The OL Subscription Price of HK\$0.10 per OL Subscription Share represents:

- (1) a discount of approximately 18.7% to the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on 6 December 2017, being the date of the OL Subscription Agreement;
- (2) a discount of approximately 16.1% to the average closing price per Share of approximately HK\$0.1192 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 December 2017, being the last trading day prior to the date of the OL Subscription Agreement;
- (3) a discount of 13.0% to the closing price per Share of HK\$0.115 as quoted on the Stock Exchange on the Latest Practicable Date; and
- (4) a premium of 85.2% over the net asset value of the Company per Share of approximately HK\$0.054 based on the unaudited consolidated net assets value of the Company as of 31 December 2017 and the number of issued Shares as at the Latest Practicable Date.

The OL Subscription Price was determined on an arm's length basis between the parties with reference to the prevailing market price and the recent trading volume of the Shares at the time of entering into of the OL Subscription Agreement and the net asset value of the Company. The OL Subscription Price is equivalent to the Subscription Price. As in the case for the Subscription Price set out above under the paragraph headed "Subscription of Shares by the Subscribers – Subscription Price", the Company negotiated with Ocean Line to obtain the best possible subscription price for the OL Subscription. It negotiated to have a higher subscription price, but was eventually able to command the current

LETTER FROM THE BOARD

OL Subscription Price. Having considered the aforesaid and the OL Subscription Price representing a substantial premium over the NAV per Share, the Directors (including the independent non-executive Directors) consider that the terms of the OL Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The OL Consideration shall be settled as to approximately HK\$19,000,000 in cash and approximately HK\$46,000,000 by setting off the outstanding Loan and the relevant accrued interests.

Conditions of the OL Subscription

Completion of the OL Subscription is conditional upon the following conditions being satisfied (or waived as applicable) by 6:00 p.m. on 15 May 2018 (or such other date as the Company and Ocean Line may agree in writing):

- (1) there being no breach of the warranties given by the Company under the OL Subscription Agreement;
- (2) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the OL Subscription Shares;
- (3) the passing by the Independent Shareholders at the SGM of the resolution approving the OL Subscription Agreement and the transactions contemplated thereunder;
- (4) there being (from the date of the OL Subscription Agreement up till the time immediately prior to the OL Subscription Completion Date) no material adverse change in the financial position and trading prospects of the Group and no event which has or could reasonably be expected to have a material adverse effect on the Group to the reasonable satisfaction of Ocean Line; and
- (5) Ocean Line having obtained all regulatory consents or approvals required from, or no objections from, the Australian Government in respect of the transactions contemplated under the OL Subscription Agreement (including the issue of the OL Subscription Shares) in accordance with the Foreign Acquisitions and Takeovers Act 1975 (Cth) and/or the Federal Government's foreign investment policy, provided that if any such approval (or no objection) is given subject to conditions or requirements, this condition precedent is not fulfilled unless those conditions or requirements are acceptable to Ocean Line (acting reasonably).

Ocean Line is entitled to waive the satisfaction of conditions (1) and (4) above. As at the Latest Practicable Date, none of the conditions had been satisfied or waived in respect of the OL Subscription.

LETTER FROM THE BOARD

Completion of the OL Subscription

Completion shall take place on the OL Subscription Completion Date.

FURTHER INFORMATION IN RELATION TO THE SUBSCRIPTIONS AND THE OL SUBSCRIPTION

Specific mandates

The Subscription Shares and the OL Subscription Shares will be issued under specific mandates to be approved by the Independent Shareholders at the SGM.

Listing application for the Subscription Shares and the OL Subscription Shares

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the OL Subscription Shares. The Company will apply for quotation of the Subscription Shares and the OL Subscription Shares on the ASX once they have been allotted.

Use of proceeds

After setting off the Loan and the related accrued interests of approximately HK\$46,000,000, the aggregate gross proceeds and net proceeds from the Subscriptions and the OL Subscription will be approximately HK\$32,000,000 and HK\$31,500,000 respectively. The net proceeds will be used as general working capital for the Group's expenditures estimated to be applied as follows: (i) approximately HK\$16 million for staff salaries; (ii) approximately HK\$2 million for office rents; (iii) approximately HK\$6 million for government rents for the Group's mining leases and other project maintenance and related expenses; (iv) approximately HK\$3 million for tax consultant and audit fees; and (v) the remaining proceeds of approximately HK\$4.5 million for other expenses such as insurance and listing fees.

Before setting off the Loan and the related accrued interests, the net proceeds from the Subscriptions and the OL Subscription would amount to approximately HK\$77,500,000 and based on the total number of 780,000,000 Shares to be issued under the Subscriptions and the OL Subscription, the net issue price would be approximately HK\$0.099 per Share.

Reasons for and benefits of the Subscriptions and the OL Subscription

On 20 September 2016, Ocean Line extended the Loan to the Company which has been fully utilised for exploration related expenses, staff costs and other administrative expenses such as office rental and professional fees. Part of the proceeds from the OL Subscription will be utilised to settle the Loan and related accrued interests, following which the Group will no longer bear the relative interest expenses and the repayment obligation of the Loan. The remaining proceeds from the OL Subscription and the entire proceeds from the Subscriptions (net of relative expenses) will be used as general working capital of the Group.

LETTER FROM THE BOARD

The Group is engaged in the exploration and development of iron ore mining projects in Western Australia, and the Marillana Project is its flagship project. With reference to the Company's announcement dated 17 November 2017, the Company entered into the Term Sheet with BBIG with an aim to partner with BBIG to develop the Marillana Project (the "**Proposal**"). The Company is in the process of negotiating the definitive agreements with BBIG to be entered into by 17 April 2018 or such other dates as may be agreed between the parties. In the meantime, as disclosed in the Company's announcement dated 24 November 2017, given the new development under the Term Sheet which includes an exclusivity period of 5 months during which the Company shall not participate in negotiations or discussions with any other parties in connection with any other proposals pertaining to the Marillana Project, the Group's previous development plan of an initial small-scale production of the Marillana Project (the "**Previous Plan**") has been suspended.

The Group consolidated its interests in Marillana Project to 100% in August 2012. The Group received the Marillana development and operation approval and guidelines from the Commonwealth Department of Sustainability, Environment, Water, Population and Communities for Marillana Project in August 2012. Such approval, together with previous approvals obtained, including among others the mining lease granted by the Western Australian Department of Mines and Petroleum, and the approval of the Western Australian Environmental Protection Authority, are considered to be the major approvals crucial to the development of the Marillana Project. Over the years, the Group has sought infrastructure solutions for Marillana Project, in particular cooperation with a third party infrastructure provider predicated on rail and port. Up until the execution of the Term Sheet with BBIG, none of the previous cooperation discussions resulted in a concrete and definite infrastructure cooperation for Marillana Project.

Previous Plan

In the absence of the infrastructure cooperation under the Proposal, the Group initiated the Previous Plan as the first part of a two-phase commercial development strategy for the Marillana Project involving a small scale production and transportation of iron ores by way of road trains (ie, trucking on roads). The second phase involves the development of a larger-scale production on the back of a long-term rail and port infrastructure. The Previous Plan was intended to be an interim solution to establish the Company as an iron ore producer and introduce the products of the Marillana Project to the iron ore market while the Company worked on a long-term plan of securing a rail and port infrastructure solution for the overall Marillana Project. In pursuance of the Previous Plan, the Group shortlisted a preferred mining contractor and process plant engineering company and received final proposals from them, conducted marketing activities for Marillana Project's iron ore products, finalised the terms of road haulage services with a logistics company, signed an agreement with Pilbara Port Authority for port usage, completed most of the relevant approvals required for construction to commence, and discussed with potential investors and finalised project cost estimation as proposed by the relevant contractors. The Previous Plan is now suspended pending formalisation of the Proposal. However, in the event that the Proposal fails to materialise, and in the absence of a similar proposal that provides a holistic production and infrastructure solution to the overall Marillana

LETTER FROM THE BOARD

Project, the Company would quickly resume the Previous Plan on the basis of the aforesaid preparation work already in place and taking into account that Marillana Project is a well-advanced project which has completed its own definitive feasibility study for 20 Mtpa production (“**20 Mtpa DFS**”) predicated on a different infrastructure system to the Proposal.

The Proposal

BBIG is a subsidiary of The Todd Corporation Limited, one of New Zealand’s leading companies with a range of interests including energy, minerals and property. Following BBIG signing a memorandum of understanding with China State Construction Engineering Corporation for the construction of the BBI Infrastructure, the Company discussed with BBIG for potential cooperation to develop Project Marillana leading to the Proposal. The Proposal covering the entire mine sites of the Marillana Project including those under the Previous Plan would be substantially larger in scale and provide a long-sought rail and port infrastructure solution for the transportation of iron ore utilising the BBI Infrastructure (in the same Pilbara region of the Marillana Project) rail line, port and associated facilities. Under the Proposal, BBIG would also contribute funding for the development of the Marillana Project. The Company considers that in comparison with the Previous Plan, the Proposal is much larger in size, more economical using rail lines instead of trucks and would contribute funding for the development of the Marillana Project, hence better realising and maximising its potential.

If materialised, following signing of the definitive agreements for the Proposal, a definitive feasibility study for the Proposal (the “**Proposal DFS**”) would be commissioned and completed within 3 years (the “**DFS Period**”) from the satisfaction of all conditions precedent under the relative definitive agreements. As opposed to the 20 Mtpa DFS, the Proposal DFS is intended to study and plan a 30 to 40 Mtpa production of Marillana Project to commensurate with BBI Infrastructure’s capacity. As such, the intended additional timing spent to prepare the Proposal DFS is to work out a larger scale operation, maximising the Marillana Project’s value. Within 2 years (the “**FID Period**”) of completing the Proposal DFS, BBIG would make financial investment decision (“**FID**”) on funding 75% of the equity portion of the project, following which the Company would decide on funding the remaining (25%) equity portion, with the balance of the project cost expected to be funded by debt financing. Following finalisation of the funding arrangement, construction of production facilities would start and is estimated to be completed within 2 years (the “**Construction Period**”). Overall, iron ore products from Marillana Project are estimated to be in the global seaborne iron ore market within 7 years from satisfying the conditions precedent under the definitive agreements of the Proposal. It is expected that the FID and construction period of the BBI Infrastructure would coincide with the aforesaid FID and construction period of Marillana Project under the Proposal.

LETTER FROM THE BOARD

Activities during DFS Period, FID Period and Construction Period

During the DFS Period, the Company will actively work with BBIG in completing the Proposal DFS including providing guidance on the historical exploration and development data and reports (including the 20 Mtpa DFS) of Marillana Project, participating in discussions of the work programme to be carried out by the evaluation company of the Proposal DFS, maintaining all government licenses and leases and applying for new licenses when necessary to commensurate with the production target under the Proposal DFS, and monitoring and reviewing the Proposal DFS progress report on a regular basis.

During the FID Period, the Company will be involved in the preparation of BBIG's FID proposal which shall contain among others a financial model and details of contractual arrangements that demonstrate that the Marillana Project will be capable of achieving a reasonable operating margin. Based on the completed Proposal DFS, in parallel with the preparation of the FID proposal, the Company will initiate discussions with potential strategic investors and financiers for the funding of the Company's equity contribution to the project as envisaged under the Proposal.

Under the Proposal, upon agreeing on the FID proposal, BBIG and the Company will proceed to form an unincorporated joint venture (the "**Joint Venture**") to develop the Marillana Project and during the Construction Period, the Company will, through the management committee to be formed under the Joint Venture, participate in the selection and appointment of various relevant contractors and monitor the progress of construction.

Concurrent with the development of the Marillana Project, the Company through its internal resources will continue progressing its assessment (geological, metallurgical, infrastructure and marketing) for Ophthalmia Project with the previously prepared Pre-Feasibility Study ("**PFS**") as the basis. The 100% owned Ophthalmia Project, located north of Newman in the East Pilbara region of Western Australia has a mineral resource estimate of 340.9 million tonnes of hematite mineralisation, comprising 280 million tonnes of indicated resources and 61 million tonnes classified as inferred resources. Based on the PFS, Ophthalmia Project can operate at 10 Mtpa of direct shipping ore products. Such assessment is part of the steps to bring Ophthalmia Project into its targeted 10 Mtpa production and will also allow the Group to progress detailed discussion with potential infrastructure provider and strategic investors for funding, including BBIG who will hold a pre-emptive right on Ophthalmia Project as part of the Proposal. Ophthalmia Project should be able to start production in one and a half years once the funding arrangement is in place.

Funding arrangement under the Proposal

Under the Proposal, the parties plan to fund the project capital costs by way of debt (which shall be procured by BBIG in consultation with the Company) and equity. For the equity portion, BBIG shall be responsible for 75% of such amount and the remaining balance of 25% to be contributed by the Company. At a typical debt to equity ratio of 70%:30% for

LETTER FROM THE BOARD

funding projects similar to the scale of the Proposal, and based on the Company's previous estimation of capital costs to develop the entire Marillana Project, the amount to be funded by the Company under the Proposal would amount to approximately A\$187.5 million. However, the aforesaid timetable and capital requirement will only be finalised upon completion of the Proposal DFS. Upon completion of the Proposal DFS, the Company will formulate its fundraising plans based on the Proposal DFS which will set out details of the development plan of the Marillana Project and specify the amount of funding required for the project providing more clarity as to the amount of funds required to be raised by the Company.

As stated in the Company's interim report for the six months ended 31 December 2017, the Group's mining properties comprising primarily the Marillana Project amounted to HK\$843 million as at 31 December 2017. As set out in the Company's annual report for the year ended 30 June 2017, in accordance with the JORC Code the Marillana Project's mineral resource amounted to 1.63 billion tonnes of hematite detrital and channel iron mineralization, including 1.05 billion tonnes of iron ore classified under reserves while the Ophthalmia Project has been estimated to contain 340.9 million tonnes of hematite mineralisation. The Company has strived to develop the Marillana Project including securing infrastructure solutions and will continue to work towards making progress with the project. The Proposal, once materialised, would be a major milestone to realise the full potential of the Marillana Project. The Group will at the same time continue to carry out assessment of the Ophthalmia Project with an aim to bring it to production. The Company considers that it has tangible assets of sufficient value and it has sufficient operations including actively pursuing the Proposal, or if the Proposal fails, in the absence of a similar proposal that provide a holistic production and infrastructure solution to the overall Marillana Project, it would quickly resume the Previous Plan, all of which with an ultimate aim to fully develop the entire Marillana Project, thereby continuing to satisfy the requirements of having sufficient operations or tangible assets of sufficient value under Rule 13.24 of the Listing Rules.

Given the current development of the Marillana Project as set out above, the Company does not anticipate any significant investments for the development of the Group's Marillana Project in the next 12 months. Based on the Group's existing operations taking into account the aforesaid development and assuming such level of operations including the current level of operating expenditures such as salaries, office rents and government rents for the Group's mining leases would continue for the next twelve months, and taking into account the net proceeds from the Subscription and the settlement of the Loan and the related accrued interest, the Company estimates that the Group would have sufficient working capital for the next 12 months. To substantiate the Group's continuous development, the Company will continue to look for opportunities to raise additional funds to strengthen its capital base.

Ocean Line is a substantial shareholder of the Company, together with its associates holding approximately 21.92% of the issued Shares as at the Latest Practicable Date. Upon completion of the OL Subscription and the Subscriptions, Ocean Line and its associates would hold approximately 27.16% of the then enlarged issued Shares. The Company

LETTER FROM THE BOARD

considers that the subscription by Ocean Line (the Company's largest Shareholder) would allow the Company to raise funds to meet its general working capital needs more promptly and to save on the interest expenses and repayment of the Loan while at the same time demonstrating Ocean Line's commitment in the continuous development of the Group.

The Company has explored other possible fundraising options such as bank borrowings or pre-emptive issues such as rights issue and open offer. The Company has discussed with a bank, and it was not interested to provide loans to the Company; even if the Company is able to secure any borrowings from banks or financial institutions, taking into account the current financial position of the Group, the Company considers that any such borrowings would not be on terms acceptable to the Company. With regard to any pre-emptive issue such as rights issue and open offer, the Company has discussed with a potential underwriter, and it was not interested in participating in underwriting a pre-emptive issue of the Company. The Company considers that if the Company could secure underwriting for a pre-emptive issue of the Company, that would still incur additional costs in particular underwriting commission, and professional fees for engagement of reporting accountants and lawyers as well as involve extended timing associated with the preparation and issue of a prospectus and application forms. The Company approached its controlling shareholder, Ocean Line, and other potential investors to negotiate any possible fundraising through the subscription of new Shares; Ocean Line and the Subscribers indicated their respective interests leading to the signing of the Subscription Agreements and the OL Subscription Agreement on the same date and at the same terms. The Company negotiated with Ocean Line and the Subscribers to obtain the best possible subscription price for the Subscriptions and the OL Subscription taking into account the prevailing market price and recent trading volume of the Shares.

Having considered the above factors and taking into account that public Shareholders' shareholding interests in the Company would only be slightly diluted from 69.15% as at the Latest Practicable Date to 63.25% upon completion of the OL Subscription and the Subscriptions (absent any other changes), the Directors (including the independent non-executive Directors) consider that the terms of the Subscriptions and the OL Subscription are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In view of their relationship with Ocean Line, Mr. Kwai and Mr. Kwai Kun, Lawrence have abstained from voting on the Board's resolution in relation to the OL Subscription. Mr. Liu Zhengui (being a non-executive Director and Vice Chairman of the Company) is a director of a company controlled by the beneficial owner of China Guoyin. In view of the aforesaid, Mr. Liu has abstained from voting on the Board's resolution in relation to the CG Subscription.

Principal business activities of the Group, the Subscribers and Ocean Line

The Group is principally engaged in the development and exploration of iron ore mining projects in Western Australia.

LETTER FROM THE BOARD

China Guoyin is an investment holding company holding securities investments mainly in Hong Kong market.

Duofu is an investment holding company which, together with its affiliates, focus on investment in enterprises in the PRC in various industries including finance, energy, manufacturing and real estate.

Ocean Line is a multinational conglomerate with shipping business as its strategic focus. It is one of the largest privately owned shipping companies in Hong Kong. It wholly owns, operates and manages a fleet of vessels with total deadweight tonnage of 3 million metric tonnes operating worldwide. In addition, Ocean Line invests in infrastructures and operates other shipping related businesses including ports, terminals and warehouses. Ocean Line also invests in hotel business.

Shareholding table

	As at the Latest Practicable Date		After completion of the Subscriptions (but before completion of the OL Subscription and absent of any other changes)		After completion of the OL Subscription (but before completion of the Subscriptions and absent of any other changes)		After completion of both OL Subscription and the Subscriptions (absent of any other changes)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ocean Line and OL Associates								
<i>(note 1)</i>	1,837,680,137	21.92%	1,837,680,137	21.59%	2,487,680,137	27.55%	2,487,680,137	27.16%
Mr. Kwai Kwun, Lawrence	87,658,412	1.05%	87,658,412	1.03%	87,658,412	0.97%	87,658,412	0.96%
Mr. Colin Paterson <i>(note 2)</i>	52,798,446	0.63%	52,798,446	0.62%	52,798,446	0.58%	52,798,446	0.58%
Mr. Ross Stewart Norgard <i>(note 2)</i>	243,054,000	2.90%	243,054,000	2.86%	243,054,000	2.69%	243,054,000	2.65%
Mr. Yap Fat Suan Henry <i>(note 2)</i>	400,000	0.00%	400,000	0.00%	400,000	0.00%	400,000	0.00%
	<u>2,221,590,995</u>	<u>26.50%</u>	<u>2,221,590,995</u>	<u>26.10%</u>	<u>2,871,590,995</u>	<u>31.79%</u>	<u>2,871,590,995</u>	<u>31.35%</u>
Subscribers								
China Guoyin	364,904,972	4.35%	414,904,972	4.87%	364,904,972	4.04%	414,904,972	4.53%
Duofu	—	—	80,000,000	0.94%	—	0.00%	80,000,000	0.87%
Other public Shareholders	<u>5,795,486,164</u>	<u>69.15%</u>	<u>5,795,486,164</u>	<u>68.09%</u>	<u>5,795,486,164</u>	<u>64.17%</u>	<u>5,795,486,164</u>	<u>63.25%</u>
	<u><u>8,381,982,131</u></u>	<u><u>100.00%</u></u>	<u><u>8,511,982,131</u></u>	<u><u>100.00%</u></u>	<u><u>9,031,982,131</u></u>	<u><u>100.00%</u></u>	<u><u>9,161,982,131</u></u>	<u><u>100.00%</u></u>

Notes:

- 1,776,960,137 Share are held by Ocean Line, and 60,720,000 Shares are jointly held by Mr. Kwai and his spouse.
- They are Directors.

LETTER FROM THE BOARD

Fundraising in the past 12 months

The Company has not undertaken any equity fund raising activity in the past 12 months.

PROPOSED GRANT OF OPTIONS TO DIRECTORS

A summary of the terms and conditions of the Proposed Grant is set out below:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) A total of 145,500,000 Options are proposed to be granted to the Directors:

Director	Number of Options	Vesting date <i>(note)</i>	Exercise price	Maximum number of Shares to be issued upon exercise of the Options	Expiry date
Mr. Kwai	80,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	80,000,000	31 December 2020
Liu Zhengui	2,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	2,500,000	31 December 2020
Ross Stewart Norgard	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.162	1,500,000	31 December 2020
Kwai Kwun, Lawrence	35,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	35,000,000	31 December 2020
Chan Kam Kwan, Jason	10,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	10,000,000	31 December 2020
Colin Paterson	12,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.162	12,000,000	31 December 2020
Uwe Henke Von Parpart	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	1,500,000	31 December 2020
Yap Fat Suan, Henry	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	1,500,000	31 December 2020
Choi Yue Chun, Eugene	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	1,500,000	31 December 2020

Note: The Options will immediately vest and become exercisable in full when there is any party (with its concert parties) which acquires 30% or more of the then outstanding issued share capital of the Company.

LETTER FROM THE BOARD

- (c) Total number of Shares which may be issued upon full exercise of the Options to be issued under the Proposed Grant and the approximate percentage in the issued share capital of the Company: 145,500,000 Shares, representing 1.74% of the issued share capital of the Company and 1.71% of the issued share capital as enlarged by such exercise as at the Latest Practicable Date.
- (d) Date that the Proposed Grant was announced: 7 December 2017.
- (e) Amount payable on the acceptance of the Options by each Recipient: HK\$1.00 in total per Recipient.
- (f) Expiry date: The Options will expire on 31 December 2020 (the “**Expiry Date**”).
- (g) Validity period of the Options: 50% of the Options proposed to be granted to the Recipients shall be exercisable from 1 January 2019, and the remaining 50% shall be exercisable from 1 January 2020. The Options will immediately vest and become exercisable in full when there is any party (with its concert parties) which acquires 30% or more of the then outstanding issued share capital of the Company.
- (h) Any Option not exercised on or before the Expiry Date will automatically lapse. The Options granted to each of the Recipients will also automatically lapse upon certain events occurring, including if that Recipient ceases to be an “Eligible Participant” under the Share Option Schemes (in that case, the time of the lapsing of the Options would depend on the circumstances and timing of the Recipient ceasing to be an “Eligible Participant”).
- (i) Exercise price: The amount payable upon exercise of each Option (“**Exercise Price**”) issued under the Hong Kong Scheme (“**Hong Kong Options**”) will be HK\$0.124 and for those issued under the Australian Scheme (“**Australian Options**”) will be HK\$0.162
 - (i) the Exercise Price for the Hong Kong Options of HK\$0.124 is equivalent to the closing price of HK\$0.124 per Share as stated in the daily quotation sheets issued by the Stock Exchange on 7 December 2017, being the date that the grant of the Hong Kong Options to the Recipients was proposed;
 - (ii) the Exercise Price for the Australian Options of HK\$0.162 represents a premium of 30.6% over the closing price of HK\$0.124 per Share as stated in the daily quotation sheets issued by the Stock Exchange on 7 December 2017, being the date that the grant of the Australian Options to the Recipients was proposed;

LETTER FROM THE BOARD

- (j) Exercising Options: Subject to the Share Option Schemes, the Options held by each Optionholder may be exercised in whole or in part.
- (k) Method of exercise: Subject to the vesting period, an Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a notice (the “**Exercise Notice**”) in writing stating that the Option is thereby exercised, and the number of Shares in respect of which it is exercised; and
 - (ii) a remittance for the full amount of the Exercise Price for the Shares in respect of which the Exercise Notice is given.

Within 21 days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares in respect of the number of Options specified in the Exercise Notice, and will issue the Optionholder with certificates in respect of the Shares allotted.

- (l) Voting, dividend, transfer and other rights: Subject to the Share Option Schemes, the Shares allotted upon the exercise of the Option will rank pari passu in all respects with the Shares in issue on the date of allotment and will be subject to all the provisions of the Bye-laws in force.

The Options are not assignable or otherwise transferable.

The Shares to be allotted upon the exercise of an Option shall not carry voting rights until completion of the registration of the Optionholder as the holder.

- (m) Quotation: The Company will not apply for quotation of the Options on the Stock Exchange or the ASX. However, the Company has obtained approval from the Stock Exchange for the listing of all Shares allotted pursuant to the exercise of the Options. The Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on the ASX within 10 Business Days after the date of allotment of those Shares.

LETTER FROM THE BOARD

- (n) Reorganisation of capital: In the event of any capitalisation issue, rights issue, sub-division, consolidation of Shares or reduction of capital of the Company, corresponding alterations will be made to the number of Shares subject to any unexercised Options and/or the Exercise Price, as certified in writing by the Company's auditors or approved independent financial adviser to be, in their opinion, fair and reasonable. However, any alterations will be made on the basis that:
- (i) an Optionholder will have the same proportion of the equity capital of the Company as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustments;
 - (ii) the aggregate Exercise Price payable by an Optionholder on the full exercise of any Option will remain as nearly as possible the same as (but will not be greater than) it was before such event; and
 - (iii) no such alternations will be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value.

LISTING RULES REQUIREMENTS

Ocean Line is a substantial shareholder of the Company and is therefore a connected person of the Company. As such, the OL Subscription constitutes a connected transaction for the Company subject to Independent Shareholders' approval pursuant to the requirements of Chapter 14A of the Listing Rules. As set out in the Notice, the Company is seeking Shareholders' approval for the OL Subscription as well as the Subscriptions.

The Proposed Grant is subject to Shareholders' approval under the ASX Listing Rules. The requirements for Shareholder approval under the ASX Listing Rules and information required to be provided to Shareholders is set out in the Explanatory Memorandum. The Notice, together with the Explanatory Memorandum, includes the information requested by the ASX Listing Rules.

Other than being the Chairman and a non-executive Director, Mr. Kwai is also a substantial shareholder of the Company as defined under the Hong Kong Listing Rules. As the number of Options proposed to be granted to Mr. Kwai represents (i) in aggregate over 0.1% of the relevant class of securities in issue and (ii) having an aggregate value, based on the closing price of the Shares on the date the Proposed Grant was announced, in excess of HK\$5 million, the proposed grant of Options to Mr. Kwai must be approved by Shareholders. Mr. Kwai, his associates and the core connected persons (as defined under the Hong Kong Listing Rules) of the Company must abstain from voting in favour of the resolution approving the grant of Options to Mr. Kwai.

LETTER FROM THE BOARD

Pursuant to Rule 17.04(1) of the Hong Kong Listing Rules, each grant of Options to a Director under the Share Option Schemes has been approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the Options).

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Suite 3903B, 39/F Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 27 April 2018 at 10:00 a.m. is set out on pages 60 to 67 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you intend to attend the SGM in person, please complete the form of proxy in accordance with the instructions printed thereon. If your shares in the Company are recorded under the Company's Hong Kong branch registrar or the Company's Bermuda principal registrar, please complete the Hong Kong proxy form and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited. Please read and follow the instructions, including the deadline, on the Hong Kong proxy form to lodge the form. If your shares in the Company are recorded under the Company's Australia branch registrar, please complete the Australia proxy form and return it to the Company's branch share registrar in Australia, Computershare Investor Services Pty Limited. Please read and follow the instructions, including the deadline, on the Australia proxy form to lodge the form. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of the Shareholders at the SGM must be taken by poll. An announcement on the poll results will be published by the Company on the date of the SGM in the manner as prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

Ocean Line, the OL Associates, and Mr. Kwai Kun Lawrence, who in aggregate held 1,925,338,549 Shares (approximately 22.97% of the entire issued share capital of the Company) as at the Latest Practicable Date are required to abstain from voting in respect of the Resolution approving the OL Subscription. Further information on voting exclusion regarding the Resolution to approve the OL Subscription pursuant to the ASX Listing Rules is set out in the Notice. China Guoyin and its associates who in aggregate held 364,904,972 Shares (approximately 4.35% of the entire issued share capital of the Company) as at the Latest Practicable Date are required to abstain from voting in respect of the resolution in relation to the CG Subscription. The CG Subscription Agreement and the OL Subscription Agreement are not inter-conditional. Ocean Line and China Guoyin are not associates of each other under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

Pursuant to Rule 17.04(1) of the Hong Kong Listing Rules, Mr. Kwai, his associates and the core connected persons (as defined under the Hong Kong Listing Rules) of the Company, who in aggregate held 2,221,590,995 Shares (approximately 26.50% of the entire issued share capital of the Company) as at the Latest Practicable Date, are required to abstain from voting in favour of the Resolution approving the grant of Options to Mr. Kwai at the SGM.

Pursuant to the ASX Listing Rules, the relevant Director and his associates (as defined under the ASX Listing Rules) are required to abstain from voting on the relevant Resolution approving the grant of Options to him under the Proposed Grant at the SGM. Further information on voting exclusion regarding the Resolutions to approve the Proposed Grant pursuant to ASX Listing Rules is set out in the Notice.

RECOMMENDATION

The Board considers the terms of the Subscriptions are on normal commercial terms, and fair and reasonable, and the Subscriptions, while not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolutions to approve the Subscriptions and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of Somerley, considers that (1) the OL Subscription, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (2) the terms of the OL Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (3) the OL Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the OL Subscription and the transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on page 27 of this circular.

Further information in relation to the OL Subscription and the Proposed Grant including the Board's recommendations pursuant to the ASX Listing Rules is set out in the Explanatory Memorandum of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the OL Subscription.

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)

10 April 2018

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION SUBSCRIPTION OF SHARES BY OCEAN LINE

We refer to the circular of the Company dated 10 April 2018 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the OL Subscription. Somerley has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 28 to 52 of the Circular. Your attention is also drawn to the letter from the Board in the Circular.

Having considered the terms of the OL Subscription and the advice of Somerley, in particular the principal factors and reasons set out in its letter on pages 28 to 52 of the Circular, we consider that (1) the OL Subscription, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (2) the terms of the OL Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (3) the OL Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the OL Subscription.

Yours faithfully,
Independent Board Committee

Yap Fat Suan, Henry
*Independent
non-executive Director*

Uwe Henke Von Parpart
*Independent
non-executive Director*

Choi Yue Chun, Eugene
*Independent
non-executive Director*

* *for identification purpose only*

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Somerley Capital Limited considers that the terms of the OL Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.



SOMERLEY CAPITAL LIMITED

20th Floor, China Building
29 Queen's Road Central
Hong Kong

10 April 2018

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION SUBSCRIPTION OF SHARES BY OCEAN LINE

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed issue of the OL Subscription Shares to Ocean Line. Details of the proposed issue of the OL Subscription Shares are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 10 April 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise defined herein.

As at the Latest Practicable Date, Ocean Line and OL Associates in aggregate held 1,837,680,137 Shares, representing approximately 21.92% of the entire issued share capital of the Company. Accordingly, Ocean Line is a substantial shareholder and connected person of the Company under the Listing Rules. The OL Subscription constitutes a connected transaction of the Company and is subject to, among other things, Independent Shareholders’ approval requirement under the Listing Rules. In this connection, the Company will seek the Independent Shareholders’ approval for the OL Subscription at the SGM.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Yap Fat Suan, Henry, Mr. Uwe Henke Von Parpart and Mr. Choi Yue Chun, Eugene, has been formed to advise the Independent Shareholders in respect of the OL Subscription. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM SOMERLEY CAPITAL LIMITED

During the past two years, there have been no engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited; and (b) the Group and/or Ocean Line that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the OL Subscription as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and Ocean Line, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (1) the terms of the OL Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the OL Subscription is in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the OL Subscription

(a) Information on the Group

The Group is principally engaged in the exploration and development of iron ore mining projects in Western Australia. The Group owns different iron ore projects in the Pilbara region, Western Australia. However, due to difficulties in working out a sustainable infrastructure and logistic solution (as further discussed in the sub-section below), the Group has not commenced any commercial production of the iron ore projects. Financial information of the

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Group (as extracted from the 2017 annual report and the 2017/2018 interim report of the Company) is further discussed below:

(i) *Profit and loss*

	For the six months		For the year	
	ended 31 December		ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	—	—	—	11,590
Loss for the period/ year	(16,953)	(26,169)	(38,308)	(627,158)

As advised by the executive Directors, the iron ore projects of the Group are located in the Pilbara region, Western Australia. To establish a pathway to production, the Group has to either cooperate with an existing transport infrastructure owner, or to construct its own transport infrastructure. Construction of such infrastructure will involve substantial investments and therefore detailed planning is needed. The Group has been working on infrastructure and logistic solutions but none have been concluded so far. The Group did not carry out any commercial production of its iron ore projects and no revenue was generated during the year ended 30 June 2017. Loss for the year ended 30 June 2017 amounted to approximately HK\$38.3 million, representing a decrease of approximately HK\$588.9 million compared to 2016. The significant loss in year ended 30 June 2016 was mainly contributed by the substantial impairment loss on mining properties of approximately HK\$645.2 million. No impairment was made on the mining properties during the year ended 30 June 2017. Loss for the six months ended 31 December 2017 was approximately HK\$17.0 million, compared to a loss of approximately HK\$26.2 million for the same period in 2016.

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(ii) *Financial position*

	As at 31	As at 30 June	
	December	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets	847,162	833,417	798,975
Current assets	10,082	25,213	36,978
Non-current liabilities	302,777	333,198	272,211
Current liabilities	105,616	61,469	76,325
Net current liabilities	(95,534)	(36,256)	(39,347)
Net assets	448,851	463,963	487,417

Non-current assets of the Group included mainly mining properties in Australia. The Group owns certain iron ore projects in Western Australia, including the Marillana Project (the Group's flagship project), the Ophthalmia Iron Ore Project and other regional exploration projects. Non-current liabilities of the Group as at 30 June 2017 included mainly deferred income tax liabilities of approximately HK\$246.8 million and borrowings of approximately HK\$52.8 million. Included in the borrowings was the outstanding balance of the Loan with an amount of approximately HK\$43.8 million as at 30 June 2017. The Loan is granted by Ocean Line on 20 September 2016, unsecured with interest rate of 12% per annum and repayable on 30 October 2018. As set out above, the Group recorded net current liabilities of approximately HK\$36.3 million as at 30 June 2017. Net assets of the Group amounted to approximately HK\$464.0 million as at 30 June 2017. As at 31 December 2017 the Group recorded net current liabilities of approximately HK\$95.5 million and net assets of approximately HK\$448.9 million.

(iii) *Cash flow*

	For the year ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow	(8,539)	(64,950)

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The Group had net cash outflow of approximately HK\$8.5 million and HK\$65.0 million during the years ended 30 June 2017 and 2016 respectively. As advised by the executive Directors, the decrease in net cash outflow during the year ended 30 June 2017 was mainly due to receiving cash from the Loan.

(iv) Auditors' opinion

As set out in the 2017 annual report of the Company, the auditors of the Company expressed material uncertainty related to going concern of the Group having considered, among other things, its net loss for the year with no revenue generated, negative cash flows and net current liabilities position.

The Group's results were affected by the Group's slow progress in development of the iron ore projects due to the difficulties in concluding infrastructure and logistics solutions. The Group is in need of cash, which is evidenced by the net current liabilities position and the net cash outflow in the latest financial year ended 30 June 2017.

(b) Information on the Subscriber

As set out in the "Letter from the Board" contained in the Circular, Ocean Line is a substantial shareholder of the Company and is a multinational conglomerate with shipping business as its strategic focus. It is one of the largest privately owned shipping companies in Hong Kong and owns, operates and manages a fleet of vessels with total deadweight tonnage of 3 million metric tonnes operating worldwide. Ocean Line also invests in infrastructure and operates other shipping related businesses including ports, terminals and warehouses.

(c) Reasons for and benefits of the OL Subscription

As set out above, the Group has recorded net current liabilities for both years ended 30 June 2016 and 2017, and the six months ended 31 December 2017. Due to the difficulties in working out viable infrastructure and logistic solutions for the mining projects in Western Australia, the Group did not have any revenue during the year ended 30 June 2017 and the six months ended 31 December 2017. The Group made a net loss and recorded net cash outflow during the year ended 30 June 2017. The Group's financial results were

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affected by the difficulties in concluding infrastructure and logistics solutions for the iron ore projects. The Group will continue to explore for infrastructure and logistic solutions so as to commence the commercial production of the iron ore projects in Western Australia.

As advised by the executive Directors, the Group has been investigating different solutions for the commercial production of its Australian iron ore projects. On 17 November 2017, the Company entered into the Term Sheet with BBIG, a subsidiary of The Todd Corporation Limited which is one of New Zealand's leading companies with a range of interests including energy, minerals and property, in respect of the proposed farm-in and joint venture arrangements to develop the Group's Marillana Project (the "**Proposal**"). The executive Directors consider that the Proposal will provide the Group an opportunity to partner with BBIG which is developing port and rail facilities in the Pilbara region, Western Australia. Further details of the Term Sheet are set out in the Company's announcement dated 17 November 2017. The executive Directors consider that the Proposal, which framed the cooperation arrangement between the Group and BBIG, is an important step in progressing the iron ore projects (especially the Marillana Project) and the partnership with BBIG, finalisation of which is subject to the execution of transaction documents between parties, will help concluding the infrastructure and logistic solution for the commercial production of the iron ore projects in Western Australia. The executive Directors further consider that the Proposal would provide the Group an opportunity to utilise the BBI Infrastructure (in the same Pilbara region of the Marillana Project) and obtain funding from BBIG for the development of the Marillana Project, and the Proposal can better realise and maximise the potential of the Marillana Project comparing to the Group's previous plan of initial small-scale production of the project. Further details of the Company's view on the Proposal and other development plans of the iron ore projects are set out in the section headed "Further information in relation to the Subscriptions and the OL Subscription" of the "Letter from the Board" contained in the Circular. We understand from the executive Directors that time is needed for parties to finalise the transaction documents in relation to the Proposal. As set out in the aforesaid section of the "Letter from the Board" contained in the Circular, the Company does not anticipate any significant investments for the development of the Marillana Project in the next 12 months. The Company has strived to develop the Marillana Project including securing infrastructure solutions and will continue to work towards making progress with the project. The Proposal, once materialised, would be a major milestone to realise the full potential of the Marillana Project. It is also set out in the aforesaid section of the "Letter from the Board" that the Company considers that it has tangible assets of sufficient value (as stated in

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the Company's interim report for the six months ended 31 December 2017, the Group's mining properties comprising primarily the Marillana Project amounted to HK\$843 million as at 31 December 2017; and as set out in the Company's annual report for the year ended 30 June 2017, the Marillana Project's mineral resources amounted to 1.63 billion tonnes of hematite detrital and channel iron mineralization), or if the Proposal fails, in the absence of a similar proposal that provide a holistic production and infrastructure solution to the overall Marillana Project, it would quickly resume the previous development plan of the Marillana Project, thereby continuing to satisfy the requirements of having sufficient operations or tangible assets of sufficient value under Rule 13.24 of the Listing Rules. In view of the time needed to finalise the transaction documents including compliance with the relevant listing rules, as well as maintaining all the Group's mining leases and licences in good order, the executive Directors are of the view that the need of cash for general working capital purposes is pressing.

In view of the above, the executive Directors have explored different fund raising alternatives for the Group. The Company has discussed with a bank and such bank was not interested to provide loans to the Company. Further, the executive Directors consider that even if the Company is able to secure any borrowings from banks or financial institutions, in view of the current financial position, any such borrowings would not be on terms acceptable to the Company. The Company has also considered the possibility of any pre-emptive issue such as rights issue and open offer, and has discussed with a potential underwriter but such potential underwriter was not interested in participating in underwriting a pre-emptive issue of the Company. The executive Directors also consider that commercial underwriting of an open offer or rights issue would be costly to obtain having considered, in particular, the underwriting commission and professional fees for engagement of reporting accountants and lawyers. In addition, any pre-emptive issue such as open offer or rights issue may involve preparation and issue of a prospectus and application forms, which, together with the time needed to arrange for shareholders' meeting if shareholders' approval is required, may result in extended timing for the process.

Ocean Line, already a substantial Shareholder, is willing to subscribe for new Shares in cash and by capitalisation of the Loan which bears interest of 12% per annum and is repayable on 30 October 2018. The executive Directors are of the view that such subscription will provide needed working capital and, through capitalisation of the Loan, eliminate the cash outflow when the Loan becomes due and reduce the Group's finance cost. The Company has therefore entered into the OL Subscription Agreement with Ocean Line. Further details

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of the use of proceeds from the OL Subscription and its financial effects on the Group are set out in the respective sub-sections headed “Use of proceeds” and “Financial effects of the OL Subscription” of this letter below. As set out in the “Letter from the Board” contained in the Circular, the Company has also entered into the Subscription Agreements with two other Subscribers, namely China Guoyin (a current Shareholder holding approximately 4.35% of the issued Shares as at the Latest Practicable Date) and Duofu (an independent third party), for subscription of 130,000,000 new Shares for an aggregate consideration of HK\$13 million. The aggregate net proceeds from such Subscriptions and the OL Subscription, after setting off the Loan and the related accrued interests of approximately HK\$46 million, will be approximately HK\$31.5 million and the whole amount will be used as general working capital for the Group’s expenditures such as salaries, office rents and government rents for the Group’s mining leases. Based on the above, having considered the unfavorable factors of debt financing and pre-emptive issue set out above, and given the OL Subscription Agreement and the Subscription Agreements were signed on the same date and on the same terms, in particular the OL Subscription Price is equivalent to the Subscription Price payable by independent third parties, we concur with the executive Directors’ view that the OL Subscription is the best fund raising method for the Group.

Having considered the financial position of the Group, its need for additional working capital and the rationale for adopting the OL Subscription as the preferred fund raising method as compared to other alternatives, we concur with the executive Directors that raising funds through the OL Subscription is in the interests of the Company.

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2. Principal terms of the OL Subscription Agreement

Pursuant to the OL Subscription Agreement, the Company has conditionally agreed to issue and Ocean Line has conditionally agreed to subscribe for the OL Subscription Shares. The major terms and conditions of the OL Subscription Agreement are summarised below. Further details are set out in the “Letter from the Board” contained in the Circular.

Date:

6 December 2017

Parties:

- (1) Ocean Line Holdings Limited as the subscriber; and
- (2) The Company as the issuer.

Number of the OL Subscription Shares:

Pursuant to the OL Subscription Agreement, the Company will issue and Ocean Line will subscribe for 650,000,000 new Shares, which represents (1) approximately 7.75% of the issued share capital of the Company as at the Latest Practicable Date; and (2) approximately 7.20% of the issued share capital of the Company as enlarged by the allotment and issue of the OL Subscription Shares (assuming no other changes to the share capital of the Company).

Subscription price:

The aggregate consideration for the OL Subscription Shares is HK\$65,000,000, representing HK\$0.10 per OL Subscription Share. As set out in the “Letter from the Board” contained in the Circular, the OL Subscription Price was determined on an arm’s length basis between the parties with reference to the prevailing market price and the recent trading volume of the Shares and the net asset value of the Company. The OL Consideration shall be settled as to approximately HK\$19 million by cash and approximately HK\$46 million by setting off the outstanding Loan and the relevant accrued interest.

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Conditions:

Completion of the OL Subscription is conditional upon the fulfilment (or waiver, if applicable) by 6:00 p.m. on 15 May 2018 (or such other date as the Company and Ocean Line may agree in writing) of the conditions precedent as set out in the sub-section headed “Conditions of the OL Subscription” in the “Letter from the Board” contained in the Circular, including but not limited to (a) the obtaining of the approval by the Independent Shareholders at the SGM for the OL Subscription Agreement and the transactions contemplated thereunder; and (b) Ocean Line having obtained all regulatory consents or approvals required from, or no objections being received from, the Australian Government in respect of the transactions contemplated under the OL Subscription Agreement (including the issue of the OL Subscription Shares). As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or waived.

Completion:

Completion of the OL Subscription shall take place on the OL Subscription Completion Date, being the third Business Day after the fulfillment (or waiver as applicable) of the conditions set out in the OL Subscription Agreement or such other date as may be agreed in writing by the Company and Ocean Line.

Ranking of the OL Subscription Shares:

The OL Subscription Shares, which will be issued under specific mandate to be approved by the Independent Shareholders at the SGM, when allotted and issued, will rank pari passu in all respects with the Shares in issue as at the date of such allotment.

3. Analysis of the subscription price

(a) Comparison of the subscription price to market price

The OL Subscription Price of HK\$0.10 per OL Subscription Share represents:

- (i) a discount of approximately 18.7% to the closing price of HK\$0.123 per Share as quoted on the Stock Exchange on 6 December 2017, being the date of the OL Subscription Agreement;

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- (ii) a discount of approximately 16.1% to the average closing price per Share of HK\$0.1192 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 December 2017, being the last trading day prior to the date of the OL Subscription Agreement; and
- (iii) a discount of approximately 13.0% to the closing price of HK\$0.115 per Share on the Latest Practicable Date.

These discounts are compared to the market range of comparable issues set out in the sub-section headed “Comparable issues” of this letter below.

(b) *Share price performance*

The chart below illustrates the daily closing Share price per Share for the period from 1 January 2017 up to and including the Latest Practicable Date (the “**Review Period**”).



During the period from 1 January to 14 March 2017, the closing Share prices fluctuated between HK\$0.121 per Share and HK\$0.135 per Share. Since 15 March 2017, the closing Share prices showed an upward trend in general and closed at HK\$0.18 per Share on 29 March 2017. The performance of the Shares varied afterwards with the closing Share price dropping to HK\$0.14 per Share on 24 April 2017 and rising to HK\$0.184 per Share on 10 May 2017. The closing Share prices showed a general decline from the 10 May high. The closing Share price reached a low during the Review Period of HK\$0.095 per Share on 13 November 2017.

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From 14 November 2017 to 5 December 2017, the closing Share prices fluctuated between HK\$0.096 per Share and HK\$0.123 per Share. On 6 December 2017 (after trading hours), the Company published the announcement in relation to the Subscriptions and the OL Subscription (the “**Announcement**”). On that day, the closing Share price was HK\$0.123 per Share.

The Share closed at a price of HK\$0.115 per Share as at the Latest Practicable Date. The OL Subscription Price represents (a) a discount of approximately 13.0% to the closing price of HK\$0.115 per Share as at the Latest Practicable Date; and (b) a discount of approximately 21.9% to the average closing price of the Shares of approximately HK\$0.128 per Share during the Review Period.

(c) Comparable issues

We have searched the website of the Stock Exchange on a best effort basis to identify issues of new shares (excluding (a) issue of consideration shares solely for acquisition of assets; (b) issue of shares in rights issue or open offer; (c) issues involving a whitewash waiver application; and (d) issues which have subsequently been terminated) by companies listed on the Stock Exchange under specific mandates (the “**Comparable Issues**”), with announcements published since 1 September 2017 and up to the date immediately prior to the Latest Practicable Date.

It should be noted that the subject companies involved in the Comparable Issues have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. The circumstances surrounding such issues may also be different from those relating to the Company. The table below is therefore provided for illustrative purposes only and provides a general reference for the Independent Shareholders about market practice of transactions of this type.

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The Comparable Issues represent an exhaustive list of new shares issues meeting the criteria set out above. The table below sets out the details of the Comparable Issues:

Announcement Date	Company name	Premium/(discount) of the subscription/placing price over/(to) average closing price per share for the last five consecutive trading days up closing price to and including per share on the last the last trading trading day/ day/date date of of agreement agreement % % <i>(approximately)</i> <i>(approximately)</i>	
28 March 2018	Eagle Ride Investment Holdings Limited (stock code: 901)	13.21	18.58 <i>(Note)</i>
19 March 2018	China Traditional Chinese Medicine Holdings Co. Limited (stock code: 570)	(19.89)	(17.20)
15 March 2018	U Banquet Group Holding Limited (stock code: 1483)	(11.33)	(15.09) <i>(Note)</i>
6 March 2018	China Ocean Fishing Holdings Limited (stock code: 8047)	(18.18)	(21.05) <i>(Note)</i>
2 March 2018	Frontier Services Group Limited (stock code: 500)	(35.00)	(28.42) <i>(Note)</i>
29 January 2018	Chinese Strategic Holdings Limited (stock code: 8089)	0.50	8.99 <i>(Note)</i>
24 January 2018	Beijing Enterprises Water Group Limited (stock code: 371)	(1.50)	(2.20)

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Announcement Date	Company name	Premium/(discount) of the subscription/placing price over/(to) average closing price per share for the last five consecutive trading days up closing price to and including per share on the last the last trading day/date of agreement	to and including the last trading day/ date of agreement
		%	%
		<i>(approximately)</i>	<i>(approximately)</i>
19 January 2018	China Dongxiang (Group) Co., Ltd (stock code: 3818)	(9.40)	(9.88) <i>(Note)</i>
10 January 2018	New Sports Group Limited (stock code: 299)	(21.88)	(27.11)
3 January 2018	Huiyin Smart Community Co., Ltd (stock code: 1280)	(29.58)	(28.77)
3 January 2018	Hua Hong Semiconductor Limited (stock code: 1347)	(18.56)	(20.21) <i>(Note)</i>
21 December 2017	New Focus Auto Tech Holdings Limited (stock code: 360)	(38.24)	(36.75) <i>(Note)</i>
30 November 2017	Asia Energy Logistics Group Limited (stock code: 351)	(26.82)	(29.95) <i>(Note)</i>
29 November 2017	AKM Industrial Company Limited (stock code: 1639)	(7.98)	(7.29) <i>(Note)</i>
24 November 2017	Mega Expo Holdings Limited (stock code: 1360)	(17.13)	(18.03) <i>(Note)</i>

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Announcement Date	Company name	Premium/(discount) of the subscription/placing price over/(to) average closing price per share for the last five consecutive trading days up closing price to and including per share on the last the last trading day/ day/date of agreement	to and including the last trading day/ date of agreement
		%	%
		<i>(approximately)</i>	<i>(approximately)</i>
17 November 2017	Alibaba Health Information Technology Limited (stock code: 241)	(4.31)	(6.80)
16 November 2017	OP Financial Investments Limited (stock code: 1140)	(4.55)	(3.93)
13 October 2017	Rosan Resources Holdings Limited (stock code: 578)	34.23	32.10 <i>(Note)</i>
11 October 2017	Eagle Legend Asia Limited (stock code: 936)	7.80	0.90
11 October 2017	Pak Tak International Limited (stock code: 2668)	(21.40)	(20.85)
22 September 2017	China Dredging Environment Protection Holdings Limited (stock code: 871)	(9.30)	(10.55) <i>(Note)</i>
12 September 2017	Ourgame International Holdings Limited (stock code: 6899)	(3.65)	(0.43) <i>(Note)</i>

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Announcement Date	Company name	Premium/(discount) of the subscription/placing price over/(to) average closing price per share for the last five consecutive trading days up closing price to and including per share on the last the last trading day/ day/date of agreement	to and including the last trading day/ date of agreement
		%	%
		<i>(approximately)</i>	<i>(approximately)</i>
12 September 2017	Truly International Holdings Limited (stock code: 732)	(12.90)	(13.50)
1 September 2017	Kwan On Holdings Limited (stock code: 1559)	(4.40)	(3.70)
	Mean (simple average)	(10.84)	(10.88)
	Median	(10.37)	(12.03)
	Maximum	34.23	32.10
	Minimum	(38.24)	(36.75)
	The OL Subscription	(18.70)	(16.10) <i>(Note)</i>

Source: relevant announcements of the companies relating to the Comparable Issues

Note: The discount was calculated based on the average closing price of the relevant companies' shares during last five trading days prior to the last trading day/date of agreement

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As set out in the table above, the premia and discounts of subscription/placing prices of the Comparable Issues over/to the respective prices before the last trading day/date of agreement varied from a discount of approximately 38.24% to a premium of approximately 34.23%, with an average of a discount of approximately 10.84% and 10.88% respectively. The discounts as represented by the OL Subscription Price are within the range of the Comparable Issues.

(d) Peer comparison by reference to price to book ratio

As mentioned in the sub-section headed “Background to and reasons for the OL Subscription” above of this letter, the Group is principally engaged in the exploration and development of iron ore mining projects in Western Australia. Accordingly, we have conducted a search on Bloomberg on a best effort basis for companies (the “**Comparable Companies**”) primarily listed on the Main Board of the Stock Exchange which, based on their latest published annual results announcement/interim report available as at the date immediately before the Latest Practicable Date, are principally engaged in, among other things, iron ore mining and related businesses. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on this criterion.

As mentioned in the paragraph headed “Information on the Group” in the sub-section headed “Background to and reasons for the OL Subscription” above of this letter, the Group recorded a loss of approximately HK\$38.3 million and approximately HK\$17.0 million for the year ended 30 June 2017 and the six months ended 31 December 2017 respectively. On that basis, we consider that analysis of the OL Subscription Price based on the 2017 annual results or interim results for the six months ended 31 December 2017 of the Company is not meaningful. As an alternative basis, we have performed an analysis of the OL Subscription Price based on the historical price to book ratio (P/Bs) of the Company and the Comparable Companies. The results are as follows:

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Comparable Companies	Closing share price as at the Latest Practicable Date <i>(HK\$)</i> <i>(Note 1)</i>	Net asset value attributable to shareholders per share <i>(HK\$)</i> <i>(Note 2)</i>	Historical P/B <i>(Approximate times)</i> <i>(Note 3)</i>
China Hanking Holdings Limited (stock code: 3788)	1.05	0.83	1.27
IRC Limited (stock code: 1029)	0.17	0.28	0.61
Add New Energy Investment Holdings Group Limited (stock code: 2623)	0.112	0.10	1.12
Aowei Holding Limited (stock code: 1370)	1.95	1.05	1.86
Prosperity International Holdings (H.K.) Limited (stock code: 803)	0.067	0.22	0.30
			Mean (simple average) 1.03
			Median 1.12
			Maximum 1.86
			Minimum 0.30
			The OL Subscription <i>(Note 4)</i> 1.87

Notes:

1. *Closing share price of the Comparable Companies are sourced from Bloomberg.*
2. *Figures are calculated based on (i) the net asset value attributable to shareholders of the Comparable Companies as set out in their respective latest annual results announcement/interim report available as at the date immediately prior to the Latest Practicable Date; and (ii) the number of issued shares as at the respective period/year end, where figures in Renminbi were translated at an exchange rate of HK\$1 = RMB0.8013 and figures in United States dollars were translated at an exchange rate of HK\$7.8 = US\$1.*
3. *The historical P/Bs of the Comparable Companies are calculated based on their respective net asset value attributable to shareholders per share as set out in note 2 above and their respective closing share price as at the Latest Practicable Date.*
4. *The implied P/B of the OL Subscription is calculated based on the OL Subscription Price of HK\$0.10 per Subscription Share and the net asset value attributable to equity shareholders of the Company per Share of approximately HK\$0.0535 as at 31 December 2017.*

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As set out in the table above, the historical P/Bs of the Comparable Companies range from approximately 0.30 time to 1.86 times, with an average of approximately 1.03 times. The implied P/B of the OL Subscription Price as discussed above of approximately 1.87 times is above the high end of the historical P/Bs of the Comparable Companies.

Despite (i) the OL Subscription Price represents discounts to recent closing prices of the Shares; and (ii) the discounts as represented by the OL Subscription Price are higher than the mean and median of the Comparable Issues, having considered (a) the OL Subscription is considered the best fund raising method for the Group as set out in the sub-section headed “Background to and reasons for the OL Subscription” of this letter above; (b) the OL Subscription Price is equivalent to the Subscription Price payable by independent third parties; (c) the OL Subscription Price represents a substantial premium over the net asset value per Share; (d) the discounts as represented by the OL Subscription Price are within the range of the Comparable Issues; and (e) the implied P/B of the OL Subscription is above the high end of the historical P/Bs of the Comparable Companies, we considered the OL Subscription Price is fair and reasonable as far as the Independent Shareholders are concerned.

4. Use of proceeds

As set out in the sub-section headed “Principal terms of the OL Subscription Agreement” of this letter above, the OL Consideration will be settled as to approximately HK\$19 million by cash and approximately HK\$46 million by the set-off of the outstanding Loan and the relevant accrued interests. As advised by the executive Directors, the expected net proceeds from the OL Subscription is approximately HK\$18.5 million. As mentioned in the sub-section headed “Background to and reasons for the OL Subscription” of this letter above, the aggregate net proceeds from the Subscriptions and the OL Subscription, after setting off the Loan and the related accrued interests of approximately HK\$46 million, of approximately HK\$31.5 million will be used as general working capital for the Group’s expenditures estimated to be applied as follows: (i) approximately HK\$16 million for staff salaries; (ii) approximately HK\$2 million for office rents; (iii) approximately HK\$6 million for government rents for the Group’s mining leases and other project maintenance and related expenses; (iv) approximately HK\$3 million for tax consultant and audit fees; and (v) the remaining proceeds of approximately HK\$4.5 million for other expenses such as insurance and listing fees.

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As stated in the sub-section headed “Reasons for and benefits of the Subscriptions and the OL Subscription” in the “Letter from the Board” contained in the Circular, the Company estimates that the Group would have sufficient working capital for the next 12 months. We have discussed with the management of the Company regarding the underlying key assumptions adopted in preparing the cashflow forecast of the Group, where reference has been made to historical financial figures of the Group and assuming the Group’s existing level of operations, including the current level of operating expenditures such as salaries, office rents and government rents for the Group’s mining leases, would continue for the next 12 months. The executive Directors have also taken into account, among others, (i) anticipation that there will be no significant investments for the development of the Group’s Marillana Project in the next 12 months; (ii) net proceeds from the Subscriptions and the OL Subscription; and (iii) the settlement of the Loan and the related accrued interests in preparing the forecast. We obtained the cashflow forecast schedule (as well as historical costs breakdown and agreements relating to key cash inflows) from the Company and note that the cashflow forecast of the Group for the next 12 months prepared by the Company has reflected the factors as mentioned above. Accordingly, we concur with the Company that the Group would have sufficient working capital for the next 12 months. To substantiate the Group’s continuous development, the Company will continue to look for opportunities to raise additional funds to strengthen its capital base. As set out in the sub-section headed “Reasons for and benefits of the Subscriptions and the OL Subscription” in the “Letter from the Board” contained in the Circular, following signing of the definitive agreements for the Proposal, if materialised, a definitive feasibility study (the “DFS”) will be carried out, which will be completed within three years from the satisfaction of all conditions precedent under the relative definitive agreements. The Company will formulate its fundraising plans based on the DFS which will set out details of the development plan of the Marillana Project and specify the amount of funding required for the project providing more clarity as to the amount of funds required to be raised by the Company upon completion of the DFS. Further details of the timetable and capital requirement of the Proposal and the DFS are set out in the above-mentioned sub-section contained in the Circular.

5. Financial effects of the OL Subscription

(a) Net asset value

As set out in the Company’s 2017/2018 interim report, the Group’s equity attributable to equity holders of the Company was approximately HK\$448.9 million as at 31 December 2017, representing approximately HK\$0.0535 per Share based on a total of 8,381,982,131 Shares in issue as at 31 December 2017. The closing Share price on the date of the OL Subscription Agreement and the Latest Practicable Date of HK\$0.123 and HK\$0.115 per Share represent a premium to net asset value per Share of approximately 129.9% and 115.0% respectively. The OL Subscription Price of HK\$0.10 per OL Subscription Share represents a premium to net asset value per Share of approximately 86.9%.

LETTER FROM SOMERLEY CAPITAL LIMITED

As set out in the section headed “Subscription of Shares by Ocean Line” in the “Letter from the Board” contained in the Circular, Ocean Line will subscribe for 650,000,000 new Shares. The OL Consideration shall be settled as to approximately HK\$19 million by cash and approximately HK\$46 million by setting off the outstanding Loan and the relevant accrued interests. The table below sets out, for illustration purpose, the effect on the Group’s net asset value per Share as a result of (a) the OL Subscription only; and (b) both the Subscriptions and the OL Subscription.

	Effects of the OL Subscription only <i>HK\$’000</i> <i>(approximate)</i>	Effects of both the Subscriptions and the OL Subscription <i>HK\$’000</i> <i>(approximate)</i>
Equity attributable to equity holders of the Company as at 31 December 2017	448,851	448,851
<i>Add:</i> estimated net cash proceeds	18,500	31,500
<i>Add:</i> set-off of the outstanding Loan and the relevant accrued interests	46,000	46,000
Net assets upon completion	513,351	526,351
	<i>Number of Shares</i>	<i>Number of Shares</i>
Number of Shares in issue as at 31 December 2017	8,381,982,131	8,381,982,131
<i>Add:</i> number of subscription shares	650,000,000	780,000,000
Number of Shares upon completion	9,031,982,131	9,161,982,131
Net asset value per Share as at 31 December 2017	0.0535	0.0535
Net asset value per Share immediately after completion	0.0568	0.0574
Increase in net asset value per Share	6.17%	7.29%

LETTER FROM SOMERLEY CAPITAL LIMITED

As illustrated above, upon completion of the OL Subscription and absent of any other changes, the net asset value per Share will be increased by approximately 6.17% to approximately HK\$0.0568. If the Subscriptions would also be completed together with the OL Subscription, the net asset value per Share will be increased by approximately 7.29% to approximately HK\$0.0574.

(b) *Gearing ratio and working capital*

As set out in the Company's 2017/2018 interim report, the gearing ratio of the Group, represented by long term debts (including borrowings, amounts due to related parties and other payables to a third party) over total equity, was approximately 11.43%, which in our view is relatively low. Upon completion of the OL Subscription and absent of any other changes, long-term debts of the Group will decrease by approximately HK\$46 million and total equity of the Group will increase by approximately HK\$64.5 million. Accordingly, the gearing ratio of the Group will decrease further from approximately 11.43% to approximately 1.03%. As advised by the executive Directors, the relatively low gearing ratio would allow the Group to raise further funds through debt financing should it becomes necessary for the commercial production of the iron ore projects. In addition, as discussed in the sub-section headed "Use of proceeds" of this letter above, the expected net proceeds from the OL Subscription of approximately HK\$18.5 million will be used for general working capital of the Group. As such, the Group's working capital will be improved.

6. Dilution effect on the shareholding interests of the existing public shareholders

The following table summarises the effect of the OL Subscription on the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) after completion of the OL Subscription (but before completion of the Subscriptions and absent of any other changes). Further details of the shareholding table and the corresponding notes (including changes related to the Subscriptions) are set out in the sub-section headed "Shareholding table" in the "Letter from the Board" contained in the Circular.

LETTER FROM SOMERLEY CAPITAL LIMITED

Shareholder	As at the Latest Practicable Date		After completion of the OL Subscription (but before completion of the Subscriptions and absent of any other changes)	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Ocean Line and its associates	1,837,680,137	21.92	2,487,680,137	27.55
Mr. Kwai Kwun Lawrence	87,658,412	1.05	87,658,412	0.97
Mr. Colin Paterson	52,798,446	0.63	52,798,446	0.58
Mr. Ross Stewart Norgard	243,054,000	2.90	243,054,000	2.69
Mr. Yap Fat Suan Henry	400,000	0.00	400,000	0.00
Other public shareholders (including China Guoyin)	<u>6,160,391,136</u>	<u>73.50</u>	<u>6,160,391,136</u>	<u>68.21</u>
	<u><u>8,381,982,131</u></u>	<u><u>100.00</u></u>	<u><u>9,031,982,131</u></u>	<u><u>100.00</u></u>

As illustrated above, upon completion of the OL Subscription (but before completion of the Subscriptions and absent of any other changes), the shareholding of the existing public Shareholders would be reduced from approximately 73.50% as at the Latest Practicable Date to approximately 68.21%. This in our view is a relatively moderate dilution. Taking into account (i) the benefits to be derived by the Group from the OL Subscription as set out in the sub-section headed “Background to and reasons for the OL Subscription” of this letter above; (ii) the subscription price being considered to be fair and reasonable as set out in the sub-section headed “Analysis of the subscription price” of this letter above; and (iii) the expected increase in net asset value per Share and improvement in gearing ratio and working capital as set out in the sub-section headed “Financial effects of the OL Subscription” of this letter above, we consider that the dilution effect to the shareholding interest of the existing public shareholders as a result of the OL Subscription is acceptable.

We note that while the OL Subscription will increase Ocean Line’s stake from approximately 21.92% to approximately 27.55%, this higher percentage does not make Ocean Line a controlling shareholder as defined in the Listing Rules.

LETTER FROM SOMERLEY CAPITAL LIMITED

DISCUSSION

The Group is principally engaged in the exploration and development of iron ore mining projects in Western Australia. Affected by the difficulties in concluding infrastructure and logistics solutions, the Group has not commenced commercial production of its projects. No revenue was generated and the Group recorded a net loss for the year ended 30 June 2017 and the six months ended 31 December 2017. The Group has achieved progress in finding suitable infrastructure and logistic solution by entering into the Term Sheet with BBIG. The partnership with BBIG, if materialised, will help concluding the infrastructure and logistic solution for the commercial production of the iron ore projects in Western Australia, in particular the flagship Marillana Project. As further time is needed to finalise the transaction documents with BBIG including compliance with the relevant listing rules, and in view of the negative cash flow and net current liabilities position in the latest financial year, as well as maintaining all the Group's mining leases and licences in good order, the Group is in need of cash to support its working capital.

The executive Directors have explored different fund raising alternatives for the Group. Having considered the current financial position of the Group, the executive Directors consider debt financing or rights issues and open offers not practicable on acceptable terms. Taking into account the expected cash proceeds from the OL Subscription and the set off of the current Loan, the executive Directors consider it beneficial to the Group to enter into the OL Subscription Agreement. The expected net proceeds from the OL Subscription will be approximately HK\$18.5 million which will be used for general working capital of the Group.

The OL Subscription Price represents a premium of approximately 86.9% over the net asset value per Share of the Group as at 31 December 2017 and the implied P/B of the OL Subscription is above the high end of the Comparable Companies. Although the OL Subscription Price represents discounts to the market prices of the Shares prior to entering into the OL Subscription Agreement, such discounts are within the range of the Comparable Issues. The OL Subscription is expected to increase the net asset value per Share of the Group and improve the working capital of the Group. There will be some dilution to the shareholding of the existing public Shareholders. However, we consider this to be acceptable in light of, among other things, (i) the potential benefits to be derived by the Group; (ii) the improvement of financial position of the Group; and (iii) the OL Subscription Price being considered fair and reasonable, as set out in this letter above.

LETTER FROM SOMERLEY CAPITAL LIMITED

OPINION

Having taken into account the above principal factors and reasons which are summarised in the section above headed “Discussion” of this letter, we consider that (1) the OL Subscription, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (2) the terms of the OL Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (3) the OL Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the OL Subscription.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over nine years' experience in the corporate finance industry.

3. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests of the Directors or chief executives of the Company in the Shares and the underlying Shares and any shares and underlying shares of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long position in the Shares and the underlying Shares

Name of Director	Capacity	Number of Shares held	Number of Options held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Mr. Kwai	Beneficial owner	—	80,000,000 (Note 2)	0.95%
	Jointly (Note 1)	60,720,000	—	0.72%
	Interests of controlled corporation (Note 1)	2,426,960,137 (Note 3)	—	28.95%
Mr. Liu Zhengui	Beneficial owner	—	2,500,000 (Note 2)	0.03%
Mr. Ross Stewart Norgard	Beneficial owner	64,569,834	1,500,000 (Note 2)	0.79%
	Interests of controlled corporation	178,484,166	—	2.13%

Name of Director	Capacity	Number of Shares held	Number of Options held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Mr. Colin Paterson	Beneficial owner	30,173,004	12,000,000 (Note 2)	0.60%
	Interest of his spouse	22,625,442	—	0.27%
Mr. Uwe Henke Von Parpart	Beneficial owner	—	1,500,000 (Note 2)	0.02%
Mr. Kwai Kwun, Lawrence	Beneficial owner	28,658,412	35,000,000 (Note 2)	0.76%
	Interests of controlled corporation	59,000,000	—	0.70%
Mr. Chan Kam Kwan, Jason	Beneficial owner	—	10,000,000 (Note 2)	0.12%
Mr. Yap Fat Suan, Henry	Beneficial owner	400,000	1,500,000 (Note 2)	0.02%
Mr. Choi Yue Chun, Eugene	Beneficial owner	—	1,500,000 (Note 2)	0.02%

Notes:

1. The 1,776,960,137 Shares were held by Ocean Line, a company held as to 60% by Mr. Kwai and as to 40% by Ms. Cheung Wai Fung (Mr. Kwai's spouse). In addition, Mr. Kwai and Ms. Cheung have a joint direct interest in 60,720,000 Shares.
2. Options proposed to be granted under the Proposed Grant.
3. They consisted of 1,776,960,137 Shares held by Ocean Line and 650,000,000 Shares agreed to be subscribed for by Ocean Line under the OL Subscription.

Apart from the above, as at the Latest Practicable Date, there was no interest of the Directors or chief executives of the Company in the Shares and the underlying Shares of the Company and any shares and underlying shares of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in the Shares and the underlying Shares

Name	Nature of interest	Number of Shares or underlying Shares	Approximate % of the issued share capital of the Company as at the Latest Practicable Date
Ocean Line (<i>Note 1</i>)	Beneficial owner	1,776,960,137	21.20%
Mr. Kwai (<i>Note 1</i>)	Interest held by controlled corporations	1,776,960,137	21.20%
	Interest held jointly with another person	60,720,000	0.72%
Cheung Wai Fung (<i>Note 1</i>)	Interest held by controlled corporations	1,776,960,137	21.20%
	Interest held jointly with another person	60,720,000	0.72%

Name	Nature of interest	Number of Shares or underlying Shares	Approximate % of the issued share capital of the Company as at the Latest Practicable Date
Equity Valley Investments Limited	Beneficial owner	515,574,276	6.15%
The XSS Group Limited (Note 2)	Interest held by controlled corporations	515,574,276	6.15%
Cheung Sze Wai, Catherine (Note 2)	Interest held by controlled corporations	515,574,276	6.15%
Luk Kin Peter Joseph (Note 2)	Interest held by controlled corporations	515,574,276	6.15%
KQ Resources Limited	Beneficial owner	1,015,928,146	12.12%

Notes:

- Ocean Line is owned as to 60% by Mr. Kwai and as to 40% by Ms. Cheung Wai Fung (Mr. Kwai's spouse). In addition, Mr. Kwai and Ms. Cheung have a joint direct interest in 60,720,000 shares. Mr. Kwai is a director of Ocean Line.
- The 515,574,276 Shares were held by Equity Valley Investments Limited. Equity Valley Investments Limited is wholly-owned by The XSS Group Limited, of which 50%, 20% and 30% of its issued share capital were held by Mr. Luk Kin Peter Joseph, Ms. Cheung Sze Wai, Catherine (Mr. Luk's spouse) and Ms. Chong Yee Kwan (Mr. Luk's mother) respectively.

Save as disclosed above, there was no person (not being a Director or chief executive of the Company) known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to or which were proposed to be acquired, disposed of by or leased to any member of the Group, since 30 June 2017, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the Group's businesses as required to be disclosed pursuant to Rule 8.10 of the Hong Kong Listing Rules.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advice contained or mentioned in this circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Somerley has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Somerley was not beneficially interested in the share capital of any member of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any direct or indirect interest in any

assets which had been acquired, disposed of by or leased to or which were proposed to be acquired, disposed of by or leased to any member of the Group, since 30 June 2017, the date to which the latest published audited financial statements of the Group were made up.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 30 June 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Suite 3903B, 39/F Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the period of 14 days from the date of this circular:

- (a) the Subscription Agreements;
- (b) the OL Subscription Agreement; and
- (c) this circular.

10. MISCELLANEOUS

- (a) The secretary of the Company is Chan Kam Kwan, Jason. Mr. Chan is a member of the American Institute of Certified Public Accountants.
- (b) The Hong Kong branch share registrar of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong while the Australia branch share registrar of the Company is Computershare Investor Services Pty Limited, Level 11, 172 St Georges Terrace, Perth, WA 6000, Australia.
- (c) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

NOTICE OF SGM

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Brockman Mining Limited (the “Company”) will be held at Suite 3903B, 39/F Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 27 April 2018 at Hong Kong time 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the execution of the conditional shares subscription agreement dated 6 December 2017 and the supplemental agreement dated 23 March 2018 (the “**CG Subscription Agreement**”, a copy of which is marked “A” and initialled by the chairman of the SGM for identification purpose and tabled at the SGM) made between the Company (as issuer) and China Guoyin Investments (HK) Ltd (“**China Guoyin**”) (as subscriber), pursuant to which China Guoyin has agreed to subscribe for 50,000,000 shares of HK\$0.10 each in the capital of the Company (“**CG Subscription Shares**”), and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the allotment and issue of the CG Subscription Shares to China Guoyin pursuant to the terms of the CG Subscription Agreement be and are hereby approved; and
- (c) the directors of the Company (“**Directors**”) or a duly authorised committee of the board of Directors (“**Board**”) be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the CG Subscription Agreement and all transactions contemplated thereunder and all other matters

* *for identification purpose only*

NOTICE OF SGM

incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the CG Subscription Agreement and all transactions contemplated thereunder and are in the interests of the Company.”

2. **“THAT**

- (a) the execution of the conditional shares subscription agreement dated 6 December 2017 and the supplemental agreement dated 23 March 2018 (the **“Duofu Subscription Agreement”**, a copy of which is marked “B” and initialed by the chairman of the SGM for identification purpose and tabled at the SGM) made between the Company (as issuer) and Duofu Holdings Group Co., Limited (**“Duofu”**) (as subscriber), pursuant to which Duofu has agreed to subscribe for 80,000,000 shares of HK\$0.10 each in the capital of the Company (**“Duofu Subscription Shares”**), and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the allotment and issue of the Duofu Subscription Shares to Duofu pursuant to the terms of the Duofu Subscription Agreement be and are hereby approved; and
- (c) the Directors or a duly authorised committee of the Board be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Duofu Subscription Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Duofu Subscription Agreement and all transactions contemplated thereunder and are in the interests of the Company.”

3. **“THAT**

- (a) the execution of the conditional shares subscription agreement dated 6 December 2017 and the supplemental agreement dated 23 March 2018 (the **“OL Subscription Agreement”**, a copy of which is marked “C” and initialed by the chairman of the SGM for identification purpose and tabled at the SGM) made between the Company (as issuer) and Ocean Line Holdings Limited (as subscriber) (**“Ocean Line”**), pursuant to which Ocean Line has agreed to subscribe for 650,000,000 shares of HK\$0.10 each in the capital of the Company (the **“OL Subscription Shares”**) to be issued by the Company, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF SGM

- (b) for the purposes of Rule 10.11 of the listing rules of ASX Limited (“**ASX Listing Rules**”) and for all other purposes, the issue by the Company of the OL Subscription Shares to Ocean Line pursuant to the terms and conditions of the OL Subscription Agreement, as described in the letter from the Board and the explanatory memorandum set out in the Company’s circular dated 10 April 2018, be and are hereby approved;
- (c) the allotment and issue of the OL Subscription Shares to Ocean Line pursuant to the terms of the OL Subscription Agreement be and are hereby approved; and
- (d) the Directors or a duly authorised committee of the Board be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the OL Subscription Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the OL Subscription Agreement and all transactions contemplated thereunder and are in the interests of the Company.”

Voting Exclusion Statement for Resolution 3 (pursuant to ASX Listing Rules): In accordance with ASX Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 3 by Ocean Line, any person who may obtain a benefit (except a benefit solely in the capacity of a shareholder of the Company) if Resolution 3 is passed, and their respective associates (as defined under the ASX Listing Rules). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the SGM as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The independent financial adviser, Somerley Capital Limited, considers that the terms of the OL Subscription Agreement (being the subscription agreement with respect to the OL Subscription Agreement as defined in the Company’s circular dated 10 April 2018) are fair and reasonable so far as the independent shareholders of the Company are concerned. A letter from Somerley Capital Limited containing its advice to the independent board committee and the independent shareholders of the Company in respect of the OL Subscription is set out on pages 28 to 52 of the Company’s circular dated 10 April 2018.

NOTICE OF SGM

4. **“THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the shareholders of the Company (the **“Shareholders”**) approve and authorise the Company to grant 80,000,000 options under the share option schemes (the **“Share Option Schemes”**) adopted by the Company on 13 November 2012 (**“Options”**) (each to acquire one fully paid ordinary share in the Company (**“Share”**)) to Mr. Kwai Sze Hoi in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Company’s circular dated 10 April 2018 (including the accompanying Explanatory Memorandum therein) (the **“Circular”**).”

Voting Exclusion Statement for Resolution 4 (pursuant to ASX Listing Rules): In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 4 by Mr. Kwai Sze Hoi and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. **“THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 2,500,000 Options (each to acquire one fully paid Share) to Mr. Liu Zhengui in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 5 (pursuant to ASX Listing Rules): In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 5 by Mr. Liu Zhengui and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. **“THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 1,500,000 Options (each to acquire one fully paid Share) to Mr. Ross Stewart Norgard in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

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Voting Exclusion Statement for Resolution 6 (pursuant to ASX Listing Rules): In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 6 by Mr. Ross Stewart Norgard and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. “**THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 35,000,000 Options (each to acquire one fully paid Share) to Mr. Kwai Kwun, Lawrence in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 7 (pursuant to ASX Listing Rules): In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 7 by Mr. Kwai Kwun, Lawrence and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. “**THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 10,000,000 Options (each to acquire one fully paid Share) to Mr. Chan Kam Kwan, Jason in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 8 (pursuant to ASX Listing Rules): In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 8 by Mr. Chan Kam Kwan, Jason and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

NOTICE OF SGM

9. “**THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 12,000,000 Options (each to acquire one fully paid Share) to Mr. Colin Paterson in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 9 (pursuant to ASX Listing Rules):

In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 9 by Mr. Colin Paterson and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. “**THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 1,500,000 Options (each to acquire one fully paid Share) to Mr. Uwe Henke Von Parpart in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 10 (pursuant to ASX Listing Rules):

In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 10 by Mr. Uwe Henke Von Parpart and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. “**THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 1,500,000 Options (each to acquire one fully paid Share) to Mr. Yap Fat Suan, Henry in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 11 (pursuant to ASX Listing Rules):

In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 11 by Mr. Yap Fat Suan, Henry and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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12. “**THAT**, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Company to grant 1,500,000 Options (each to acquire one fully paid Share) to Mr. Choi Yue Chun, Eugene in accordance with the Share Option Schemes and otherwise on the terms and conditions set out in the Circular.”

Voting Exclusion Statement for Resolution 12 (pursuant to ASX Listing Rules):

In accordance with ASX Listing Rule 10.13 and 14.11, the Company will disregard any votes cast on Resolution 12 by Mr. Choi Yue Chun, Eugene and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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

Hong Kong, 10 April 2018

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of business
in Hong Kong:*
Suite 3903B
39/F Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. **If your shares in the Company are recorded under the Company's Hong Kong share registrar or the Company's Bermuda principal share registrar, please complete the Hong Kong proxy form and return it, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited. Please read and follow the instructions, including the deadline, on the Hong Kong proxy form to lodge the form.**

If your shares in the Company are recorded under the Company's Australia share registrar, please complete the Australia proxy form and return it, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrar in Australia, Computershare Investor Services Pty Limited. Please read and follow the instructions, including the deadline, on the Australia proxy form to lodge the form. You can appoint up to two proxies by lodging the Australia proxy form. Should you wish to appoint more proxies, please fax your written request to the Company at +852 3007 9138 no later than 10:00 a.m. Australian Western Standard Time on 25 April 2018.

EXPLANATORY MEMORANDUM PREPARED IN ACCORDANCE WITH ASX LISTING RULES

This Explanatory Memorandum, the notice of SGM and the circular dated 10 April 2018 (the “**Circular**”) are important documents. They should be read carefully.

This Explanatory Memorandum forms part of the Circular. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless stated otherwise.

This Explanatory Memorandum also forms part of the notice of SGM set out on pages 60 to 67 of the Circular. It should be read in conjunction with the notice of SGM and the resolutions therein.

If you have any questions regarding the matters set out in this Explanatory Memorandum or the notice of SGM, please contact the Company, your financial adviser, stockbroker or solicitor.

1. RESOLUTION 3 — PROPOSED ISSUE OF SHARES TO OCEAN LINE

1.1 Background to Resolution 3

Please refer to pages 11 to 14 of the letter from the Board contained in the Circular (“**Letter from the Board**”) for details of the background to Resolution 3.

1.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires Shareholder approval by ordinary resolution to any issue, or agreement to issue, by an ASX listed company of equity securities to a related party, or a person whose relationship with the ASX-listed company or a related party of the ASX listed company is, in ASX’s opinion, such that approval should be obtained (unless an exception in ASX Listing Rule 10.12 applies).

Ocean Line is a “related party” of the Company as it is controlled by Mr. Kwai Sze Hoi (a Director, and therefore a related party, of the Company). Mr. Kwai Sze Hoi owns 60% of Ocean Line, with the other 40% owned by his spouse, Ms. Cheung Wai Fung.

The exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under ASX Listing Rule 10.11 for the issue of the OL Subscription Shares to Ocean Line.

EXPLANATORY MEMORANDUM PREPARED IN ACCORDANCE WITH ASX LISTING RULES

1.3 ASX Listing Rule 7.1

As announced by the Company on 24 November 2011, the ASX has granted to the Company a continuing, conditional waiver from ASX Listing Rule 7.1. As the Company continues to comply with the conditions of the waiver, approval pursuant to ASX Listing Rule 7.1 is not required to issue the OL Subscription Shares to Ocean Line.

1.4 ASX Listing Rule requirements

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders with respect to the issue of the OL Subscription Shares:

- (a) the OL Subscription Shares will be issued to Ocean Line;
- (b) a total of 650,000,000 OL Subscription Shares will be issued to Ocean Line;
- (c) if Resolution 3 is approved by Independent Shareholders, the OL Subscription Shares will be issued no later than 1 month after the date of the SGM, or such longer period as ASX may approve;
- (d) Ocean Line is a “related party” of the Company as it is controlled by Mr. Kwai Sze Hoi (a Director, and therefore a related party, of the Company). Mr. Kwai Sze Hoi owns 60% of Ocean Line, with the other 40% owned by his spouse, Ms. Cheung Wai Fung;
- (e) the OL Subscription Shares are to be issued by the Company at an aggregate subscription price of approximately HK\$65 million (equivalent to an issue price of HK\$0.10 per OL Subscription Share). The proposed issue of the OL Subscription Shares will be made pursuant to the terms and conditions set out at pages 11 to 14 of the Letter from the Board under the heading “Subscription of Shares by Ocean Line”;
- (f) the issue of the OL Subscription Shares will raise approximately HK\$65 million. The intended use of the funds raised is set out at page 14 of the Letter from the Board under the headings “Use of proceeds” and “Reasons for and benefits of the Subscriptions and the OL Subscription”; and
- (g) a voting exclusion statement with respect to Resolution 3 is included in both the notice of SGM and at paragraph 6 of this Explanatory Memorandum below.

EXPLANATORY MEMORANDUM PREPARED IN ACCORDANCE WITH ASX LISTING RULES

1.5 Directors' Recommendation

The Directors (other than (i) Mr. Kwai Sze Hoi, who has declined to make a recommendation due to his position as representative of Ocean Line on the Board and: (ii) Mr. Kwai Kun, Lawrence, who has declined to make a recommendation due to his relationship as the son of Mr. Kwai Sze Hoi) recommend that Shareholders vote in favour of Resolution 3 for the reasons set out at pages 14 to 19 of the Letter from the Board under the heading “Reasons for and benefits of the Subscriptions and the OL Subscription” and at page 26 of the Letter from the Board under the heading “Recommendation”.

1.6 Voting exclusion statement

The voting exclusion statement in respect of Resolution 3 is set out in the notice of SGM.

EXPLANATORY MEMORANDUM PREPARED IN ACCORDANCE WITH ASX LISTING RULES

2. RESOLUTIONS 4 TO 12 (INCLUSIVE) — ISSUE OF OPTIONS TO DIRECTORS

2.1 Background

Resolutions 4 to 12 (inclusive) will be considered and voted on separately at the SGM. For convenience, however, we have combined the explanatory notes for Resolutions 4 to 12.

Please refer to pages 21 to 24 of the Letter from the Board for details of the background to Resolutions 4 to 12.

The purpose of the Share Option Schemes is to enable the Company to grant Options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries. Each of the Recipient is entitled to participate in any Share Option Scheme.

The grant of the 145,500,000 Options to the Recipients is intended to act as both an incentive and a reward for the Recipients to align themselves with the Company's strategic plan focusing on optimizing performance with the benefits flowing through to enhanced Shareholder returns.

The exercise of the Options is not subject to the satisfaction of any key performance targets.

The grant to each of the Recipients requires Shareholder approval under the ASX Listing Rules.

2.2 Key details of the Options

It is proposed that the Recipients are to be granted the Options pursuant to the terms and conditions of the Share Option Schemes which are summarized in the Letter to the Board on pages 21 to 24 of this Circular.

EXPLANATORY MEMORANDUM PREPARED IN ACCORDANCE WITH ASX LISTING RULES

2.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides, in essence, that the approval of shareholders is required before any entity issue or agree to issue any equity securities to any of the following persons:

- (a) a related party;
- (b) a person whose relationship with the Company or a person referred to in paragraph (a) is, in ASX's opinion, such that approval should be obtained.

The Recipients are Directors and hence related parties for the purpose of ASX Listing Rule 10.11. Accordingly, in order for the Company to issue Options to related parties, the Company must obtain Shareholders approval pursuant to ASX Listing Rule 10.11.

2.4 Disclosure requirements

ASX Listing Rule 10.13 sets out the requirements for a notice of meeting requesting shareholder approval under ASX Listing Rule 10.11. In accordance with ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 4 to 12 (inclusive):

- (a) the Recipients are Directors. In addition, Mr. Kwai Sze Hoi is the Chairman of the Company, Mr. Liu Zhengui is the Vice Chairman of the Company, Mr. Chan Kam Kwan Jason is the Company Secretary of the Company, and Mr. Kwai Kwun, Lawrence is the son of Mr. Kwai Sze Hoi;

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- (b) subject to Shareholder approval being obtained, the maximum number of Options that may be granted to the Recipients collectively is 145,500,000 Options. If all 145,500,000 Options are exercised, the Recipients will be entitled to collectively acquire a maximum of 145,500,000 Shares based on the existing share capital structure of the Company. The maximum number of Options, and if all of those Options are exercised, Shares that may be granted by the Company to each Recipients individually can be found in the table below:

A total of 145,500,000 Options are proposed to be granted to the Directors:

Director	Number of Options	Vesting date <i>(note)</i>	Exercise price (Issue price per share)	Maximum number of Shares to be issued upon exercise of the Options	Expiry date
Mr. Kwai	80,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	80,000,000	31 December 2020
Liu Zhengui	2,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	2,500,000	31 December 2020
Ross Stewart Norgard	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.162	1,500,000	31 December 2020
Kwai Kwun, Lawrence	35,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	35,000,000	31 December 2020
Chan Kam Kwan, Jason	10,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	10,000,000	31 December 2020
Colin Paterson	12,000,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.162	12,000,000	31 December 2020

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Director	Number of Options	Vesting date <i>(note)</i>	Exercise price (Issue price per share)	Maximum number of Shares to be issued upon exercise of the Options	Expiry date
Uwe Henke Von Parpart	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	1,500,000	31 December 2020
Yap Fat Suan, Henry	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	1,500,000	31 December 2020
Choi Yue Chun, Eugene	1,500,000	50% vest from 1 January 2019 100% vest from 1 January 2020	HK\$0.124	1,500,000	31 December 2020

Note: The Options will immediately vest and become exercisable in full when there is any party (with its concert parties) which acquires 30% or more of the then outstanding issued share capital of the Company.

- (c) the Options are granted for a consideration of HK\$1.00 per Recipient and therefore only nominal consideration of HK\$9.00 will be raised by the grant of the Options to the Recipients. This amount, and any funds raised from time to time due to the exercise of any Options by the Recipients will be used as the Board sees fit;
- (d) as at the date of this Notice, the persons referred to in ASX Listing Rule 10.13 entitled to participate in Share Option Schemes are the Directors. The current Directors are Mr. Kwai Sze Hoi, Mr. Liu Zhengui, Mr. Ross Stewart Norgard, Mr. Kwai Kun, Lawrence, Mr. Chan Kam Kwan, Jason, Mr. Colin Paterson, Mr. Yap Fat Suan, Henry, Mr. Uwe Henke Von Parpart and Mr. Choi Yue Chun, Eugene. Options cannot however be granted to related parties unless prior approval of Shareholders is obtained in accordance with the ASX Listing Rules;
- (e) no loans will be made by the Company in connection with the acquisition of Options, or the exercise of those Options by the Recipients;
- (f) if any of Resolutions 4 to 12 (inclusive) is approved by Shareholders, the relevant Options for which Shareholder approval was obtained will be granted by the Board no later than one month after the date of the SGM and it is anticipated that the allotment of the Options will be on one date;

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- (g) the terms and conditions of the proposed grant of the Options to the Recipients are set out in the Letter from the Board on pages 21 to 24 of this circular, and the Options will be granted pursuant to the terms and conditions of the Share Option Schemes; and
- (h) voting exclusion statements in respect of Resolutions 4 to 12 (inclusive) are set out in the notice of SGM and Directors' Recommendations are set out in section 2.7 of this Explanatory Memorandum.

2.5 ASX Listing Rule 7.1

As announced by the Company on 24 November 2011, the ASX has granted to the Company a continuing, conditional waiver from ASX Listing Rule 7.1. As the Company continues to comply with the conditions of the waiver, approval pursuant to ASX Listing Rule 7.1 is not required to issue the Options or Shares upon the exercise of those Options to the Recipients.

2.6 Chapter 2E of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the statutory exceptions applies or shareholders have in a general meeting approved the giving of that financial benefit.

Shareholder approval is not required to be sought pursuant to Chapter 2E of the Corporations Act as the Company is a "foreign company", and not a "public company", for the purposes of the Corporations Act.

2.7 Directors' Recommendations

Resolution 4

All the Directors (other than Mr. Kwai Sze Hoi and Mr. Kwai Kun, Lawrence, who decline to make any recommendation due to their material personal interest in the outcome of Resolution 4) consider the grant of Options to Mr. Kwai under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 4, for the reasons provided in this Explanatory Memorandum.

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Resolution 5

All the Directors (other than Mr. Liu Zhengui, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 5) consider the grant of Options to Mr. Liu under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 5, for the reasons provided in this Explanatory Memorandum.

Resolution 6

All the Directors (other than Mr. Ross Stewart Norgard, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 6) consider the grant of Options to Mr. Norgard under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 6, for the reasons provided in this Explanatory Memorandum.

Resolution 7

All the Directors (other than Mr. Kwai Kun, Lawrence and Mr. Kwai Sze Hoi, who decline to make any recommendation due to their material personal interest in the outcome of Resolution 7) consider the grant of Options to Mr. Kwai Kun Lawrence under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 7, for the reasons provided in this Explanatory Memorandum.

Resolution 8

All the Directors (other than Mr. Chan Kam Kwan, Jason, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 8) consider the grant of Options to Mr. Chan under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 8, for the reasons provided in this Explanatory Memorandum.

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Resolution 9

All the Directors (other than Mr. Colin Paterson, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 9) consider the grant of Options to Mr. Paterson under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 9, for the reasons provided in this Explanatory Memorandum.

Resolution 10

All the Directors (other than Mr. Uwe Henke Von Parpart, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 10) consider the grant of Options to Mr. Parpart under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 10, for the reasons provided in this Explanatory Memorandum.

Resolution 11

All the Directors (other than Mr. Yap Fat Suan, Henry, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 11) consider the grant of Options to Mr. Yap under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 11, for the reasons provided in this Explanatory Memorandum.

Resolution 12

All the Directors (other than Mr. Choi Yue Chun, Eugene, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 12) consider the grant of Options to Mr. Choi under the Share Option Schemes are in the best interest of the Company as well as the Shareholders as a whole, and recommend that Shareholders vote in favour of Resolution 12, for the reasons provided in this Explanatory Memorandum.