brockman
resources.

21 December 2011

The Manager
Company Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

DESPATCH OF TARGET'S STATEMENT

Brockman Resources Limited (**Brockman**) has today completed despatch of its target's statement in response to the off-market takeover bid by Wah Nam International Australia Pty Ltd for all of the ordinary shares in Brockman.

Attached is a copy of the Target's Statement despatched to Brockman's shareholders.

Yours faithfully

Tara Robson
Brockman Resources
Company Secretary

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ABN

Brockman Resources Limited
(ABN 73 009 372 150)

Target's Statement

The Independent Directors of Brockman Resources Limited unanimously recommend that you

ACCEPT

the takeover offer from Wah Nam International Australia Pty Ltd (in the absence of a superior proposal)

This Target's Statement has been issued in response to the off market takeover bid made by Wah Nam International Australia Pty Ltd (ACN 134 696 727) for all of the ordinary shares in Brockman Resources Limited not already held by Wah Nam International Australia.

brockman resources.

This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

LEGAL ADVISOR
Freehills

FINANCIAL ADVISOR
UBS

Important notices

Nature of this document

This document is a Target's Statement issued by Brockman Resources Limited (ABN 73 009 372 150) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Wah Nam International Australia Pty Ltd (ACN 134 696 727), a wholly-owned Subsidiary of Wah Nam International Holdings Limited (ARBN 143 211 867), a company incorporated in Bermuda and listed on the ASX and the HKEx, for all of the ordinary shares in Brockman not already held by Wah Nam Australia.

A copy of this Target's Statement was lodged with ASIC and given to the ASX on 15 December 2011. Neither ASIC nor the ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Key dates

Date of Wah Nam's Offer	21 December 2011
Date of this Target's Statement	15 December 2011
Close of Wah Nam's Offer Period (unless extended or withdrawn)	4:00pm Western Standard Time (**WST**) on 23 January 2012

Brockman Shareholder information

Brockman has established a shareholder information line which Brockman Shareholders may call if they have any queries in relation to Wah Nam's Offer. The telephone number for the shareholder information line is 1300 554 240 (for calls made from within Australia) or +61 3 9415 4337 (for calls made from outside Australia).

Further information relating to Wah Nam's Offer can be obtained from Brockman's website at www.brockman.com.au.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Independent Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Brockman operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Brockman, Brockman's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Important notices

Disclaimer as to information

The information on Wah Nam, Wah Nam Australia, the Wah Nam Group and Wah Nam's securities contained in this Target's Statement has been prepared by Brockman using publicly available information, and information provided by Wah Nam. The information in this Target's Statement concerning Wah Nam, Wah Nam Australia and the Wah Nam Group and those companies' assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Brockman. Accordingly Brockman does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Foreign currency

Unless otherwise stated, the exchange rate used in this Target's Statement for the conversion of HK$ to A$ is HK$7.8825:A$1, being the exchange rate at close of trading on 9 December 2011.

Maps and diagrams

Any diagrams, charts, maps, graphs figures, and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Brockman has collected your information from the Brockman register of shareholders and option holders for the purpose of providing you with this Target's Statement. The type of information Brockman has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Brockman. Without this information, Brockman would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Brockman's related bodies corporate and external service providers (such as the share registry of Brockman and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about your holdings held by Brockman, please contact Computershare Investor Services Pty Limited by post at GPO Box 242, Melbourne, Victoria, 3001, or by telephone on 1300 554 240 (for calls within Australia) and +61 3 9415 4337 (for international calls). Brockman's privacy policy is available at www.brockman.com.au. The registered address of Brockman is Level 1, 117 Stirling Highway, Nedlands, Western Australia, 6009.

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15 December 2011

Dear Shareholders

ACCEPT
WAH NAM AUSTRALIA'S TAKEOVER OFFER FOR BROCKMAN

On 12 December 2011, Brockman Resources Limited (**Brockman**) (ASX: BRM) announced that it had entered into a Bid Implementation Agreement (**BIA**) with Wah Nam International Holdings Limited (**Wah Nam**) (HKEx: 0159; ASX: WNI), pursuant to which Wah Nam International Australia Pty Ltd (**Wah Nam Australia**), a wholly owned subsidiary of Wah Nam, intends to make a conditional off–market takeover offer for the remaining shares in Brockman that Wah Nam does not already own (**Wah Nam's Offer** or the **Offer**). Wah Nam Australia currently owns 55.33% of Brockman's shares on issue.

The Offer consideration is **A$1.50 cash** and **18 Wah Nam Shares** (**Wah Nam Shares**) for every **1 (one)** share in Brockman (**Brockman Share**), implying an Offer price of **A$3.03**[1] for every one Brockman Share. This represents a premium of approximately A$0.77 per Brockman Share or approximately 34%, when compared to the closing price of Brockman's Shares on 9 December 2011, the last trading day prior to the announcement of the Offer. The Independent Expert has determined that Wah Nam's Offer is fair and reasonable.

The Brockman independent directors (namely Brockman Joint Deputy Chairman Mr Ross Norgard, Brockman Non Executive Director Mr Michael Spratt and Brockman Interim Chief Executive Officer Mr Colin Paterson, being those Brockman directors who are not nominees of, nor suggested to Brockman by, Wah Nam (the **Independent Directors**)), unanimously recommend that Brockman Shareholders **ACCEPT** Wah Nam's Offer in the absence of a superior proposal. The key reasons to **ACCEPT** Wah Nam's Offer are that the Offer:

(i) represents an attractive premium to recent trading levels of Brockman Shares and should provide a more liquid investment;

(ii) will simplify the current shareholder structure by consolidating all shareholdings into Wah Nam. Consolidation should improve funding options to develop Brockman's Marillana iron ore project; and

(iii) provides immediate value certainty via the A$1.50 cash component as well as exposure to the potential upside of Brockman's Marillana iron ore project via the 18 Wah Nam Shares scrip component.

A full discussion of each of these key reasons is set out in section 1 of this Target's Statement. I urge you to read that section and the rest of this Target's Statement in its entirety.

The Independent Directors, in the absence of a superior proposal, intend to accept the Wah Nam Offer made in respect of any Brockman Shares they own or control, (representing 11.35% of Brockman Shares currently on issue), no later than 2 days after the satisfaction of the conditions set out in sections 13.9(a) to (d) of the Bidder's Statement.

Following careful consideration of the strategic alternatives available to Brockman, the Independent Directors concluded that Wah Nam's Offer represents the best opportunity for Brockman Shareholders to maximise the value of their investment.

1 Calculated based on the closing price of Wah Nam Shares on the HKEx of HK$0.67 on 9 December 2011, converted to A$ using A$:HK$ exchange rate of 7.8825 as at 9 December 2011.

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Offer conditions

The Wah Nam Offer is subject to certain conditions (**Conditions**), including Wah Nam shareholder approval. The Wah Nam shareholder meeting to vote on the shareholder resolutions is scheduled to be held on or around 6 January 2012. Details of the Conditions and Wah Nam shareholder approval are set out in section 6.3 of this Target's Statement and section 13.9 of the Bidder's Statement.

Financing

Wah Nam Australia will fund the cash consideration payable under the Offer using a combination of:

- existing cash resources;
- the proceeds from the issue of Wah Nam Shares and the issue of a convertible bond (**Convertible Bond**) to Ocean Line Holdings Limited and its associates (as that term is defined in the listing rules of the Hong Kong Stock Exchange) (**Subscriber**) under a subscription agreement between the Subscriber and Wah Nam dated 12 December 2011 (**Subscription Agreement**); and
- the proceeds from the placement of Wah Nam Shares (**Placement Shares**) to placees procured, on a fully underwritten basis, by REORIENT Financial Markets Limited (**Underwriter**) under an underwriting agreement between the Underwriter and Wah Nam dated 12 December 2011 (**Underwriting Agreement**).

Wah Nam shareholder approval is required to approve the Subscription Agreement and the transactions contemplated under it, including the allotment and issue of the Subscription Shares and the issue of the Convertible Bond. Shareholder approval is also required to approve the Underwriting Agreement and the transactions contemplated under it, including the allotment and issue of the Placement Shares.

This Target's Statement contains the formal response of the Brockman Board to Wah Nam's Offer. I strongly encourage you to read all information contained in this Target's Statement carefully and to seek independent advice. You are also strongly encouraged to read the Bidder's Statement, which you should receive in the mail in the coming days, if you have not yet already.

Your Board will keep you informed of any further developments in relation to the Offer. The Offer is scheduled to close at 4:00pm Australian Western Standard Time on 23 January 2012 (unless extended).

Brockman's financial adviser is UBS AG, Australia Branch, with legal advice being provided by Freehills.

If you have any queries in relation to Wah Nam's Offer, you can call 1300 554 240 (for calls made from inside Australia) or +61 3 9415 4337 (for calls made from outside Australia). We will also post updates on our website at www.brockman.com.au.

Yours sincerely

Ross Norgard
Non-Executive Joint Deputy Chairman
Brockman Resources Limited

What you should do

ACCEPT

Your Independent Directors unanimously recommend that you ACCEPT Wah Nam's Offer (in the absence of a superior proposal)

Your Independent Directors unanimously recommend that you **ACCEPT** Wah Nam's Offer for all of the Brockman Shares you hold. Subject to certain key bid Conditions being satisfied, your Independent Directors intend on accepting Wah Nam's Offer for any Brockman Shares they own or control, in the absence of a superior proposal.

You should:

1 Read this Target's Statement (including the contents of the Independent Expert's Report) and the Bidder's Statement.

2 Consider the choices available to you (as outlined in section 4 of this Target's Statement).

3 Consult your investment, financial, taxation or other professional adviser if in doubt about what to do and as to the effect of accepting Wah Nam's Offer.

4 If you have any queries concerning the Offer, please contact the Brockman Shareholder information line on:

- 1300 554 240 within Australia; or
- +61 3 9415 4337 from outside of Australia,

which is open from Monday to Friday between 8:00am and 8:30pm AEST.

How can you ACCEPT Wah Nam's Offer

To accept the Offer, you should follow the instructions as set out below and in section 13.5 of the Bidder's Statement, depending on the nature and type of your holding.

In summary, to accept your Brockman Shares into the Offer, you will need to:

- complete the acceptance form which accompanies the Bidder's Statement; and
- mail the acceptance form to:

  Wah Nam International Australia Pty Ltd
  c/o Computershare Investor Services Pty Limited
  GPO Box 52
  Melbourne, Victoria, 3001
  Australia

  using the reply paid envelope (if you are posting from within Australia) or by airmail (if you are posting from outside Australia).

If you are signing the acceptance form:

- under a power of attorney, a certified copy of the power of attorney; or
- as an executor of a will or the administrator of the estate of a deceased Brockman Shareholder, the relevant grant of probate or letter of administration,

must also be forwarded with the acceptance form for inspection.

What you should do

If you are a holder of Brockman Loan Shares, you should read section 9.6 of this Target's Statement which contains information about how you can accept the Offer in respect of your Loan Shares.

To validly accept Wah Nam's Offer, Wah Nam must receive your acceptance form before 4:00pm WST on 23 January 2012, (unless extended).

Contents of this Target's Statement

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1. Why you should ACCEPT the Offer

Why you should ACCEPT the Offer

Why you should
ACCEPT **Wah Nam's offer ...**

1	**Wah Nam's Offer represents an attractive premium to recent trading levels**
2	**Wah Nam's Offer should provide a more liquid investment than your current holding in Brockman**
3	**Wah Nam's Offer will simplify the current shareholder structure, which should improve funding options to develop the Marillana Project**
4	**Wah Nam's Offer provides immediate value certainty and exposure to the potential upside of the Marillana Project**
5	**The Independent Expert has determined that Wah Nam's Offer is fair and reasonable**
6	**No superior proposal has emerged from another party, and is unlikely to emerge**
7	**Wah Nam's Offer has the unanimous support of the Independent Directors**
8	**There are risks in not accepting Wah Nam's Offer**

You should therefore ACCEPT Wah Nam's Offer for all of the Brockman Shares you hold

Why you should ACCEPT the Offer

1.1 Wah Nam's Offer represents an attractive premium to recent trading levels

Wah Nam's Offer comprises:

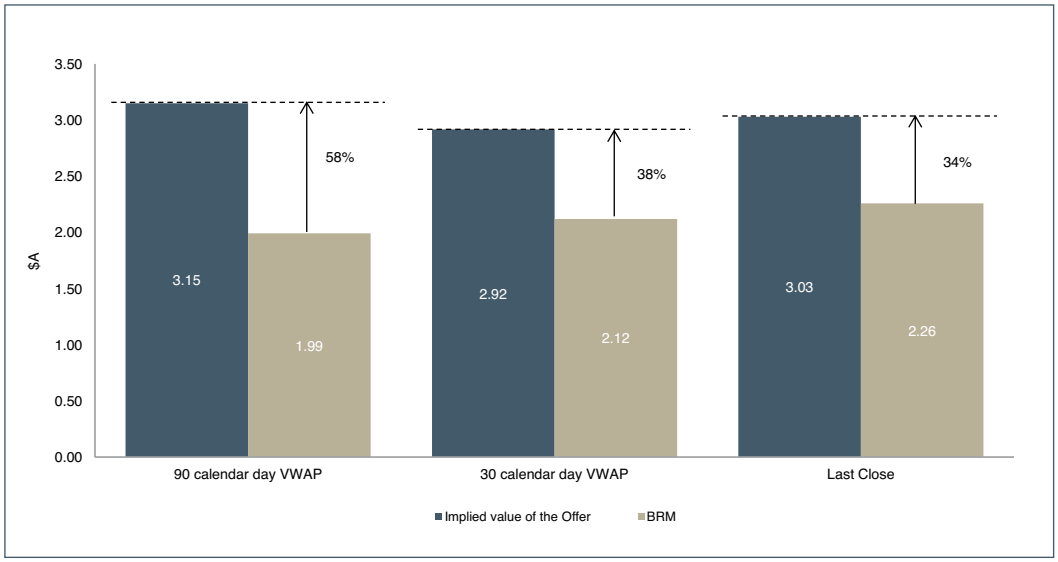
- A$1.50 in cash; and
- 18 Wah Nam Shares.

for every 1 (one) share in Brockman.

As shown in Figure A, the implied value of Wah Nam's Offer is:

- approximately A$3.15, based on the 90 calendar day VWAP[2] of Wah Nam Shares to 9 December 2011, representing a premium of approximately A$1.16 per Brockman Share or 58% when compared to the 90 calendar day VWAP of Brockman Shares to 9 December 2011;
- approximately A$2.92, based on the 30 calendar day VWAP[2] of Wah Nam Shares to 9 December 2011, representing a premium of approximately A$0.80 per Brockman Share or 38% when compared to the 30 calendar day VWAP of Brockman Shares to 9 December 2011; and
- approximately A$3.03[3], based on the last closing price of Wah Nam Shares on the HKEx on 9 December 2011, representing a premium of approximately A$0.77 per Brockman Share or 34% when compared to the last closing price of Brockman Shares on 9 December 2011.

Figure A: Implied value of Wah Nam's Offer



Source: Bloomberg and IRESS as at 9 December 2011

If you accept the Offer, the actual Australian dollar value of Wah Nam's Offer will vary depending on the share price of Wah Nam Shares during the Offer Period, when the Wah Nam Shares are issued, and any fluctuations in the A$:HK$ exchange rate. An example of the impact on the implied value of Wah Nam's Offer resulting from movements in Wah Nam's Share price is provided in Table B below for illustrative purposes:

2 VWAP calculated by converting the daily value of Wah Nam Shares traded to A$ using the respective daily A$:HK$ exchange rate.

3 Calculated based on Wah Nam closing share price on the HKEx of HK$0.67 on 9 December 2011, converted to A$ using A$:HK$ exchange rate of 7.8825 as at 9 December 2011.

Why you should ACCEPT the Offer

Table B: Illustrative example of the impact of Wah Nam Share price movements on the implied Offer value

	Number of Wah Nam Shares		Wah Nam Share price (A$)		Value of Wah Nam Shares (A$)		Cash (A$)		Total implied Offer value
Wah Nam Share price at 9 December 2011	18	x	0.085[a]	=	**1.53**	+	**1.50**	=	**3.03**
Wah Nam Share price at time of issue:									
Wah Nam Share price increases	18	x	0.095[b]	=	**1.71**	+	**1.50**	=	**3.21**
Wah Nam Share price decreases	18	x	0.075[c]	=	**1.35**	+	**1.50**	=	**2.85**

Notes:

a Calculated based on Wah Nam closing share price of HK$0.67 on the HKEx on 9 December 2011, converted to A$ using A$:HK$ exchange rate of 7.8825 as at 9 December 2011

b Assumed A$0.01 increase in Wah Nam Share price (in A$) for illustrative purposes

c Assumed A$0.01 decrease in Wah Nam Share price (in A$) for illustrative purposes

Brockman Shareholders may not be required to pay brokerage if they accept Wah Nam's Offer in respect of their Brockman Shares. Further details are set out in section 1.7 of the Bidder's Statement.

1.2 Wah Nam's Offer should provide a more liquid investment than your current holding in Brockman

Since the conclusion of Wah Nam Australia's previous takeover offer on 15 June 2011, there has been a significant decline in liquidity in Brockman Shares (see Figure C1 and C2) when compared to the same periods prior to the previous takeover offer. This is partly due to Wah Nam's 55.33% interest in Brockman. Given Wah Nam's majority interest in Brockman, low levels of liquidity are likely to continue. Low levels of liquidity may increase the likelihood that Brockman Shares are mispriced by the market.

Furthermore, if Wah Nam's Offer is successful, you will have the option of trading your newly issued Wah Nam Shares on the ASX or the HKEx. As a result, consolidation of 100% of the Brockman register within Wah Nam should provide greater liquidity to Brockman Shareholders than what is currently available through Brockman's listing on the ASX. For more details about holding Wah Nam Shares, please see section 4 of the Bidder's Statement.

Why you should ACCEPT the Offer

Brockman liquidity analysis

Figure C1: Brockman turnover by volume

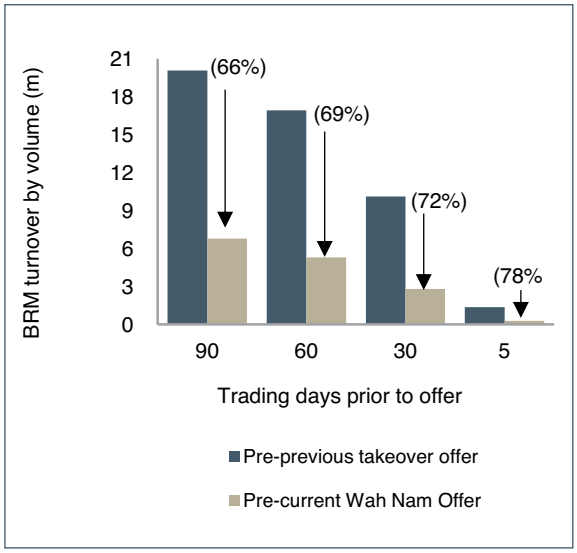
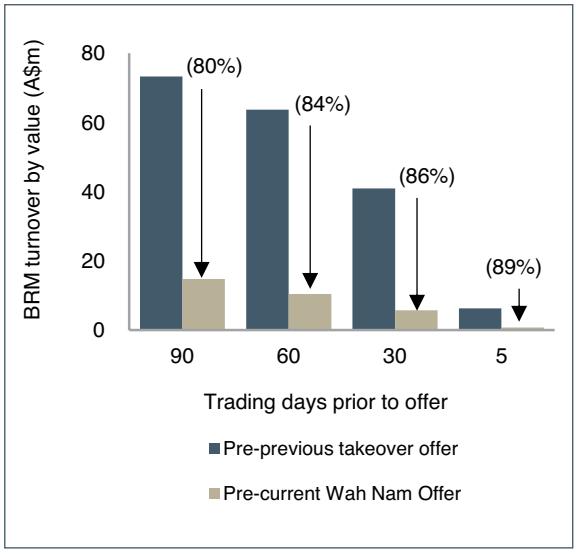


Figure C2: Brockman turnover by value



Source: IRESS as at 9 December 2011

1.3 Wah Nam's Offer will simplify the current shareholder structure, which should improve funding options to develop the Marillana Project

Wah Nam is listed on the HKEx, one of the world's largest capital markets, and serves as a gateway to achieving exposure to the rapidly growing China market. Consequently, if Wah Nam's Offer is successful, it will simplify the current Brockman shareholding structure, which should improve the ability to secure funding to facilitate the development of the world–class Marillana Project.

Furthermore, simplifying the current Brockman shareholding structure will allow Wah Nam to focus on progressing the Marillana Project under a single company and a single corporate centre, rather than the current, more complex structure.

1.4 Wah Nam's Offer provides immediate value certainty and exposure to the potential upside of the Marillana Project

Wah Nam's Offer is A$1.50 in cash and 18 Wah Nam Shares for each Brockman Share. The Independent Directors believe that the A$1.50 cash component delivers immediate value certainty to Brockman Shareholders in the current market environment. Further, the scrip component of 18 Wah Nam Shares provides Brockman Shareholders with exposure to the potential upside of the world–class Marillana Project if and when it progresses through to production.

Why you should ACCEPT the Offer

1.5 The Independent Expert has determined that Wah Nam's Offer is fair and reasonable

The Independent Expert, Deloitte, was engaged by the Independent Directors to express an opinion in a report on whether Wah Nam's Offer is fair and reasonable to Brockman Shareholders.

The Independent Expert's Report states that in the opinion of the Independent Expert, Wah Nam's Offer of A$1.50 in cash and 18 Wah Nam Shares for each Brockman Share is fair and reasonable to Brockman Shareholders, and provides reasons for that opinion.

Wah Nam's Offer is FAIR

The Independent Expert has assessed the fair market value of a Brockman Share on a control basis to be in the range of A$2.70 to A$3.05.

The Independent Expert has assessed the fair market value of the consideration under Wah Nam's Offer to be in the range of A$2.70 to A$2.95.

On the basis that the assessed value of the consideration being offered under Wah Nam's Offer is within the range of the estimated fair market value of a Brockman Share, the Independent Expert has concluded that the offer is **FAIR**.

Wah Nam's Offer is REASONABLE

The Independent Expert has concluded that Wah Nam's Offer is **REASONABLE** on the basis that it is **FAIR**, and also taking into consideration the following factors:

- it is difficult to progress the Marillana Project under the current shareholding structure;
- it may be difficult to source project and equity funding under the current shareholding structure;
- the terms of Wah Nam's Offer have been negotiated over a number of months;
- an alternative offer is unlikely given Wah Nam's controlling interest in Brockman;
- the cash consideration provides Brockman Shareholders with an opportunity to realise approximately 50% of their investment;
- the scrip consideration enables Brockman Shareholders to participate in the potential upside of the proposed merged entity;
- Brockman Shareholders are receiving a premium to the share price of Brockman prior to the announcement of Wah Nam's Offer; and
- in the absence of Wah Nam's Offer, Brockman Shares may trade below current levels.

The Independent Directors believe the Independent Expert's conclusions support their view that Wah Nam's Offer represents the best opportunity for Brockman Shareholders to maximise the value of their investment in the absence of an alternative, superior offer. The above summary of the key conclusions and opinion of the Independent Expert should be read in conjunction with the Independent Expert's Report, which is contained in Section 7 of this Target's Statement.

Why you should ACCEPT the Offer

1.6 No superior proposal has emerged from another party, and is unlikely to emerge

The Independent Directors have unanimously agreed to recommend Wah Nam's Offer in the absence of a superior proposal. The Independent Directors' unanimous support of Wah Nam's Offer follows careful consideration of the strategic alternatives available to Brockman, including progressing the development of the Marillana Project with Wah Nam as the majority shareholder, as well as other potential corporate transactions. The Independent Directors concluded that Wah Nam's Offer represents the best opportunity for Brockman Shareholders to maximise the value of their investment given the current Brockman Shareholder structure.

As at the date of this Target's Statement, Brockman has not received any alternative proposal from any party. As Wah Nam already has a 55.33% interest in Brockman through Wah Nam Australia, a superior proposal is unlikely to emerge.

1.7 Wah Nam's Offer has the unanimous support of the Independent Directors

As at the date of this Target's Statement, the Independent Directors of Brockman are:

- Ross Norgard, Non-Executive Joint Deputy Chairman;
- Colin Paterson, acting Chief Executive Officer; and
- Michael Spratt, Non-Executive Director.

The Independent Directors are directors who are not nominees of, nor suggested to Brockman by Wah Nam. The Independent Directors unanimously recommend that Brockman Shareholders ACCEPT Wah Nam's Offer of $1.50 cash and 18 Wah Nam Shares for each Brockman Share, for the reasons outlined in this section 1 of this Target's Statement.

Subject to the satisfaction of the Conditions described in sections 6.3(a) to 6.3(d) of this Target's Statement, and in the absence of a superior proposal, the Independent Directors intend on accepting Wah Nam's Offer for any Brockman Shares they own or control. This represents 11.35% of Brockman Shares on issue or 25.41% of Brockman Shares not currently owned by Wah Nam Australia.

Brockman Shareholders are urged to read this Target's Statement (including the contents of the Independent Expert's Report) and the Bidder's Statement in full prior to making their decision. In particular, Brockman Shareholders should note that Wah Nam's Offer is subject to a number of Conditions, which are summarised in section 6.3 of this Target's Statement.

Why you should ACCEPT the Offer

1.8 There are risks in not accepting Wah Nam's Offer

If Wah Nam's Offer is not successful, the Brockman Share price may fall in the absence of another party making an offer. Brockman Shareholders will be exposed to the ongoing risks associated with an investment in Brockman.

In addition, there are potential financing risks that you, as a Brockman Shareholder, will continue to be exposed to if you do not accept Wah Nam's Offer, including the requirement to secure financing for the Marillana Project, which could be achieved through the issue of equity which may dilute your shareholding in Brockman.

If you do not accept Wah Nam's Offer and the Offer Period ends after becoming unconditional:

- liquidity in Brockman may decline even further, potentially making it more difficult to sell your Brockman Shares after the Offer Period ends;
- it will be even more unlikely that a superior proposal will emerge;
- Wah Nam may be entitled to seek to remove Brockman from the official list of the ASX; and
- Wah Nam Australia may be entitled to acquire your Brockman Shares through compulsory acquisition (see section 6.15 of this Target's Statement for more information).

Further, if at the end of the Offer Period Wah Nam has not obtained a relevant interest in 80% of Brockman Shares on issue, Brockman Shareholders who accepted the Offer will not be eligible for partial CGT roll over relief (see section 6.19 of this Target's Statement for more information).

1.9 Risk factors associated with a holding in Wah Nam

There are a number of risks that Brockman Shareholders should be aware of in relation to holding Wah Nam Shares. The risks associated with holding Wah Nam Shares is set out in section 7 of the Bidder's Statement. Brockman Shareholders should seek independent financial and taxation advice before making any investment decision and any decision relating to Wah Nam's Offer.

1.10 Possible reasons for not accepting the Offer

This section sets out some reasons why Brockman Shareholders may wish not to follow the unanimous recommendation of the Independent Directors to accept the Offer and instead decline to accept the Offer. This section should be read in conjunction with section 7 of the Bidder's Statement which sets out the risk factors associated with being a shareholder in Wah Nam.

(a) **You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion**

You may hold a different view to the Independent Directors and the Independent Expert and believe that the Offer of A$1.50 cash and 18 Wah Nam Shares for each Brockman Share is inadequate.

(b) **You may want to retain a direct and pure exposure to only Brockman's current assets and future growth profile**

By not accepting the Offer, and if the Offer does not proceed to compulsory acquisition, you will continue to retain a direct and pure exposure to only Brockman's current assets and future growth profile.

If you accept the Offer, or if you do not accept the Offer and the Offer proceeds to compulsory acquisition, you will no longer participate in the future performance of only Brockman but of the enlarged Wah Nam Group, as you will be issued Wah Nam Shares as part of the Offer consideration. This will mean that you will still retain some exposure to Brockman's assets and potential value that could be generated in the future through the successful development of Brockman's projects. You will also be exposed to the performance of Wah Nam's other principal activities and assets. Section 3 of the Bidder's Statement outlines Wah Nam's principal activities and assets.

(c) **If and when Brockman pays out dividends in the future, you may want the opportunity to receive any potential future dividends paid out by Brockman**

By not accepting the Offer, and if Wah Nam's Offer does not proceed to compulsory acquisition, you will retain the opportunity to receive any potential future dividends paid out by Brockman, if and when dividends are paid.

If you accept the Offer, or if you do not accept the Offer and the Offer proceeds to compulsory acquisition, you will no longer have the opportunity to receive potential future dividends from Brockman, if and when dividends are paid out by Brockman. You may however, be entitled to receive any potential future dividends from Wah Nam, if and when dividends are paid out by Wah Nam.

(d) **You may consider that there is the potential for a superior proposal to be made in relation to Brockman in the foreseeable future**

It is possible that a superior proposal for Brockman could materialise in the future. However, as at the date of this Target's Statement, the Independent Directors have not received or become aware of an alternative proposal. As set out in section 1.6 of this Target's Statement, the Independent Directors believe that an alternative proposal is unlikely to emerge.

(e) **The tax consequences of the Offer may not be suitable to your financial position**

As set out in section 6.19 of this Target's Statement, acceptance of the Offer by Brockman Shareholders is likely to have tax implications. You should carefully read and consider the taxation consequences of accepting the Offer. Brockman Shareholders should not rely on the disclosure of taxation considerations in section 10 of the Bidder's Statement or in this Target's Statement as being advice on their own affairs. Brockman Shareholders should consult with their own independent taxation advisers regarding the taxation implication of participating in the Offer given the particular circumstances which apply to them.

2. Frequently asked questions

Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Brockman Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
Why have I received this document?	You have received this Target's Statement because you are a shareholder in Brockman. This Target's Statement is Brockman's formal response to Wah Nam's Offer and contains important information prepared by your Independent Directors to help you determine whether to accept or reject Wah Nam's Offer.
What is Wah Nam's Offer for my Brockman Shares?	Wah Nam Australia is offering A$1.50 cash and 18 Wah Nam Shares for each Brockman Share held by you.
What choices do I have as a Brockman Shareholder?	As a Brockman Shareholder, you have the following choices in respect of your Brockman Shares: • accept the Offer; • sell your Brockman Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • reject the Offer by doing nothing. There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement.
What are the Independent Directors of Brockman recommending?	In the absence of a superior proposal, Mr Ross Norgard, Mr Colin Paterson and Mr Michael Spratt, your Independent Directors, recommend that you **ACCEPT** the Offer.
What do the Independent Directors intend to do with their Brockman Shares?	Brockman's three Independent Directors, Mr Ross Norgard, Mr Colin Paterson and Mr Michael Spratt intend on accepting Wah Nam's Offer for any Brockman Shares they own or control, subject to: • the satisfaction of the Conditions described in sections 6.3(a) to 6.3(d) of this Target's Statement; and • the absence of a superior proposal. Together, the Independent Directors have a relevant interest in 11.35% of Brockman's current shares on issue. Mr Ross Norgard (and his Associates) is Brockman's second largest shareholder (after Wah Nam Australia) with a relevant interest of approximately 9.33% of the Brockman Shares on issue.
What is the opinion of the Independent Expert?	The terms and conditions of the Offer have been reviewed by the Independent Expert, Deloitte. Deloitte has concluded that the Offer is fair and reasonable to Brockman Shareholders. A copy of the Independent Expert's Report is contained in section 7 of this Target's Statement. The Independent Directors recommend you read the Independent Expert's Report in full.

Frequently asked questions

Question	Answer
What is Wah Nam's relationship with Brockman?	Wah Nam Australia, a wholly owned Subsidiary of Wah Nam, is Brockman's largest shareholder, with 55.33% of the Brockman Shares on issue. Brockman entered into the BIA with Wah Nam on 12 December 2011, under which Wah Nam undertook to procure Wah Nam Australia to make the Offer on certain terms and conditions. See section 9.7 of this Target's Statement for further details.
Why should I accept Wah Nam's Offer?	The Independent Directors unanimously recommend that you **ACCEPT** Wah Nam's Offer in the absence of a superior offer, for the following key reasons: • Wah Nam's Offer represents an attractive premium; • Wah Nam's Offer should provide a more liquid investment than your current holding in Brockman; • Wah Nam's Offer will simplify the current shareholder structure, which should improve funding options to develop the Marillana Project; and • Wah Nam's Offer provides immediate value certainty and exposure to the potential upside of the Marillana Project. See sections 1.1 to 1.7 of this Target's Statement for further details of why you should accept the Offer, and section 1.8 of this Target's Statement for further details of the risks in not accepting Wah Nam's Offer.
Why might I decline Wah Nam's Offer?	Despite the benefits set out above, you may decline Wah Nam's Offer for the following reasons: • you may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion; • you may want to retain a direct and pure exposure to only Brockman's current assets and future growth profile; • if and when Brockman pays out dividends in the future, you may want the opportunity to receive any potential future dividends paid out by Brockman; • you may consider that there is the potential for a superior proposal to be made in relation to Brockman in the foreseeable future; and • the tax consequences of the Offer may not be suitable to your financial position. See sections 1.9 and 1.10 of this Target's Statement for further details of the risk factors associated with a holding in Wah Nam and the possible reasons for not accepting the Offer.
How do I accept the Offer?	Details of how to accept Wah Nam's Offer are set out in section 13.5 of the Bidder's Statement.
How do I reject the Offer?	The Independent Directors' recommendation is that you accept Wah Nam's Offer in the absence of a superior proposal. To reject Wah Nam's Offer, you do not need to do anything. If you intend on rejecting Wah Nam's Offer, do not respond to any correspondence from Wah Nam. You should note however, that if Wah Nam Australia at a later date acquires a relevant interest of at least 90% of Brockman Shares, Wah Nam Australia may be entitled to compulsorily acquire the remaining Brockman Shares it does not already own.

Frequently asked questions

Question	Answer
What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Brockman Shares on the ASX or otherwise deal with your Brockman Shares while the Offer remains open.
If I accept the Offer, can I withdraw my acceptance?	You may withdraw your acceptance if Wah Nam Australia varies the Offer in a way that postpones the time when Wah Nam Australia is required to satisfy its obligations by more than one month (see section 6.11 of this Target's Statement for further details).
When does the Offer close?	The Offer Period is presently scheduled to end at 4:00pm WST on 23 January 2012, but the Offer Period can be extended in certain circumstances. See section 6.8 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.
What happens if Wah Nam Australia increases its Offer?	If you accept Wah Nam's Offer now and Wah Nam Australia subsequently increases its Offer, you will receive the higher consideration if Wah Nam's Offer becomes unconditional.
What are the Conditions to the Offer?	In summary, the Conditions to the Offer are: • the Treasurer approving or not objecting to the Offer under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*; • approval of the requisite majority of Wah Nam shareholders: 1 to acquire all of the Brockman Shares not already owned by Wah Nam Australia and to allot and issue the Consideration Shares; 2 to the Subscription Agreement and the allotment and issue of the Subscription Shares and the issue of the Convertible Bond (and the allotment and issue of Wah Nam Shares which may be issued after the conversion rights attached Convertible Bond are exercised); and 3 to the Underwriting Agreement and the allotment and issue of the Placement Shares; • completion of the subscription for the Subscription Shares and the Convertible Bond by the Subscriber under the Subscription Agreement; • completion of the placement of the Placement Shares pursuant to the Underwriting Agreement; • at the end of the Offer Period, Wah Nam Australia having a relevant interest in more than 80% of the total number of Brockman Shares on issue; • between the Announcement Date and the end of the Offer Period, no regulatory actions in consequence of or in connection with the Offer occurring; and • the A$/US$ exchange rate as quoted on Bloomberg does not exceed US$1.10 for 50% of the time over the 5 Trading Days after the last of the Conditions described in the first to fifth bullet point above are satisfied. See section 6.3 of this Target's Statement for further details.

Frequently asked questions

Question	Answer
What happens if the Conditions of the Offer are not satisfied or waived?	If the Conditions are not satisfied or waived before the end of the Offer Period, the Offer will lapse. You would then be free to deal with your Brockman Shares even if you had accepted the Offer.
When will Wah Nam advise as to the status of the Conditions of the Offer?	Section 13.14 of the Bidder's Statement indicates that Wah Nam Australia will give a Notice of Status of Conditions on 13 January 2012. Wah Nam Australia is required to set out in the Notice of Status of Conditions: • whether the Offer is free of each Condition; • whether, to the best of Wah Nam Australia's knowledge, each Condition has been fulfilled on the date the notice is given; and • Wah Nam Australia's voting power in Brockman. If the Offer Period is extended before the time on which the Notice of Status of Conditions is to be given, the date for the Notice of Status of Conditions will be taken to be postponed for the same period, and Wah Nam will be required to give notice that sets out the new date for giving the Notice of Status of Conditions. If a Condition is fulfilled (so that the Offer becomes free of that Condition) before the date on which the Notice of Status of Conditions is required to be given, Wah Nam Australia must, as soon as practicable, give the ASX and Brockman notice that states that the particular Condition has been fulfilled.
When will I be sent my consideration if I accept the Offer?	If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be sent your consideration. See section 6.12 of this Target's Statement for further details on when you will be sent your consideration.
What are the tax implications of accepting the Offer?	A general outline of the tax implications of accepting the Offer is set out in section 6.19 of this Target's Statement. As the outline is a general outline only, Brockman Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer, you can call 1300 554 240 (for calls made from inside Australia) or +61 3 9415 4337 (for calls made from outside Australia).

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3. Brockman Independent Directors' recommendations

Brockman Independent Directors' recommendations

3.1 DIRECTORS OF BROCKMAN

As at the date of this Target's Statement, the directors of Brockman are:

Name	Position
Peter Luk	Non-Executive Chairman
Ross Norgard	Non-Executive Joint Deputy Chairman
Warren Beckwith	Non-Executive Joint Deputy Chairman
Colin Paterson	Acting Chief Executive Officer
Richard Wright	Non-Executive Director
Robert Brierley	Non-Executive Director
Howard Chung Yue Chu	Non-Executive Director
Michael Spratt	Non-Executive Director

3.2 INDEPENDENT DIRECTORS' RECOMMENDATIONS

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of your Independent Directors recommend that you accept Wah Nam's Offer (in the absence of a superior proposal).

In considering whether to accept the Offer, your Independent Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the alternatives noted in section 4 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

3.3 THE POSITION OF PETER LUK, WARREN BECKWITH, RICHARD WRIGHT, ROBERT BRIERLEY AND HOWARD CHUNG YUE CHU

Each of Peter Luk, Warren Beckwith, Richard Wright, Robert Brierley and Howard Chung Yue Chu have abstained from making any recommendations as to whether Brockman Shareholders should accept the Offer. The relationships between the aforementioned directors of Brockman and Wah Nam are as follows:

- Peter Luk and Howard Chung Yue Chu are executive directors of Wah Nam;
- Peter Luk and Warren Beckwith are directors of Wah Nam Australia; and
- Richard Wright and Robert Brierley were suggested to the Board by Wah Nam, and have in the past acted or currently act as consultants to Wah Nam.

Given their respective relationships with Wah Nam, each of Peter Luk, Warren Beckwith, Richard Wright, Robert Brierley and Howard Chung Yue Chu consider it inappropriate for them to make a recommendation to Brockman Shareholders in relation to the Offer.

Details of the relevant interests of Peter Luk, Warren Beckwith, Richard Wright, Robert Brierley and Howard Chung Yue Chu in Brockman Shares and Wah Nam Shares are set out in section 8 of this Target's Statement.

Brockman Independent Directors' recommendations

3.4 THE POSITION OF THE INDEPENDENT DIRECTORS (ROSS NORGARD, COLIN PATERSON AND MICHAEL SPRATT)

Ross Norgard was the founding chairman of Brockman. He stepped down from this role in June 2010, and has continued as a non-executive director and joint deputy chairman of Brockman (a role he shares with Warren Beckwith).

Colin Paterson was a founding director of Brockman. He was appointed as acting chief executive officer of Brockman in September 2011.

Michael Spratt was appointed to the Board on 2 December 2011.

Details of the relevant interests of the Independent Directors in Brockman Shares are set out in section 8 of this Target's Statement.

3.5 INDEPENDENT DIRECTORS' COMMITTEE

To ensure the independence of the Independent Directors, the directors of Brockman resolved that a Board committee be established, called the Independent Directors' committee, which has general oversight of Brockman's consideration of any proposed transaction between Brockman and Wah Nam or any superior proposal.

Specifically, the Independent Directors' committee is responsible for:

- managing any potential conflicts of interest of directors of Brockman;
- ensuring the independence of Brockman and compliance with all relevant laws;
- engaging, liaising and dealing with advisers and experts;
- approving the final terms of any corporate transaction (including the Offer) and any necessary documents; and
- entering into any agreement, commitment or other understanding with a third party in order to carry out its responsibilities in relation to the above.

The Independent Directors' committee is comprised of the Independent Directors.

3.6 INTENTIONS OF YOUR INDEPENDENT DIRECTORS IN RELATION TO THE OFFER

Each Independent Director of Brockman who has a relevant interest in Brockman Shares, presently intends to **ACCEPT** the Offer in relation to for any Brockman Shares they own or control, subject to:

- the satisfaction of the Conditions described in sections 6.3(a) to 6.3(d) of this Target's Statement; and
- the absence of a superior proposal.

Brockman Independent Directors' recommendations

3.7 INDEPENDENT EXPERT'S REPORT

Under section 640 of the Corporations Act, if a bidder's voting power in the target is 30% or more, or a director of the bidder is also a director of the target, the target's statement must include or be accompanied by a report by an expert that states whether, in the expert's opinion, the takeover offer is fair and reasonable and gives the reasons for forming that opinion.

At the date of this Target's Statement, Wah Nam Australia has more than 30% of the voting power in Brockman. Further, two directors of Wah Nam (Peter Luk and Howard Chung Yue Chu) and two directors of Wah Nam Australia (Peter Luk and Warren Beckwith) are also directors of Brockman.

Accordingly, the Independent Directors commissioned Deloitte to prepare an Independent Expert's Report in relation to the Offer pursuant to section 640 of the Corporations Act 2001 (Cth).

Deloitte has concluded that the Offer is fair and reasonable to Brockman Shareholders. The Independent Expert's Report is set out in section 7 of this Target's Statement. You should read the Independent Expert's Report in its entirety as part of your assessment of the Offer.

4. Your choices as a Brockman Shareholder

Your choices as a Brockman Shareholder

Your Independent Directors recommend that you ACCEPT Wah Nam's Offer (in the absence of a superior proposal).

However, as a Brockman Shareholder you have three choices currently available to you:

(a) Accept the Offer

Brockman Shareholders may elect to accept the Offer. Details of the consideration that will be received by Brockman Shareholders who accept the Offer are set out in section 6.2 of this Target's Statement and in section 13.1 of the Bidder's Statement.

If Brockman Shareholders accept the Offer and during or at the end of the Offer Period Wah Nam has obtained a relevant interest in 80% of Brockman Shares on issue, the accepting Brockman Shareholders may be eligible for partial CGT rollover relief (see section 6.19 of this Target's Statement).

The Bidder's Statement contains details of how to accept the Offer in section 13.5.

(b) Sell your Brockman Shares on market

During a takeover, shareholders of a target company who have not already accepted the bidder's offer can still sell their Brockman Shares on market for cash.

On 9 December 2011, the Brockman Share price closed at A$2.26, approximately a 34% premium to the implied Offer price of A$3.03 based on the closing price of Wah Nam's Shares of HK$0.67 on the HKEx on 9 December 2011 and a HK$:A$ exchange rate of 7.8825. The latest price for Brockman Shares and Wah Nam Shares may be obtained from the ASX website www.asx.com.au and the HKEx website www.hkex.com.hk, respectively.

Shareholders who sell their Brockman Shares on market may be liable for CGT on the sale and may incur a brokerage charge.

Brockman Shareholders who wish to sell their Brockman Shares on market should contact their broker for information on how to effect that sale.

(c) Do not accept the Offer

Brockman Shareholders who do not wish to accept the Offer should do nothing. By doing nothing you will be rejecting Wah Nam's Offer.

Brockman Shareholders should consider the risk of remaining a minority shareholder in Brockman (see section 6.16 of this Target's Statement).

In addition, Brockman Shareholders should note that if Wah Nam Australia and its Associates have a relevant interest in at least 90% of the total number of Brockman Shares on issue during or at the end of the Offer Period, Wah Nam Australia will be entitled to compulsorily acquire the Brockman Shares that it does not already own (see section 6.15 of this Target's Statement for further details).

5. Profile of Brockman

Profile of Brockman

Brockman is an ASX-listed Australian hematite iron ore company with its principal project, the 100% owned Marillana iron ore project (the Marillana Project), located in the Pilbara region of Western Australia.

In addition to the Marillana Project, Brockman holds a number of iron ore tenements throughout the Pilbara that aim to assist Brockman to develop a pipeline of future projects and expansions.

5.1 KEY PROJECTS AND OPERATIONS

The following section provides a summary of Brockman's key projects and operations. Further information relating to Brockman's key projects and operations can be found in Brockman's investor presentation dated 16 November 2011 and in Brockman's 2011 annual report (both of which are available at www.brockman.com.au and www.asx.com.au (ASX: BRM)).

(a) **Marillana Project**

(i) Overview

Brockman's primary project is its 100% owned Marillana Project located 100km North-West of Newman in the Pilbara region of Western Australia. The Marillana Project is located close to world-class deposits owned by major Australian iron ore players, and it is this proximity to existing rail, road and port infrastructure which gives the Marillana Project the opportunity to be a significant iron ore producer, in the heart of the Australian iron ore province – the Pilbara. Brockman holds a number of additional prospective iron ore tenements throughout the Pilbara region, providing further value enhancement potential to its shareholders.

Total Mineral Resources at the Marillana Project (see Brockman's ASX announcement dated 9 February 2010) of 1.63 billion tonnes of mineralisation at 43.4% Fe are reported as being present in various forms within the project. A summary of the grades and tonnages for each ore-type is set out in Table 1 and 2 below.

Table 1: Marillana Project beneficiation feed Mineral Resource summary (cut-off grade: 38% Fe)

Mineralisation type	Resource classification	Tonnes (Mt)	Grade (%Fe)
Detrital	Measured	173	41.6
	Indicated	1,036	42.5
	Inferred	201	40.7
Pisolite	Indicated	117	47.4
Total	Measured	173	41.6
	Indicated	1,154	43.0
	Inferred	201	40.7
TOTAL		**1,528**	**42.6**

Note: total tonnes may not add up due to rounding.

Table 2: Marillana Project CID Mineral Resource summary (cut-off grade: 52% Fe)

Resource Classification	Tonnes (Mt)	Fe (%)	CaFe (%)	Al_2O_3 (%)	SiO_2 (%)	P (%)	LOI (%)
Indicated	84.2	55.8	61.9	3.6	5.0	0.097	9.8
Inferred	17.7	54.4	60.0	4.3	6.6	0.080	9.3
TOTAL	**101.9**	**55.6**	**61.5**	**3.7**	**5.3**	**0.094**	**9.7**

Notes:
- CaFe represents calcined iron; Al_2O_3 represents aluminium oxide; SiO_2 represents silicon dioxide; P represents phosphorus and LOI is 'loss on ignition' – a measure of the water content of the iron ore.
- CaFe is calculated by Brockman using the formula CaFe = Fe% / ((100-LOI)/100).
- Total tonnes may not add up due to rounding.

From these Mineral Resources, proved and probable Ore Reserves of 1,001 million tonnes of detrital ore grading 42.4% Fe and 48.5 million tonnes of CID ore grading 55.5% Fe have been determined. Full details of the Ore Reserves are provided in Brockman's ASX announcement of 9 September 2010 and summarised in Tables 3 and 4 below.

Table 3: Marillana Project detrital Ore Reserves

Reserve Classification	Mt	Fe (%)
Proven	133	41.6
Probable	868	42.5
TOTAL	**1,001**	**42.4**

Table 4: Marillana Project CID Ore Reserves

Reserve Classification	Mt*	Fe (%)	CaFe (%)	Sio_2 (%)	Al_2O_3 (%)	P (%)	LOI (%)
Probable	48.5	55.5	61.5	5.3	3.7	0.09	9.7
TOTAL	**48.5**	**55.5**	**61.5**	**5.3**	**3.7**	**0.09**	**9.7**

* see notes set out below Table 2 above.

The Ore Reserves reported are within pit designs based on open pit optimisations carried out on measured and indicated Mineral Resources classifications only. The resource model was regularised to a parent block size of 20m by 20m by 6m (minimum mining bench height) reflecting the scale of mining to be employed. The pit optimisation took into account dilution and ore loss associated with the 6m minimum mining benches, setbacks along tenement boundaries and overall pit slope angles.

(ii) Definitive feasibility study (DFS)

Brockman completed its DFS on the Marillana Project in September 2010, which confirmed that the Marillana Project can sustain a nominal production (output) rate of 17 Mtpa (dry) for a mine life of approximately 25 years with peak production in excess of 20 Mtpa.

Key outcomes of the DFS included:

- 1.6 billion tonne Mineral Resource was converted to an Ore Reserve totalling 1.05 billion tonnes;

- an improved waste to ore stripping ratio of 0.85 (compared to 1.4 in the pre-feasibility study) was confirmed following the development of the definitive mine plan and pit design and confirmation of the capacity to upgrade the ore (at a 38% Fe head grade cut-off) to a marketable final product quality;
- the Ore Reserve (post-beneficiation) supports the production of over 419 million tonnes of final product at an average grade of 60.5%-61.5% Fe, with impurity levels comparable with other DSO exported from the Pilbara;
- a 'fines' only -8mm product will be produced;
- the beneficiated detrital iron deposit ore and the CID – DSO will be blended to produce a single product in the years following the commencement of DSO production; and
- the life-of-mine average production rate for the Marillana Project will be 17 Mtpa, but will peak to a maximum of 21 Mtpa in various years of the mine plan.

Further information relating to the DFS can be found in Brockman's ASX announcement of 29 September 2010.

(iii) Project development

Brockman is focused on the development of infrastructure and commercial arrangements for the transport and export of product from the Marillana Project. This is consistent with its intention to secure third party infrastructure agreements with existing or developing iron ore producers or infrastructure providers in the Pilbara region to develop an optimal business model for future project ownership and financing, including potential off-take agreements.

Brockman received a Front End Engineering and Design (FEED) report in October 2011. Following a review of the FEED report and from information received to date, Brockman has concluded that further changes and improvements can be made to the process plant design to optimise capital and operating costs. An engineering firm has been appointed to commence this optimisation study. The process flow sheet has been validated, but optimisation of the process plant layout and some of the equipment selection has been identified as providing Brockman with the opportunity for significant construction efficiencies and associated capital cost savings. The target completion date for the optimisation study is June 2012.

Brockman recently undertook a strategic review of the Marillana Project. Average construction costs in the Pilbara have increased by about 30% since completion of the DFS. However, capital increases will be kept to a minimum through the improvement opportunities identified during the strategic review. Accordingly, the strategic review is critical in formulating a revised timetable for key project milestones leading to production.

(iv) Bankable feasibility study (BFS)

The BFS will establish the overall economics of the Marillana Project design and costings within an accuracy provision of ± 10%. The BFS will be used by the Board to assess and establish the basis and conditions for the Marillana Project's funding arrangements. Brockman is working towards funding the Marillana Project by forming a joint venture with an end user. Work on the BFS is ongoing.

(v) Rail infrastructure

Brockman continues to actively pursue rail infrastructure arrangements for the Marillana Project.

As previously announced (on 16 December 2010), Brockman is negotiating with Fortescue Metals Group Limited (FMG) in relation to an agreement for an end-to-end rail haulage, port access and marketing service for the Marillana Project. There can be no guarantee that the negotiations will result in a binding agreement and any agreement is likely to be subject to a number of conditions. In addition to the negotiations with FMG, Brockman has also held confidential discussions with existing and proposed infrastructure owners that have the potential to achieve a rail solution for the Marillana Project.

It is likely that any rail solution for Brockman will pass through land covered by the Palyku native title claim area. Brockman has agreed a term sheet for an infrastructure agreement with the Palyku people and is progressing a final agreement.

Infrastructure and mine engineering programme manager, Calibre Global Pty Ltd's rail division completed a value engineering exercise on the rail pre-feasibility study completed in July 2010 for the proposed spur line linking the Marillana Project to the FMG mainline. Work is continuing on the detailed engineering of the train loading configuration and rail alignments at the mine site. The value engineering process demonstrated that significant cost savings could be achieved depending on the operating standards adopted by Brockman for the spur line.

As an alternative to the proposed railway spur line, a term sheet has been drafted with the Department of State Development which sets out the principles by which Brockman will gain the necessary land tenure for a rail corridor from a rail loop on the Marillana site to the port of Port Hedland. This rail option is being examined and will involve an independent third party.

(vi) Port infrastructure

Brockman continues to actively pursue port infrastructure arrangements for the Marillana Project.

Brockman is a founding member of the North West Infrastructure (NWI), an incorporated joint venture between mining companies formed to develop key infrastructure required to maximise the export potential of the Pilbara region.

The NWI is currently completing studies into the development of two inner harbour berths and associated material handling infrastructure at Port Hedland to accommodate the NWI's 50 Mtpa export capacity allocation.

The pre-feasibility study on the port concluded that the development is viable. The project will incorporate train unloading and stockpiling facilities as well as new berths and ship-loading facilities for the export of up to 50 Mtpa of iron ore.

NWI completed an 'Environmental Referral Document', which was submitted to the Environmental Protection Authority (EPA) in July 2011. In late November 2011, the EPA released their recommendation for the development of the facilities for public comment.

(vii) Native title agreements

The Marillana mining lease covers two native title claimant areas, however Brockman has negotiated native title agreements with both the Martu Idja Banjima and the Nyiyaparli groups. Brockman is confident that it has strong relationships with both groups and the agreements address the claimants' concerns regarding the management of cultural heritage, protection of the project lands as well as providing the groups with the opportunities to participate in the project through employment, training and contracting opportunities.

(b) **West Pilbara project 'hub'**

Brockman's West Pilbara project hub comprises the Duck Creek, Mt Stuart and West Hamersley tenements. The hub is located:

- only 30km from the proposed West Pilbara railway to be constructed by API Management Pty Ltd to service its West Pilbara operations;
- within 60km of the Rio Tinto Iron Ore Robe River railway, which was recently declared open for rail access by the Australian Competition Tribunal; and
- in close proximity to FMG's planned western hub rail spur extension of its Pilbara rail system to Port Hedland and Anketell Port.

This proximity to existing infrastructure provides Brockman with an excellent opportunity to fast-track the development of its West Pilbara projects.

(i) Duck Creek project

The Duck Creek project is located about 115km West-North-West of Paraburdoo in the West Pilbara region of Western Australia. During the 2010/2011 drilling season, a total of 1,657m of broad space reconnaissance drilling was carried out in 45 holes.

Significant DSO grade mineralisation at shallow depths (often outcropping at the surface) were recorded from the targets drilled at the Duck Creek project. The mineralisation contains very low levels of the phosphorous, and is otherwise comparable with other West Pilbara CID Mineral Resources.

(ii) West Hamersley project

The West Hamersley project comprises one granted exploration licence covering 51km^2 and contains extensive areas of outcropping Brockman Iron Formation.

Helicopter-supported reconnaissance mapping and sampling over West Hamersley identified six zones of hematite mineralisation grading 56-64% Fe. An initial drilling programme of 407m of broad space reconnaissance drilling was carried out in 36 shallow holes. This drilling confirmed significant shallow DSO grade hematite.

The shallow depth and the nature of the mineralisation suggest low cost mining, with the added advantage that all mineralisation is above the water table. Brockman will continue to drill the Duck Creek and West Hamersley projects in the 2011/2012 drilling season to build up a resource base sufficient to support development of the West Pilbara project hub.

(iii) Mt Stuart

The Mt Stuart project consists of two exploration licences granted early in 2010. Initial reconnaissance sampling over a mesa of CID mineralisation at Mt Stuart demonstrated that ore grade mineralisation is present. Four samples of CID mineralisation collected averaged 58% Fe with low contaminants.

(c) **Other tenement holdings**

(i) Ophthalmia

Brockman's 100% owned Ophthalmia project consists of two granted exploration licences located 10-20km north of Newman and adjacent to the East Angeles prospects of the Hope Downs Joint Venture (between Rio Tinto Iron Ore and Hancock Prospecting Pty Ltd).

Recent sampling from the Ophthalmia project has shown that there is a significant deposit of hematite mineralisation at the Sirius prospect. 104 surface samples were taken with 98 returning a mineralisation of greater than 54% Fe with low contaminants.

Initial reconnaissance surface sampling at the Ophthalmia project also identified DSO grade mineralisation in a number of other areas at Coondiner (to 66% Fe), Kalgan Creek (to 66% Fe) and Ophthalmia Range (to 57% Fe). Follow up sampling has produced further encouraging assays from these areas. Results received from an additional 45 surface rock samples collected in late September from composite traverse samples across strike of the banded ironstone formation mineralisation have confirmed the prospectivity of the Ophthalmia project area ahead of drilling.

The Ophthalmia project is located in close proximity to existing infrastructure, and only 70 km away from the Marillana Project meaning that it could take advantage of any rail infrastructure that Brockman develops. An initial reverse circulation drilling programme has commenced at Ophthalmia. If the results obtained from the initial drilling programme are in line with Brockman's expectations, a full resource evaluation drilling will commence in 2012, followed by the commencement of scoping studies.

Further information relating to the Ophthalmia Project can be found in Brockman's ASX announcement of 30 August 2011.

(ii) Mt Florance

Brockman holds one granted exploration licence at Mount Florance, located approximately 60km East of FMG's Marra Mamba-hosted Flinders deposit. The licence contains a 20km strike extent of Marra Mamba Iron Formation.

(iii) Other iron ore tenements

Brockman holds a number of other exploration licence applications within the Pilbara iron ore province, all of which are considered prospective for iron ore mineralisation.

5.2 FINANCIAL INFORMATION AND RELATED MATTERS

As at 30 June 2011 Brockman held $53,506,681 in cash and was debt free. Brockman's full consolidated financial statements for the period ended 30 June 2011 can be found in its 2011 annual report which is available at www.brockman.com.au and www.asx.com.au (ASX: BRM).

There has not been any matter or circumstance, other than those referred to in Brockman's consolidated statements, its 2011 annual report and this Target's Statement that has significantly affected, or may significantly affect the operations of the Brockman Group, the results of those operations, or the state of affairs of the Brockman Group in future financial years.

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6. Key features of Wah Nam's Offer

Key features of Wah Nam's Offer

6.1 INFORMATION ABOUT WAH NAM

Wah Nam Australia is a wholly owned Subsidiary of Wah Nam. Wah Nam is incorporated in Bermuda and listed on the ASX and on the HKEx.

Wah Nam is a diversified company with investments in copper, zinc, lead, mineral exploration and transport. Wah Nam is focussed on being a developer of strategic mining assets in politically stable, mineral resource-rich countries.

Wah Nam has provided information on its businesses in section 3 of the Bidder's Statement.

6.2 CONSIDERATION PAYABLE TO SHAREHOLDERS WHO ACCEPT THE OFFER

The consideration being offered by Wah Nam Australia is 18 Wah Nam Shares and A$1.50 in cash for each Brockman Share it does not already own. The Consideration Shares received will rank equally in all respects with the existing Wah Nam Shares. Brockman Shareholders should note that Wah Nam Shares are in Wah Nam, which is a Bermudan incorporated entity (as opposed to Brockman, which is an Australian company) so the Rights attaching to Wah Nam Shares may differ from those attaching to Brockman Shares.

6.3 CONDITIONS OF THE OFFER

Wah Nam's Offer is subject to a number of Conditions. The Conditions are set out in full in section 13.9 of the Bidder's Statement and in the BIA.

By way of broad overview, the Conditions to the Offer are:

(a) **Foreign investment approval:** the Treasurer consenting on an unconditional basis, or not objecting, to the Offer under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*;

(b) **Wah Nam shareholder approval:** the requisite majority of:

(i) independent Wah Nam shareholders approving the acquisition by Wah Nam of all of the Brockman Shares it does not already own on the terms of the Offer and the allotment and issue of the Consideration Shares;

(ii) Wah Nam shareholders approving the Subscription Agreement, and the transactions contemplated thereunder, including:

- the allotment and issue of Subscription Shares to the Subscriber; and
- the issue of the Convertible Bond to the Subscriber and the allotment and issue of Wah Nam Shares which may be issued upon the exercise of the conversion rights attached to the Convertible Bond; and

(iii) Wah Nam shareholders approving the Underwriting Agreement, and the transactions contemplated thereunder, including the allotment and issue of the Placement Shares,

at general meeting by poll;

(c) **Subscription:** completion of the subscription for the Subscription Shares and the Convertible Bond to the Subscriber under the Subscription Agreement;

(d) **Placement:** completion of the placement of the Placement Shares under the Underwriting Agreement;

(e) **80% minimum acceptance:** at the end of the Offer Period, Wah Nam Australia having a relevant interest (as defined in section 608 of the Corporations Act) in more than 80% of all of the Brockman Shares on issue;

(f) **No regulatory actions:** between the Announcement Date and the end of the Offer Period (inclusive):

(i) there is not in effect any preliminary or final decision, order or decree issued by an Australian or Hong Kong government agency;

(ii) no action or investigation is announced, commenced or threatened by any Australian or Hong Kong government agency; and

(iii) no application is made to any government agency (other than by Wah Nam or any of its Associates),

in consequence of or in connection with the Offer (subject to exceptions) which may, or which may threaten to restrain, prohibit or impede the acquisition of Brockman Shares under the Offer or the completion of any transaction contemplated by the Bidder's Statement, or seeks to require the divestiture by Wah Nam Australia of any Brockman Shares, or the divestiture of any material assets of Brockman or the Wah Nam Group; and

(g) **Exchange rate variation:** The A$/US$ exchange rate as quoted on Bloomberg does not exceed US$1.10 for 50% of the time over the 5 Trading Days after the last of the Conditions described in paragraphs 6.3(a) to 6.3(e) are satisfied

6.4 SOURCES OF CASH

The maximum amount of cash required by Wah Nam Australia to fund the cash component of the Offer if all acceptances were received for all the Brockman Shares not already held by Wah Nam Australia (and assuming all holders of Brockman Options with an exercise price of A$1.25, A$1.30 or A$3.00 exercise their Brockman Options) is approximately A$100,600,000. See section 9.1(a) of the Bidder's Statement for further details regarding this calculation.

Wah Nam Australia will fund the cash component of the Offer using a combination of:

- Wah Nam's existing cash resources;
- the proceeds from the issue of the Subscription Shares and the Convertible Bond under the Subscription Agreement; and
- and the proceeds from the placement of the Placement Shares under the Underwriting Agreement.

The aggregate of Wah Nam's existing cash resources and the proceeds received under the Subscription Agreement and Underwriting Agreement are in excess of what Wah Nam Australia requires to fund the cash component of the Offer, together with the amounts required to cover all of the transaction costs associated with the Offer and the A/US exchange rate reaching US$1.10.

(a) **Cash resources**

As set out in section 9.1(c) of the Bidder's Statement, at the commencement of the Offer Period, Wah Nam holds unrestricted cash equivalent to A$33,700,000. This cash will be applied to partially fund the cash component of the Offer.

(b) **Subscription Agreement**

On 12 December 2011, Wah Nam entered into a Subscription Agreement with the Subscriber under which, subject to the conditions precedent set out below:

- the Subscriber agreed to subscribe for Subscription Shares at an aggregate consideration of HK$333,060,000 (A$42,253,092); and

- the Subscriber agreed to subscribe for the Convertible Bond at an aggregate consideration of HK$173,940,000 (A$22,066,303).

The Subscription Agreement is subject to:

- no material breach by Wah Nam in respect of its warranties given under the Subscription Agreement;
- the requisite majority of Wah Nam shareholders approving the allotment and issue of the Subscription Shares, the Convertible Bond and any Wah Nam Shares which may be issued pursuant the Convertible Bond;
- the HKEx permitting the listing of the Subscription Shares and any Wah Nam Shares which may be issued pursuant the Convertible Bond; and
- there being no event which has or could reasonably be expected to have a material adverse affect on the Wah Nam Group, to the reasonable satisfaction of the Subscriber.

The consideration received from the Subscription Shares will be applied to partially fund the cash component of the Offer. A detailed summary of the Subscription Agreement (including the events on which the Convertible Bond converts into Wah Nam Shares) is set out in sections 9.1(d) and 12.3 (respectively) of the Bidder's Statement.

(c) **Underwriting Agreement**

On 12 December 2011 Wah Nam and the Underwriter entered into the Underwriting Agreement under which, subject to the conditions precedent set out below, the Underwriter agreed, in consideration of receiving commission of 2.5% of the aggregate price of the Placement Shares, to procure, on a fully underwritten basis, placees for the Placement Shares at an aggregate price of HK$78,000,000 (A$9,895,337).

The Underwriting Agreement is subject to similar conditions precedent as the Subscription Agreement, being;

- no material breach of the Subscription Agreement by either Wah Nam or the Underwriter in respect of each of their warranties given under the Underwriting Agreement;
- the requisite majority of Wah Nam shareholders approving the issue of the Placement Shares;
- the HKEx permitting the listing of the Placement Shares; and
- there being no event which has or could reasonably be expected to have a material adverse affect on the Wah Nam Group, to the reasonable satisfaction of the Underwriter.

The consideration received from the Placement Shares will be applied to partially fund the cash component of the Offer. A detailed summary of the Underwriting Agreement is set out in section 9.1(e) of the Bidder's Statement.

6.5 NOTICE OF STATUS OF CONDITIONS

Section 13.14 of the Bidder's Statement indicates that Wah Nam Australia will give a Notice of Status of Conditions to the ASX and Brockman on 13 January 2012.

Wah Nam Australia is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the Conditions;

- whether, so far as Wah Nam Australia knows, any of the Conditions have been fulfilled; and
- Wah Nam Australia's voting power in Brockman.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Wah Nam Australia is required, as soon as practicable after the extension, to give a notice to the ASX and Brockman that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Wah Nam Australia must, as soon as practicable, give the ASX and Brockman a notice that states that the particular Condition has been fulfilled.

6.6 EFFECT OF BREACH OR NON-FULFILMENT OF CONDITIONS

The effect of a breach or non-fulfilment of a Condition of the Offer is set out in section 13.11 of the Bidder's Statement. Broadly, prior to the end of the Offer Period, a breach or non-fulfilment of a Condition of the Offer will not prevent you from accepting the Offer and a contract arising with Wah Nam Australia to acquire your Brockman Shares.

Subject to the Corporations Act and the HKEx Listing Rules, Wah Nam Australia may, at any time, declare the Offer to be free from any Conditions. However, if Wah Nam Australia has not declared the Offer to be free from the Conditions, or the Conditions have not been fulfilled at the end of the Offer Period, then all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts will be void.

6.7 OFFER PERIOD

Unless Wah Nam's Offer is extended or withdrawn, it is open for acceptance from 21 December 2011 until 4:00pm WST on 23 January 2012.

The circumstances in which Wah Nam Australia may extend or withdraw its Offer are set out in section 6.8 and section 6.9 respectively of this Target's Statement.

6.8 EXTENSION OF THE OFFER PERIOD

Wah Nam Australia may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 6.5 of this Target's Statement) while the Offer is subject to Conditions. However, if the Offer is unconditional (that is, all the Conditions are fulfilled or waived), Wah Nam Australia may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, Wah Nam Australia improves the consideration offered under the Offer.

If this event occurs, the Offer Period is automatically extended so that it ends 14 days after that event occurred.

6.9 WITHDRAWAL OF OFFER

Wah Nam Australia may not withdraw the Offer if you have already accepted it. However, if the Conditions have not been satisfied or waived at the end of the Offer Period, then all acceptances will be void. Before you accept the Offer, Wah Nam Australia may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such ASIC consent.

Key features of Wah Nam's Offer

6.10 EFFECT OF ACCEPTANCE

The effect of acceptance of the Offer is set out in section 13.7 of the Bidder's Statement. Brockman Shareholders should read those provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Shares and the representations and warranties which they give by accepting the Offer. In particular, accepting Brockman Shareholders will not be able to sell their Brockman Shares during the Offer Period and if Wah Nam's Offer is declared or becomes unconditional Wah Nam Australia will be able to exercise the Rights attaching to their Brockman Shares.

6.11 YOUR ABILITY TO WITHDRAW YOUR ACCEPTANCE

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- the condition imposed by section 625(3) of the Corporations Act which applies in relation to scrip consideration that the bidder states will be quoted on a financial market (whether in Australia or elsewhere) is not satisfied; or
- Wah Nam Australia varies the Offer in a way that postpones, for more than one month, the time when Wah Nam Australia needs to meet its obligations under the Offer. This will occur if Wah Nam Australia extends the Offer Period by more than one month and the Offer is still subject to the Conditions.

6.12 WHEN YOU WILL RECEIVE YOUR CONSIDERATION IF YOU ACCEPT THE OFFER

In the usual case, you will be issued your consideration on or before the later of:

- 14 days after the date the Offer becomes or is declared unconditional; and
- 14 days after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 14 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 13.8 of the Bidder's Statement.

6.13 EFFECT OF AN IMPROVEMENT IN CONSIDERATION ON SHAREHOLDERS WHO HAVE ALREADY ACCEPTED THE OFFER

If Wah Nam Australia improves the consideration offered under its Offer, all Brockman Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

6.14 LAPSE OF OFFER

The Offer will lapse if the Conditions are not waived or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Brockman Shares as you see fit.

6.15 COMPULSORY ACQUISITION

Wah Nam Australia has indicated in section 8.2 of the Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Brockman Shares.

Wah Nam Australia will be entitled to compulsorily acquire any Brockman Shares in accordance with the Corporations Act in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, Wah Nam Australia and its Associates have a relevant interest in at least 90% (by number) of the total number of Brockman Shares on issue.

If this threshold is met, Wah Nam Australia will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Brockman Shareholders who have not accepted the Offer. Brockman Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Brockman Shares. If compulsory acquisition occurs, Brockman Shareholders who have their Brockman Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Wah Nam Australia will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the total number of Brockman Shares on issue. Wah Nam Australia would then have rights to compulsorily acquire Brockman Shares not owned by it within 6 months of becoming a 90% holder. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

6.16 MINORITY OWNERSHIP CONSEQUENCES

If Wah Nam Australia acquires less than 90% of the total number of Brockman Shares on issue then Wah Nam will continue to hold a majority shareholding through Wah Nam Australia in Brockman. Accordingly, Brockman Shareholders who do not accept the Offer will continue to be minority shareholders in Brockman. This has a number of implications, including:

- Wah Nam will continue to be in a position to cast the majority of votes at a general meeting of Brockman. This will enable it to control the composition of the Board and senior management, determine Brockman's dividend policy and control the strategic direction of the businesses of Brockman and its Subsidiaries;

- the Brockman Share price may fall immediately following the end of the Offer Period and it is unlikely that the Brockman Share price will contain any takeover premium;

- liquidity of Brockman Shares may be lower than at present and there is a risk that Brockman could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity;

- if the number of Brockman Shareholders is less than the number which, in the ASX's opinion, is sufficient to ensure that there is an orderly and liquid market in the securities, then Wah Nam may seek to have Brockman removed from the official list of the ASX. If this occurs, Brockman Shares will not be able to be bought or sold on the ASX;

- while Wah Nam holds a relevant interest in Brockman of greater than 19%, it will have the ability to 'creep' – that is, it will be permitted to acquire further Brockman Shares in increments of 3% every 6 months. Wah Nam will be able to exercise its ability to 'creep' after the Offer has closed and by doing so can increase its interest in Brockman incrementally without either obtaining Brockman Shareholder approval or launching another takeover offer. For example, if Wah Nam obtained an interest in Brockman of 85% under the Offer, it could obtain the 90% threshold required for compulsory acquisition within 1 year; and

- if Wah Nam Australia acquires 75% or more of the total number of Brockman Shares on issue it will be able to pass a special resolution of Brockman. This will enable Wah Nam to, among other things, change Brockman's constitution.

Key features of Wah Nam's Offer

6.17 ALTERNATIVES TO THE OFFER

Subject to the terms of the BIA the Independent Directors will consider any alternative to the Offer in order to maximise value for Brockman Shareholders (including any potential rival takeover bids for Brockman).

As at the date of this Target's Statement, Brockman has not received any alternative proposal from any party. As Wah Nam Australia already has a 55.33% shareholding in Brockman, a superior proposal is unlikely to emerge, however the Independent Directors will keep Brockman Shareholders informed of any material developments. In this regard, Brockman will update you no more than 14 days and no less than 7 days before the end of the Offer Period.

6.18 BROCKMAN SHARE PRICE ABSENT THE OFFER

While there are many factors that influence the market price of Brockman Shares, your Independent Directors anticipate that, following the close of the Offer, the market price of Brockman Shares may fall if Wah Nam's Offer fails, if Wah Nam Australia acquires less than 90% of the total number of Brockman Shares on issue or if the takeover is otherwise unsuccessful.

6.19 TAXATION CONSEQUENCES OF THE OFFER

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 10 of the Bidder's Statement.

The following comments do not apply to Brockman Shareholders who are not residents of Australia for taxation purposes, or who hold their Brockman Shares through a company, superannuation fund, partnership or trust. Those Brockman Shareholders should seek their own specific professional advice as to the taxation implications applicable to their circumstances.

(a) **Potential tax liabilities where scrip-for-scrip-CGT rollover relief is not available**

As section 10 of the Bidder's Statement notes, partial scrip-for-scrip-CGT rollover relief will only be available if Wah Nam Australia becomes the owner of at least 80% of Brockman Shares following the Offer. Therefore, if as a result of the Offer, Wah Nam Australia owns less than 80% of the total number of Brockman Shares on issue, Brockman Shareholders who make an Australian capital gain by accepting the Offer will not be able to elect to obtain a partial scrip-for-scrip-CGT rollover of that capital gain. Brockman Shareholders may therefore incur higher CGT liabilities from disposal of their Brockman Shares.

If the value of the Offer consideration is greater than the CGT cost base for the Brockman Shares of a Brockman Shareholder and partial CGT rollover relief is not available, Brockman Shareholders who have held their Brockman Shares for less than 12 months and who dispose of those Brockman Shares will not be eligible for the CGT discount that applies in respect of CGT assets held for at least 12 months. Those Brockman Shareholders may therefore be taxed on the full net capital gain at their top marginal rate of tax.

If the value of the Offer consideration is less than the CGT reduced cost base for the Brockman Shares of a Brockman Shareholder, on disposal they will make a capital loss to the extent of the difference. As section 10.2 of the Bidder's Statement notes, a Brockman Shareholder can potentially use such a capital loss to offset capital gains.

(b) **Brockman Shares held as trading stock or otherwise on revenue account**

Scrip-for-scrip-CGT rollover relief is not available if you hold your Brockman Shares as trading stock or otherwise on revenue account. Therefore, Brockman Shareholders who hold their Brockman Shares as trading stock or otherwise on revenue account may be left with significant income tax liabilities from any disposal of Brockman Shares.

(c) **Potential tax liabilities on unfranked dividends received from Wah Nam**

As section 10 of the Bidder's Statement notes, any dividends paid by Wah Nam will not be franked under the Australian corporate income tax imputation system. This means shareholders in Wah Nam will not receive a tax offset for company tax paid on the profits out of which the dividends are paid. Shareholders in Wah Nam may therefore be taxed on dividends at their top marginal rate of tax.

(d) **Independent advice**

You should carefully read and consider the taxation consequences of accepting the Offer. Brockman Shareholders should not rely on the disclosure of taxation considerations in section 10 of the Bidder's Statement or in this Target's Statement as being advice on their own affairs. The outline provided in the Bidder's Statement and this Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications (including foreign taxation implications) applicable to your circumstances.

Neither Brockman, nor any of its Independent Directors, nor its taxation or other advisers, accept any liability or responsibility in respect of any statement concerning the taxation consequences of accepting the Offer in relation to particular Brockman Shareholders.

6.20 TREATMENT OF OVERSEAS SHAREHOLDERS AND UNMARKETABLE PARCEL HOLDERS

Any Brockman Shareholder:

(a) whose address (as recorded in the register of members of Brockman provided by Brockman to Wah Nam) is in a place outside Australia, New Zealand, Singapore and Hong Kong; or

(b) who, if they accepted the Offer, would not be issued with a Marketable Parcel of Wah Nam Shares in consideration of their Brockman Shares,

will not be issued with Wah Nam Shares under the Offer.

Instead, Wah Nam will arrange for the relevant Wah Nam Shares (that would otherwise be transferred to such foreign holders) to be allotted to a nominee approved by ASIC for the purposes of section 619(3) of the Corporations Act, and will cause that nominee to sell, or procure the on-market sale of all Wah Nam Shares allotted to it as soon as practicable and in any event, not more than 20 Business Days after the close of the Offer. The nominee will then distribute to each of those foreign holders, or holders of unmarketable parcels, their proportion of the proceeds of sale net of expenses.

See section 13.6 of the Bidder's Statement for further details.

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7. Independent Expert's Report

Deloitte.

Brockman Resources Limited

Independent expert's report and Financial Services Guide

14 December 2011

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately AUD 235,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed transaction between Wah Nam International Holdings Limited and Brockman Resources Limited (the Takeover Offer).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately owned by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com.au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu has not provided any previous services to Brockman Resources Limited or Wah Nam International Holdings Limited.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Touche Tohmatsu holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

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The Independent Directors
Brockman Resources Limited
Level 1, 117 Stirling Highway
NEDLANDS WA 6009

14 December 2011

Dear Directors

Independent expert's report

Introduction

On 12 December 2011, Wah Nam International Holdings Limited (Wah Nam or the Bidder) through its wholly owned subsidiary Wah Nam International Australia Pty Limited, announced a conditional offer to acquire all of the shares in Brockman Resources Limited (Brockman or the Company) that Wah Nam does not already own (the Takeover Offer). The consideration offered to holders of Brockman shares other than Wah Nam (Shareholders) consists of Australian dollars (AUD) 1.50 (Cash Consideration) and 18 shares in Wah Nam (Scrip Consideration) for each share held in Brockman. The Cash Consideration and the Scrip Consideration are collectively referred to as the Bid Consideration.

Wah Nam currently holds 55.33% of the ordinary shares issued by Brockman.

On 12 December 2011, Wah Nam also announced a share placement to raise HKD 333 million (or AUD 42 million) (Share Placement), the issue of a convertible bond of HKD 174 million (AUD 22 million) (Convertible Bond) and an underwriting agreement to raise HKD 78 million (AUD 10 million) (Underwriting Agreement) to fund the cash component of the Bid Consideration.

The shares under the Share Placement and the Convertible Bond (collectively referred to as the Subscription Agreement) are being issued to Ocean Line Holdings Limited (the Subscriber). The Subscriber currently owns 6% of the issued capital of Wah Nam.

Wah Nam has entered into the Underwriting Agreement with REORIENT Financial Markets Limited (the Underwriter) whereby the Underwriter has agreed to place HKD 78 million worth of Wah Nam shares for a commission of 2.5% of the total amount placed.

The placement price under the Share Placement and the Underwriting Agreement is HKD 0.60 per share (the Subscription Price), or AUD 0.076 per share. The Subscription Price also applies to the terms of conversion of the Convertible Bond.

The full details of the Takeover Offer are included in a Bidder's Statement which was issued by Wah Nam on 13 December 2011. An overview of the Takeover Offer is provided in Section 1.

Brockman is required to issue a Target's Statement in response to the Bidder's Statement, which will include the recommendation of the independent directors of Brockman (the Independent Directors) as to whether or not Shareholders should accept the Takeover Offer.

Purpose of the report

The Independent Directors have requested that Deloitte Corporate Finance Pty Limited (Deloitte) provide an independent expert's report advising whether or not, in our opinion, the Takeover Offer is fair and reasonable.

This independent expert's report is required pursuant to Section 640 of the Corporations Act 2001 (Cth) (Section 640) to assist Shareholders in their decision whether or not to accept or reject the Takeover Offer. We have prepared this report having regard to Section 640 and the relevant Australian Securities and Investments Commission (ASIC) Regulatory Guides.

This report is to be included in the Target's Statement to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Takeover Offer. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

Basis of evaluation

In order to assess whether the Takeover Offer is fair and reasonable we have:

- assessed whether the Takeover Offer is fair by estimating the fair market value of an ordinary share in Brockman on a control basis and compared that value to the estimated fair market value of the Bid Consideration to be received by Shareholders pursuant to the Takeover Offer
- assessed the reasonableness of the Takeover Offer by considering other relevant factors.

Summary and conclusion

In our opinion the Takeover Offer is fair and reasonable to Shareholders. In arriving at this opinion, we have had regard to the following factors:

The Takeover Offer is fair

Set out in the table below is a comparison of our assessment of the fair market value of a Brockman share with the estimated value of the consideration offered by Wah Nam.

Table 1: Evaluation of fairness[1]

	Section/reference	Low (AUD)	High (AUD)
Deloitte assessed value of a share in Brockman	9.2.5	2.70	3.05
Estimated value of the Bid Consideration	Table 4	2.70	2.95

Source: Deloitte analysis

Note:

1. All amounts stated in this report are in AUD unless otherwise stated and may be subject to rounding.

The consideration offered by Wah Nam is within the range of our estimate of the fair market value of a Brockman share.

ASIC Regulatory Guide 111.10 provides that 'an offer is fair if the value of the offer price or consideration is equal to or greater than the value of securities subject to the offer'. ASIC Regulatory Guide 111.62 provides that 'an expert should usually give a range of values' for the securities that are subject to the offer.

In relation to the Takeover Offer we consider that, if the value of the consideration offered by Wah Nam is within the range of the value of a share in Brockman, the offer is fair.

Valuation of a Brockman share

We have estimated the fair market value of a share in Brockman using the sum-of-the-parts methodology. We have valued the Marillana iron ore development project (Marillana Project) using the discounted cash flow method. The estimated value of the exploration tenements is based on an assessment of value provided by SRK Consulting (Australia) Pty Limited (SRK), an independent technical expert. Details are provided in Section 4.3. SRK's report is attached as Appendix 6 to our report.

Our assessed fair market value of a share in Brockman is summarised in Table 2.

Table 2: Value of a share in Brockman based on sum-of-the-parts method

	Section	Unit	Low value	High value
Fair market value of the Marillana Project	9.2.1	**AUD million**	**325.0**	**375.0**
Exploration assets of Brockman	9.2.2	AUD million	20.0	20.0
Surplus assets	9.2.3	AUD million	9.0	9.0
Enterprise value of Brockman (on a control basis)		**AUD million**	**354.0**	**404.0**
Net cash	9.2.4	AUD million	41.3	41.3
Equity value of Brockman (on a control basis)		**AUD million**	**395.3**	**445.3**
Number of shares on issue	9.2.5	*Million*	*145.7*	*145.7*
Value of a share in Brockman (on a control basis)		AUD	2.71	3.06
Deloitte assessed value of a share in Brockman using the sum-of-the-parts method		**AUD**	**2.70**	**3.05**

Source: Deloitte analysis

We have selected a valuation range of AUD 2.70 to AUD 3.05 based on the sum-of-the-parts method.

Valuation of the Bid Consideration

Estimating the value of the Bid Consideration under the Takeover Offer requires an estimate of the value of a share in the combined entity consisting of Wah Nam and Brockman (Proposed Merged Entity). Our valuation of a share in the Proposed Merged Entity is set out in Section 10.5 and is prepared on a minority interest basis, as Shareholders will receive shares which represent a minority interest in the Proposed Merged Entity.

In order to value a share in the Proposed Merged Entity, we have considered:

- the value of a share based on the sum-of-the-parts methodology, which estimates the market value of a company by separately valuing each asset and liability of the company and deducting a minority interest discount
- the Subscription Price at which the Share Placement, conversion of the Convertible Bond and the placement under the Underwriting Agreement is being undertaken
- trading in Wah Nam shares on the Hong Kong Stock Exchange (HKEX) prior to announcement of the Takeover Offer, but after 9 November 2011, when Brockman confirmed to the Australian Securities Exchange (ASX) that it was in preliminary discussions with Wah Nam about a potential transaction
- trading in Wah Nam shares on the HKEX up to 14 December 2011, being the first two trading days after the announcement of the Takeover Offer.

The value of a share in the Proposed Merged Entity derived under each of the methods discussed above is summarised in Table 3.

Table 3: Value of a share in the Proposed Merged Entity – summary

	Section	Low (AUD)	High (AUD)
Sum-of-the-parts method	10.2	0.062	0.064
Subscription Price	10.3	0.076	0.076
Wah Nam VWAP[1] between 9 November 2011 and 9 December 2011	10.4	0.082	0.082
Wah Nam VWAP between 13 December 2011 and 14 December 2011	10.4	0.094	0.094

Source: Deloitte analysis

Note:

1. VWAP – volume weighted average price.

In selecting a high value of AUD 0.080 for a share in the Proposed Merged Entity, we have had regard to the Subscription Price, which we consider provides good evidence as to the fair market value of a share in the Proposed Merged Entity on a minority interest basis, together with trading in Wah Nam shares after 8 November 2011.

We have adopted a value of AUD 0.065 as the low end of the value range for the Proposed Merged Entity, which is approximately the high end of our valuation range for the Proposed Merged Entity derived under the sum-of-the-parts method.

We have therefore selected a value for a share in the Proposed Merged Entity in the range of AUD 0.065 to AUD 0.080 on a minority interest basis.

The Takeover Offer was announced by Wah Nam on 13 December 2011 and our report is contained within the Target's Statement issued to be on 15 December 2011. As a consequence, we have had the opportunity to observe only two days of trading in Wah Nam shares after the announcement of the Takeover Offer.

Given the limited time between the announcement of the Takeover Offer and the issue of the Target Statement, trading in Wah Nam shares may not fully incorporate the market's view of the Takeover Offer.

Based on the VWAP of Wah Nam shares over the two days after the announcement of the Takeover Offer, the implied purchase price of a Brockman share is AUD 3.19, however, this implied consideration may change as the market fully incorporates the consequences of the Takeover Offer.

Under the Takeover Offer, Wah Nam has offered the Bid Consideration to Shareholders, consisting of Cash Consideration of AUD 1.50 and 18 shares in the Proposed Merged Entity.

We set out below the value of the Bid Consideration under the Takeover Offer.

Table 4: Valuation of the Bid Consideration

	Unit	Low	High
Value of the Scrip Consideration			
Deloitte assessed value of a share in the Proposed Merged Entity (on a minority interest basis)	AUD	0.065	0.080
Number of shares issued in the Proposed Merged Entity	shares	18	18
Estimated value of the Scrip Consideration	**AUD**	**1.17**	**1.44**
Cash Consideration	**AUD**	**1.50**	**1.50**
Total value of the Bid Consideration	**AUD**	**2.67**	**2.94**
Selected value of the Bid Consideration	**AUD**	**2.70**	**2.95**

Source: Deloitte analysis

Based on the VWAP of Wah Nam shares over the two days after the announcement of the Takeover Offer, the implied purchase price of Brockman is AUD 3.19, however, this implied consideration may change as the market fully incorporates the consequences of the Takeover Offer.

Our assessed value of a share in Brockman on a control basis is in the range of AUD 2.70 to AUD 3.05 based on the sum-of-the-parts method.

The Bid Consideration offered by Wah Nam is within the range of our estimate of a Brockman share.

The Takeover Offer is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Takeover Offer is reasonable.

We have also considered the following factors in assessing the reasonableness of the Takeover Offer.

It is difficult to progress the Marillana Project under the current shareholding structure

Brockman has had extensive discussions with a number of parties regarding possible joint ventures, sales contracts (with potential Asian customers) and shipping, rail and port options. It has become obvious in recent months that the uncertainty associated with the intentions of the controlling shareholder is limiting Brockman's ability to progress these discussions. In the absence of the Takeover Offer this uncertainty is likely to continue and it will be difficult to negotiate a suitable infrastructure solution in a reasonable timeframe.

The Proposed Merged Entity will have a clear ownership structure and will be in a stronger position to negotiate future sales contracts, infrastructure solutions and possible joint ventures. This should enable the Proposed Merged Entity to negotiate an end-to-end infrastructure solution, which is critical to developing the Marillana Project and (over time) realising the value associated with it.

The Takeover Offer therefore provides greater certainty to Shareholders regarding the likelihood of the Marillana Project proceeding within a reasonable timeframe.

It may be difficult to source project and equity funding under the current shareholding structure

Development of the Marillana Project will require substantial equity and debt funding. Under the current ownership structure, Brockman will need to source the required funding. Any equity funding required could be dilutive to Shareholders, depending on the terms of issue and whether Shareholders choose to participate.

While the Proposed Merged Entity will still need equity funding, its structure, HKEX listing and larger market capitalisation will likely be more conducive to equity raisings and these are likely to be on better terms than those currently available to Brockman on a standalone basis.

The terms of the Takeover Offer have been negotiated over a number of months

Two of the Independent Directors, Ross Norgard and Colin Paterson, together control more than 11% of Brockman (Michael Spratt, the other Independent Director, does not hold any shares in Brockman). This stake has enabled the Independent Directors to engage in negotiations over a number of months with Wah Nam and agree terms of the Takeover Offer that they consider should be acceptable to Shareholders.

An alternative offer is unlikely given Wah Nam's controlling interest in Brockman

Wah Nam currently has a 55.33% interest in Brockman. It is therefore unlikely that an alternative, superior offer for Brockman will emerge in the near future.

The Cash Consideration provides Shareholders with an opportunity to realise approximately 50% of their investment

The Brockman share price has declined and trading has been relatively illiquid since Wah Nam declared its original offer unconditional on 6 May 2011.

Shareholders that accept the Takeover Offer will receive cash of AUD 1.50 per share, which provides them with the opportunity to realise approximately 50% of the control value of their investment.

The Scrip Consideration enables Shareholders to participate in the potential upside of the Proposed Merged Entity

Shareholders who accept the Takeover Offer will become shareholders in the Proposed Merged Entity.

The Proposed Merged Entity is likely to have a share market capitalisation in the range of AUD 480 million to AUD 600 million. The share price can be expected to increase as development of the Marillana Project progresses and the potential underlying value of the project is realised.

The market capitalisation of the Proposed Merged Entity and its enlarged shareholder base may attract additional institutional investors and greater analyst coverage. Shareholders will also have the option of trading their shares in the Proposed Merged Entity on the ASX or the HKEX, which is one of the world's largest capital markets. These factors may lead to an enhanced share market profile and may provide increased liquidity than currently experienced by Shareholders.

Shareholders are receiving a premium to the share price of Brockman prior to the announcement of the Takeover Offer

The Bid Consideration offered under the Takeover Offer includes a control premium. We have assessed the value of the Bid Consideration per share in Brockman under the Takeover Offer to be in the range of AUD 2.70 to AUD 2.95 per share.

The closing price of shares in Brockman on 9 December 2011 immediately prior to the announcement of the Takeover Offer, was AUD 2.26. The consideration represents a premium to the closing price of Brockman on 9 December 2011 of between approximately 20% and 30%.

In the absence of the Takeover Offer Brockman shares may trade below current levels

Brockman placed its shares in a trading halt on 12 December 2011 before trading resumed on 13 December 2011 after announcement of the Takeover Offer. Between 13 December 2011 and 14 December 2011, the share price of Brockman ranged from a low of AUD 2.20 to a high of AUD 2.39 with a VWAP of AUD 2.29.

In the absence of the Takeover Offer or an alternative transaction, shares in Brockman may trade below the prices at which they traded on 13 December 2011 as this report will result in the disclosure of additional information to the market about the development options available to Brockman and the significant risks that exist in trying to negotiate an economically viable infrastructure solution in a reasonable timeframe.

Tax implications

The Proposed Merged Entity is not an Australian resident company. Any future dividends will therefore not be franked under the Australian tax regime.

In addition, the Takeover Offer may crystallise taxation liabilities for individual Shareholders in respect of their investment in Brockman. Refer to section 6 of the Target's Statement for an overview of the taxation impacts of the Takeover Offer. The tax consequences of the Takeover Offer may vary depending on the particular circumstances of an individual Shareholder. Accordingly, Shareholders should consult their tax advisers in relation to their personal circumstances.

Conclusion on reasonableness

As the Takeover Offer is fair, it is also reasonable.

Opinion

In our opinion, the Takeover Offer is fair and reasonable to Shareholders. An individual Shareholder's decision in relation to the Takeover Offer may be influenced by his or her particular circumstances. If in doubt the Shareholder should consult an independent adviser, who should have regard to their individual circumstances.

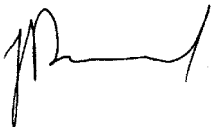
This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

Nicki Ivory

Director



Johan Duivenvoorde

Director

Note: the figures in this report are subject to rounding.

Contents

1 Terms of the Takeover Offer

1.1 Summary

On 12 December 2011, Wah Nam announced the Takeover Offer, whereby Wah Nam has offered to acquire all of the shares issued in Brockman it does not already own for AUD 1.50 in cash and 18 shares in the Proposed Merged Entity for each Brockman share.

Wah Nam's shares are listed on the HKEX (the primary exchange) and the ASX. Under the Takeover Offer, Shareholders have the right to elect to receive the scrip component of the Bid Consideration as HKEX-listed shares or ASX-listed shares. The shares are also transferrable between markets.

In addition, the Takeover Offer extends to all Brockman shares which are issued upon exercise of Brockman options during the Takeover Offer period.

In respect of the Brockman options with exercise prices of AUD 1.25 and AUD 1.30, Wah Nam has agreed, subject to the Takeover Offer being declared unconditional and Wah Nam having a relevant interest in at least 90% of the issued shares in Brockman, Wah Nam will offer to acquire those options in exchange for the difference between the Cash Consideration of AUD 1.50 per share and the exercise price of those options. In addition, those option holders will also receive 18 shares in the Proposed Merged Entity for every option held in Brockman.

For the tranches of Brockman options with an exercise price of AUD 3.00 and above, Brockman has indicated that it intends to use all reasonable endeavours to make an offer to cancel the options in exchange for cash, on arm's length terms, subject to the Takeover Offer becoming unconditional. Brockman has also indicated it intends to offer to amend the loans provided to employees under the Employee Loan Scheme (Shareholder Loans) on terms to be agreed between Wah Nam and Brockman, so that the shares the subject of the Shareholder Loans, can be sold into the Takeover Offer. The Cash Consideration payable to Shareholders with Shareholder Loans will be used to repay the amounts outstanding under the Shareholders Loans with any residual amount paid to these Shareholders.

On 12 December 2011, Wah Nam also announced the Share Placement to raise a total of AUD 42 million, the issue of the Convertible Bond of AUD 22 million and the Underwriting Agreement of AUD 10 million to fund the cash component of the Bid Consideration.

The Share Placement consists of a share placement to the Subscriber of AUD 42 million at the Subscription Price of AUD 0.076 per share based on the current exchange rate as at 9 December 2011.

The Convertible Bond is also being issued to the Subscriber. Under the terms of the Convertible Bond, the Subscriber will be required to progressively convert the Convertible Bond during the term of the Takeover Offer, however there will be limitations on the amount that can be converted into shares in the Proposed Merged Entity in order to ensure the Subscriber does not hold more than 14.9% of the issued capital of the Proposed Merged Entity. The Convertible Bond will convert into shares in the Proposed Merged Entity at the Subscription Price.

Under the Underwriting Agreement, the Underwriter has agreed to place AUD 10 million in Wah Nam shares at the Subscription Price for a fee of 2.5% of the total amount placed.

1.2 Wah Nam's intentions

Refer to section 8 of the Bidder's Statement for a full description of Wah Nam's intentions regarding Brockman.

In summary, Wah Nam's key intentions are as follows:

- if Wah Nam acquires 90% or more of Brockman, Wah Nam intends to proceed with the compulsory acquisition of all other Brockman shares not acquired under the Takeover Offer in accordance with Section 661B of the Corporations Act 2001 (Cth) (Corporations Act)
- if Wah Nam acquires less than 90% of Brockman but more than 80%, Wah Nam intends to acquire additional Brockman shares over time to enable Wah Nam to move to compulsorily acquire all of the issued shares in Brockman and will seek to delist Brockman from the ASX unless the spread required by the ASX continues to be satisfied
- following completion of the Takeover Offer, if Brockman becomes a wholly owned subsidiary of Wah Nam, Brockman will be delisted from the ASX

- if Wah Nam acquires less than 80% of Brockman, Wah Nam will not seek the removal of Brockman from the official list of the ASX
- Wah Nam will continue with the timely development of the development projects owned by Brockman and continue to operate the Brockman business in the manner in which it is currently conducted.

1.3 Key conditions of the Takeover Offer

The Takeover Offer is subject to various conditions, the most significant being:

- the requisite majority of Wah Nam shareholders approving the Takeover Offer, the Share Placement, the issue of the Convertible Bond, the terms of the Underwriting Agreement and the issue of shares in the Proposed Merged Entity pursuant to the Bid Consideration at a shareholders' meeting to be held on or around 6 January 2012
- completion of the Share Placement and the issue of the Convertible Bond, pursuant to the Subscription Agreement, and completion of the underwriting pursuant to the Underwriting Agreement
- Wah Nam owning a relevant interest of at least 80% of all Brockman shares by the end of the Takeover Offer period
- unconditional Foreign Investment Approval from the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth)
- the exchange rate between the AUD and the United States Dollar (USD) not exceeding 1 AUD to 1.1 USD for 50 percent or more of the time during each of the five trading days on the HKEX after the last of the above conditions are satisfied
- no regulatory actions arising as a result of the Takeover Offer, other than those initiated by Brockman and/or Wah Nam
- no prescribed occurrences occurring in relation to Brockman and Wah Nam, as defined in the Bid Implementation Agreement between the date of the Bid Implementation Agreement and the end of the Takeover Offer period.

2 Scope of the report

2.1 Purpose of the report

Under Section 640, a Target's Statement given in response to a takeover offer must include, or be accompanied by, an independent expert's report if either the bidder's voting power in the target is 30% or more, or the bidder and target have one or more common directors. The independent expert's report is required for the purpose of providing shareholders of the target company with an objective and disinterested view as to whether the offer is fair and reasonable and to provide them with sufficient information to make an effective, informed decision as to whether to accept or reject the offer.

Wah Nam currently holds 55.33% of the issued shares in Brockman and also has three common directors. An independent expert's report is therefore required under Section 640.

This report is to be included in a Target's Statement to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Takeover Offer. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

2.2 Basis of evaluation

2.2.1 Regulation

In our assessment as to whether the Takeover Offer is fair and reasonable, we have had regard to common market practice and to ASIC Regulatory Guide 111 regarding the content of expert's reports. The Regulatory Guide prescribes standards of best practice in the preparation of independent expert's reports pursuant to Section 640.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for transactions under Chapters 5, 6 and 6A of the Corporations Act, in relation to:

- takeover bids
- schemes of arrangement
- compulsory acquisitions or buy-outs
- acquisitions approved by security holders under item 7 of Section 611
- selective capital reductions
- related party transactions
- transactions with persons in a position of influence
- demergers and demutualisations of financial institutions
- buy-backs.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of Section 611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the takeover offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium if appropriate)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the takeover offer, in the absence of any higher bids before the close of the offer.

To assess whether the Takeover Offer is fair and reasonable to Shareholders, we have adopted the tests of whether the Takeover Offer is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

2.2.2 Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly we have assessed whether the Takeover Offer is fair by comparing the Bid Consideration offered under the Takeover Offer, which consists of cash and shares in the Proposed Merged Entity, with the value of a Brockman share.

We have valued the shares in Brockman and a share in the Proposed Merged Entity at fair market value, which we have defined as the amount at which the assets or shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuations of a share in Brockman and the Proposed Merged Entity have not been premised on the existence of a special purchaser.

We have assessed whether the Takeover Offer is fair by estimating the fair market value of a share in Brockman on a control basis before completion of the Takeover Offer and comparing that value to the estimated fair market value of the Bid Consideration. We have assessed the value of each share in Brockman by estimating the current value of Brockman on a control basis and dividing this value by the number of shares on issue.

The Bid Consideration consists of cash and shares in the Proposed Merged Entity and, following the Takeover Offer, the Shareholders will hold shares in the Proposed Merged Entity as minority shareholders. Therefore, in order to estimate the fair market value of the Bid Consideration, we have estimated the fair market value of the Proposed Merged Entity on a minority interest basis and divided this value by the number of shares expected to be on issue in that entity following the Takeover Offer.

2.2.3 Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Takeover Offer we considered the following significant factors in addition to determining whether the Takeover Offer is fair:

- it is difficult to progress the Marillana Project under the current shareholding structure
- it may be difficult to source project and equity funding under the current shareholding structure
- the terms of the Takeover Offer have been negotiated over a number of months
- an alternative offer is unlikely given Wah Nam's controlling interest in Brockman
- the Cash Consideration provides Shareholders with an opportunity to realise approximately 50% of their investment
- the Scrip Consideration enables Shareholders to participate in the potential upside of the Proposed Merged Entity
- Shareholders are receiving a premium to the share price of Brockman prior to the announcement of the Takeover Offer
- in the absence of the Takeover Offer Brockman shares may trade below current levels.

2.2.4 Individual circumstances

We have evaluated the Takeover Offer for Shareholders as a whole and have not considered the effect of the Takeover Offer on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Takeover Offer from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Takeover Offer is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

2.3 Disclosure of resources and reserves

Where mineral resource and reserve estimates have been quoted throughout this report, these have been based on previously released public reports of Brockman and Wah Nam, each of which has been issued with the written consent of a relevant 'Competent Person' as defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC).

2.4 Limitations and reliance on information

The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix 8.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited (APESB).

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

3 Iron ore industry

Brockman is an iron ore exploration and development company with assets located in the Pilbara region (Pilbara) of Western Australia (WA). The following overview focuses on the iron ore industry in Australia.

3.1 Product Overview

Iron ore is found in its raw form as hematite (primary type of iron ore in Australia), magnetite, goethite, limonite, itabirite, pisolite and taconite ores. Hematite and magnetite are normally used in steel making, with hematite being preferred due to its higher iron content as ore in situ. Magnetite ores generally require a greater amount of beneficiation, usually in the form of crushing, milling and magnetic separation which increases mining costs.

The iron content is the most important factor that determines the value of the ore. The majority of the world's high grade iron ore resources (greater than 60% iron (Fe) content and on average 62% to 63%) are hematite deposits, which either require a small amount of beneficiation or can be fed directly into blast furnaces (albeit after sintering for fines ore). The majority of iron ore currently exported by Australia from the Pilbara is high grade hematite direct shipping ore (DSO), which only requires crushing and screening. There are also a number of large high grade hematite deposits in Brazil. There are also a number of lower grade hematite deposits in Australia (Fe content of 40% to 50%).

Magnetite ores are generally of a lower grade (between 25% to 40% iron content) and require beneficiation involving crushing, milling and magnetic separation. Magnetically beneficiated ore can be pelletised for use as a high grade raw material in the steel making process.

The productivity of blast furnaces is affected by the chemical composition of the ore, such as iron content and levels of impurities. Steelmakers are willing to pay a premium for high grade ore with low impurities.

The main impurities found in naturally occurring hematite and magnetite ores are silicon dioxide (SiO_2), aluminium oxide (Al_2O_3), sulphur (S) and phosphorous (P). The level of these impurities is one of the main determinants of whether an iron ore resource is commercially viable. High level of moisture reduces the saleable value of iron ore and is therefore also considered undesirable.

The level of impurities is a growing issue for steelmakers as high grade, low impurity ore resources are being depleted. Steelmakers are able to reduce the average impurity of ores going into blast furnaces by blending ores with different characteristics.

The geological features of each ore deposit affect the mining approach and production costs, which are higher where ore bodies are deeper (requiring higher stripping ratios) or where ore bodies are below the water table (requiring dewatering and drying).

Iron ore is a relatively low value-to-weight ratio product and there are three principal types of iron ore products: fines (size less than 6 millimetres (mm)); lump (size 6mm to 30mm); and pellets. Currently, fines account for the largest share of production in Australia (approximately 70%), followed by lump (approximately 30%) and pellets account for less than 1% of output, with little historical variation in these contributions. The demand for these products is affected by availability, price differentials and blast furnace requirements.

Although the cost of production of fines and lump ores is similar, lump ores are generally priced at a premium to fines. This is because fines must be sintered by the steel mill before they can be added to the blast furnace. Sintering improves the permeability of the furnace feed stock and prevents the loss of fines. Demand for fines has been increasing in recent years as Chinese steel mills, in particular, have invested in significant sintering and pelletising capacity.

Lump ore is generally considered to be the most desirable source of iron ore for steel production as no pre-smelter processing is required.

3.2 Iron ore industry in Australia

The Australian iron ore mining industry is forecast to account for 2.6% of the national gross domestic product in Financial Year (FY) FY2012, with sales estimated at AUD 56.6 billion[1]. Iron ore is Australia's second largest export product after coal (according to IBIS World Pty Ltd (IBISWorld).

Australia has approximately 13% of the world's iron ore resources, fourth after Ukraine, Russia and China, but second in terms of iron ore content after Brazil[2]. Australia produced an estimated 420 million tonnes (Mt) of iron ore during the 2010 calendar year (CY), second highest after China (900 Mt), followed by Brazil (370 Mt). Australia was the largest exporter in 2010 (402 Mt), followed by Brazil (308 Mt) and India (87 Mt)[3].

Table 5 below outlines the various types and characteristics of Australian iron ore producing mines. Brockman's mineral resources are a blend of channel iron deposits (CID) and detrital (a form of other hematite).

Table 5: Australian iron ore product types - characteristics and deposits

Product Type	Characteristics	Deposits
Premium Brockman	65% Fe / 0.05% P / 4.3% SiO_2 / 1.7% Al_2O_3	Mount Whaleback and Mount Tom Price
Brockman	62.7% Fe / 0.10% P / 3.4% SiO_2, 2.4% Al_2O_3 / 4.0% LOI[1]	Channar, Paraburdoo and Jimblebar
Marra Mamba	62% Fe / 0.06% P / 3% SiO_2 / 1.5% Al_2O_3 / 5% LOI	Nammuldi, West Angelas, Mining Area C, Marandoo, Hope Downs, Cloudbreak and Christmas Creek
CID	58% Fe / 0.05% P / 4.8% SiO_2 / 1.4% Al_2O_3 / 10% LOI	Robe River and Yandicoogina
Other Hematite	Low: 57.4% Fe / 0.09% P / 7.07% SiO_2 / 2.4% Al_2O_3 / 4.0% LOI	Pardoo
	High: 63.8% Fe / 0.017% P / 6.13% SiO_2 / 1.01% Al_2O_3 / 0.46% LOI	Koolan Island
Magnetite (pellets)	66.3% Fe (after beneficiation) / 0.02% P / 1.9% SiO_2 / 0.4% Al_2O_3 / 1.0% LOI	Balmoral, Cape Lambert and Karara

Source: Geoscience Australia

Note:

1. Loss on Ignition.

The Pilbara is the primary iron ore producing region in Australia. The three main types of hematite ore mined in the Pilbara are as follows:

a) Brockman ore, which can be further classified as low phosphorous (Premium Brockman) or high phosphorous Brockman ore

b) Marra Mamba ore

c) CID, also known as pisolite, which is a mixture of hematite and goethite.

Rio Tinto Limited (Rio), the largest Australian iron ore producer (approximately 41% market share) and BHP Billiton Limited (BHP) (approximately 37% market share) currently account for approximately 78% of total iron ore production in Australia. Fortescue Metals Group Limited (Fortescue) is another prominent Pilbara iron ore producer with current installed capacity of 55 Mt per annum (Mtpa) and expansion plans to increase capacity to 155 Mtpa by June 2013[4].

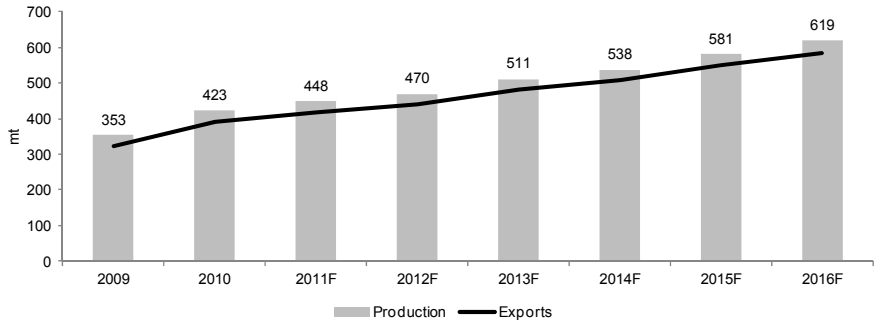
[1] IBISWorld Industry Report B1311 – Iron Ore Mining in Australia August 2011
[2] US Geological Survey website and Minerals Yearbook – 2009
[3] ABARE Australia Commodities – June Quarter 2011
[4] Fortescue AGM Investor Presentation – 9 November 2011

The WA iron ore industry represents almost 97% of total Australian production, followed by South Australia (2.5%) and Tasmania (less than 1%)[5]. The Pilbara is particularly significant with more than 84% of Australia's total identified resources and almost 92% of total production[6]. Atlas Iron Limited (Atlas), Territory Resources Limited, Cliffs Natural Resources Incorporated, Mount Gibson Iron Limited, Murchison Metals Limited, OneSteel Limited (OneSteel) and Grange Resources Limited are smaller iron ore companies currently in production.

3.3 Outlook

Figure 1 below shows that historical and expected growth in Australian iron ore exports.

Figure 1: Medium term Australian production and export outlook[1]

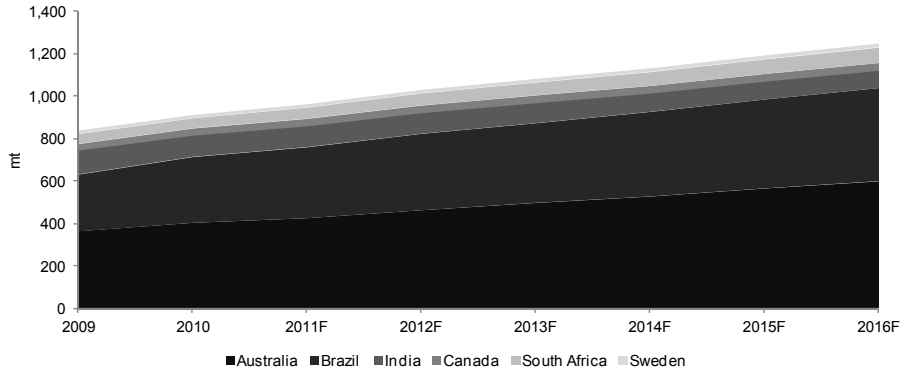


Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)

Note:

1. F – forecast.

Figure 2: Medium term world export outlook



Source: ABARES

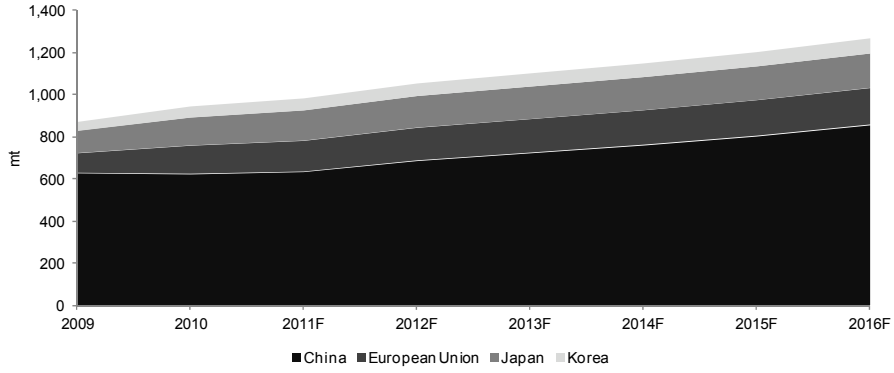
World trade of iron ore is projected to increase at an average annual rate of 6% between 2010 and 2016, growing to 1.39 billion tonnes (Bt) by the end of 2016. The majority of export growth is expected to come from Australia and Brazil, as illustrated in Figure 2.

Australian exports of iron ore are projected to increase at an average annual rate of 8% between 2010 and 2016. By 2016, Australia's iron ore exports are projected to account for 43% of world trade, as several large projects by BHP, Rio, CITIC Pacific Mining Management Pty Limited (the Sino Iron project) and Fortescue are scheduled to commence production.

[5] IBISWorld Industry Report B1311 – Iron Ore Mining in Australia February 2010
[6] UBS Investment Research; Australia Mining and Metals; Australian Resources Weekly 23 April 2010

As shown in Figure 3, China is expected to continue as the largest importer as its demand for iron ore rises at a faster rate than that of domestic production. This is projected to underpin China's import growth of 5% per annum which is expected to reach 857 Mt in 2016.

Figure 3: Medium term world import outlook



Source: ABARES

A recovery in global demand is expected to be consistent with the expected economic recovery in many developed countries. As such, iron ore imports by other major Asian economies are projected to increase over the outlook period, having declined significantly in 2009.

3.4 Global demand

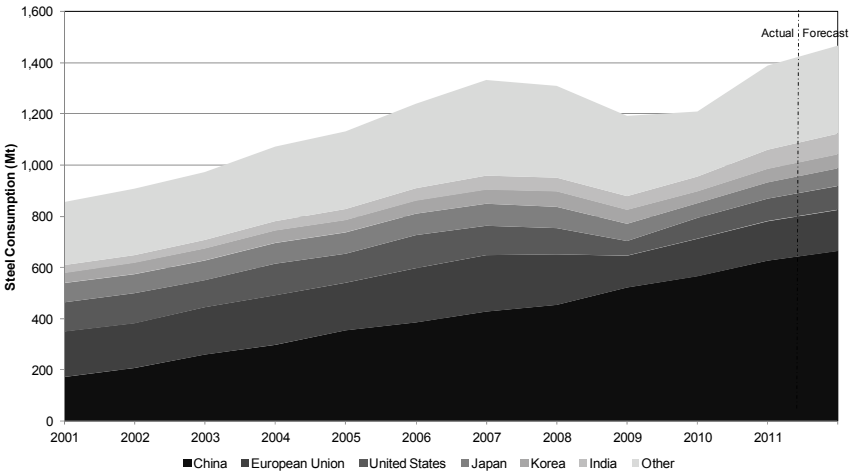
Demand for iron ore is driven by iron and steel making, which in turn is driven by a range of industries of which the most important are construction, motor vehicle manufacturing, ship building, plant and equipment manufacturing and consumer goods manufacturing.

A key driver of demand for Australian iron ore is demand from China. The combination of significant growth in iron ore exports to China (115% over the 5 years ending 2010) and the fact that iron ore exports to China currently make up around 70% of Australia's total exports, means China is an important future driver of demand for the Australian iron ore industry.

The main markets for iron ore are the steel producing regions of Asia, Europe and North America.

The figure below shows the historical global steel consumption by region.

Figure 4: Global steel consumption per country



Source: ABARES

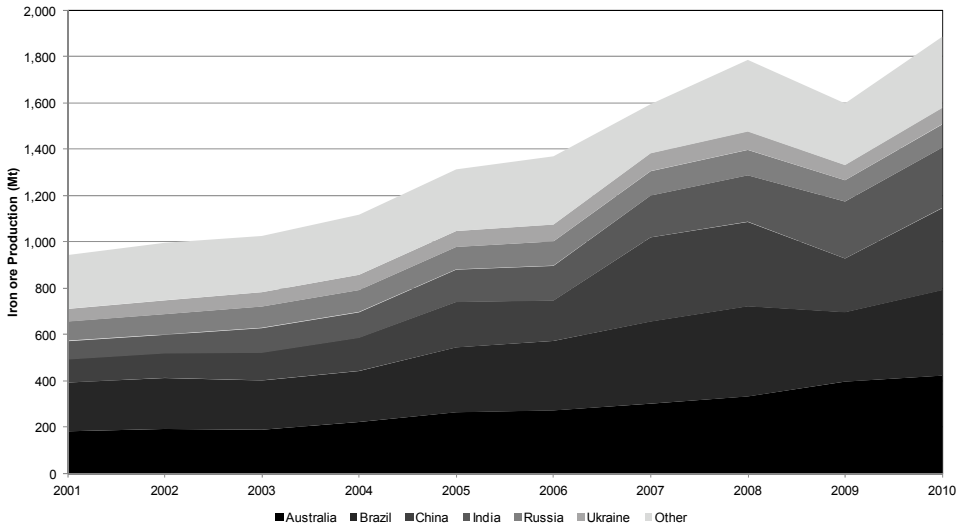
Australian domestic iron ore demand is relatively small and the only substantial local consumers of iron ore are OneSteel and BlueScope Steel Limited. This is not expected to change in the short to medium term.

3.5 Global supply

Iron ore is mainly produced in China, Australia, Brazil and India, while Australia, Brazil and India are the major iron ore exporting countries. China produces on average very low quality iron ore (iron ore content around 30% compared to 50% or more for traded ore) and uses most of its iron ore production for domestic steel production.

Figure 5 shows the increase in global iron ore production from 932 Mt in 2001 to 1,886 Mt in 2010. The increase in iron ore production over this period is primarily due to the economic growth, urbanisation and industrialisation of China.

Figure 5: Global iron ore production per country



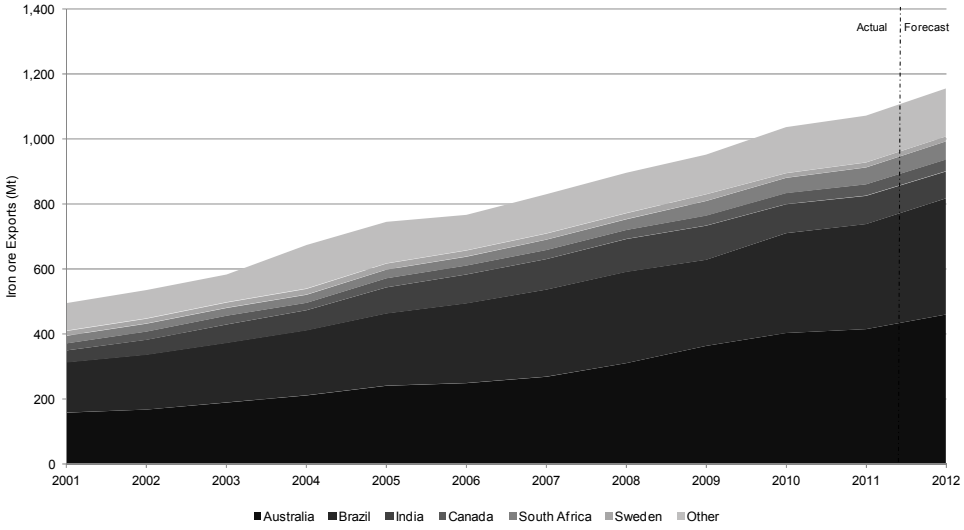
Source: United States (US) Geological Survey

Notes:

1. Brazil production excludes pellets
2. China production was converted to correspond with world average Fe content.

Of the total global production of iron ore in 2010, 1,036 Mt was exported and the balance used for domestic consumption. While China and India are significant producers of iron ore (as shown in Figure 5), they are not significant exporters of iron ore (as shown in Figure 6) due to significant local consumption.

Figure 6: Global iron ore exports per country



Source: ABARES

Vale SA (Vale) of Brazil is the largest global iron ore producer followed by Rio and BHP. Iron ore produced by Vale, Rio and BHP represents the majority of seaborne traded iron ore and this is expected to continue in the short to medium term with most of the future increase in global iron ore exports forecast to come from Brazil and Australia. This increase is expected to be delivered primarily through significant investment in new infrastructure.

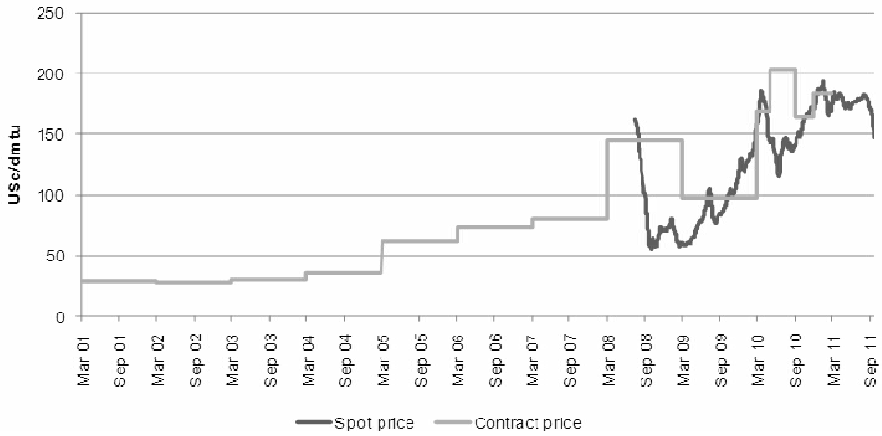
3.6 Pricing

Iron ore is traditionally sold in the export market was sold through long term contracts, many of which had terms of between eight and 25 years. These contracts prescribed the volume of iron ore sold but prices were generally based on an annually negotiated benchmark price, which was set through separate negotiations between one of the major producers (Rio, BHP and Vale) and global steel mills. Traditionally, once one of the major producers agreed a price with an individual (or consortium) steel mill, this price became the benchmark price for the next Japanese financial year (JFY) and was replicated throughout the industry. The JFY runs from 1 April to 31 March. If the price was not set by 1 April then an interim pricing level was agreed until the new benchmark price was negotiated.

However, JFY2009 price negotiations saw a move away from the traditional system with individual producers negotiating their own price. A major change in the pricing of iron ore occurred in March 2010, with BHP announcing it had negotiated quarterly contracts with most of its Asian customers. The new pricing system between the large producers and Asian steel mills sets the price for the upcoming quarter based on the spot price in the first half of the month prior to the new quarter. Vale and Rio announced a similar outcome soon afterwards, albeit based on lagging spot price values (up to four months in arrears).

The increase in iron ore prices over the past decade, as illustrated in Figure 7, was mainly driven by the growth in steel production in China to supply its rapid infrastructure development.

Figure 7: Historical fines spot and contract prices



Source: Thomson Reuters (Professional) Australia Limited (Thomson Reuters), Bureau of Resources and Energy Economics (BREE)

Notes:

1. Spot price has been displayed from July 2008 due to the availability of information
2. FOB – Free on board; USc/dmtu – US cents per dry metric tonne unit.

The generally accepted benchmark price in the iron ore industry is the Hamersley lump and fine prices exported from Dampier (also known as the Pilbara blend lump and fines). The Hamersley prices are closely linked to the corresponding BHP prices for the export of comparable products from Port Hedland.

3.7 Infrastructure

Iron ore mined in the Pilbara is shipped from three ports, Dampier, Cape Lambert and Port Hedland. The Dampier and Port Hedland ports are owned by the State Government of WA. Rio has operations at Dampier and Cape Lambert. Hamersley Iron Pty Limited (Hamersley Iron), a subsidiary of Rio, operates the East Intercourse and Parker Point berths and owns the port infrastructure facilities at Dampier. Robe River Iron Associates (Robe River), an unincorporated joint venture (JV) which is 53% owned by Rio, owns and operates the Cape Lambert port facilities. BHP and Fortescue operate out of Port Hedland and own the port infrastructure facilities, including berths at the port.

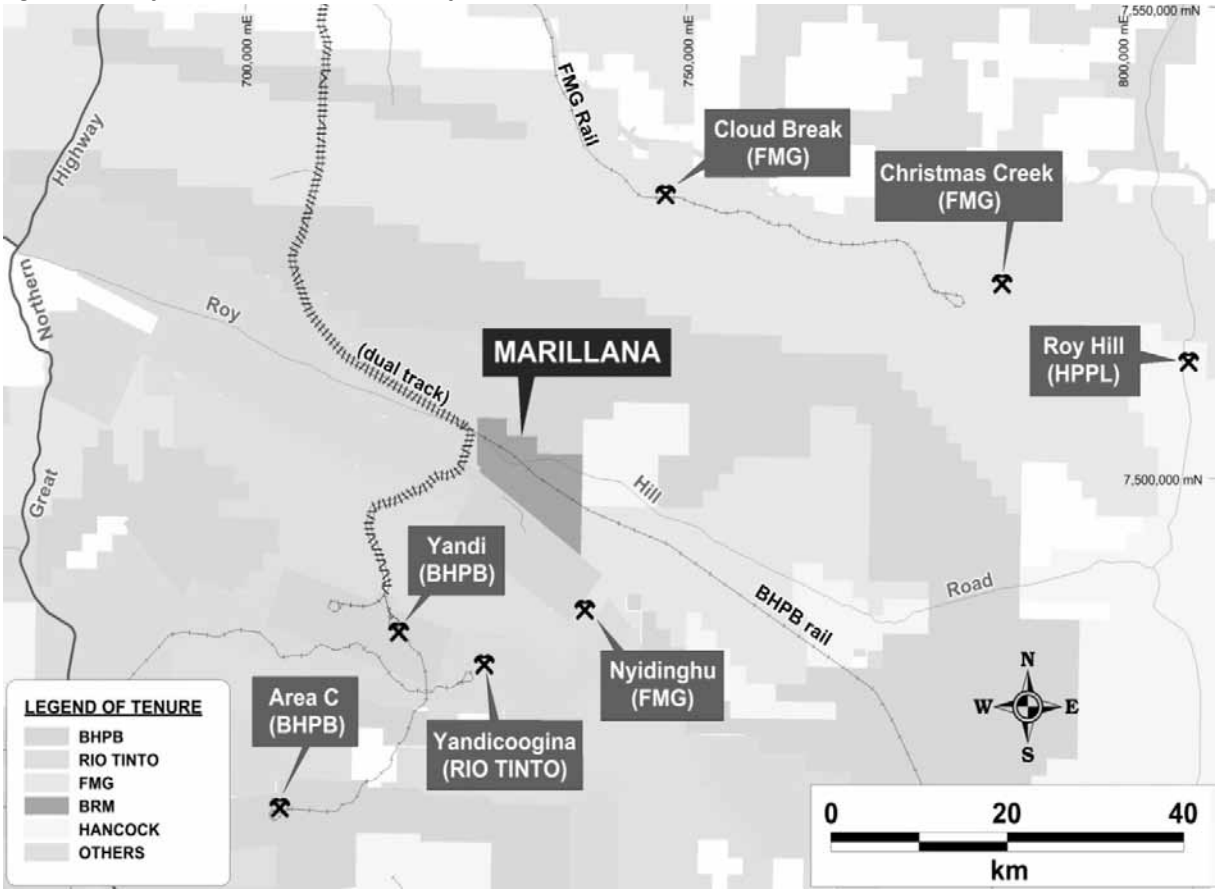
The State Government has acknowledged that the three existing ports will not meet the forecast demand for export facilities over the medium to long term and that an alternative port or an expansion of existing port facilities is required in the Pilbara. In March 2010, the State Government identified Anketell Point, 30 kilometres (km) east of Karratha (with the next closest port being Dampier) as the site of the Pilbara's next major iron ore port. Aquila Resources Limited, Fortescue and MCC Australia Holdings Pty Limited are the foundation investors in the proposed new port. The State Government is expected to nominate from these investors, including a third party, which group will take control over the development of the port by the end of 2011.

The Port Hedland Port Authority completed the Utah Point multi-user berth at Port Hedland in September 2010. This new berthing operation provides 20 Mtpa which has been allocated to Atlas, Mineral Resources Limited, Moly Mines Limited and BHP.

This is expected to be further augmented by an additional 50 Mtpa of capacity from the South Western Creek development at the Port Hedland port inner harbour which has been allocated to the North West Iron Ore Alliance (now trading as North West Infrastructure), which is owned by Atlas and Brockman. A prefeasibility study has been completed on the new facility with the study concluding that the proposed port and materials handling infrastructure will be capable of meeting the shipping needs of the North West Infrastructure (NWI) members.

The current rail infrastructure in the Pilbara is owned and operated by Hamersley, Robe River, BHP and Fortescue. The distance from the mines to port in the Pilbara requires significant investment in rail infrastructure. The following figure shows the current operating railway lines in the Pilbara and Brockman's Marillana Project.

Figure 8: Nearby rail lines to the Marillana Project



Source: Brockman

Fortescue has been in dispute with Rio and BHP regarding third party access to their Pilbara rail networks. In August 2008, the National Competition Council recommended that the rail services of Rio and BHP for the Robe, Hamersley Iron and Goldsworthy railway lines be declared open to third party access. This recommendation was accepted by the Federal Treasurer in October 2008. In November 2008, Rio and BHP applied to the Australian Competition Tribunal for a review of that decision. The Tribunal concluded that the Treasurer's decision would only be upheld for BHP's Goldsworthy railway line. The effect of this decision on Rio is that it is not required to provide third party access to its rail lines. This decision has been appealed by Fortescue and is anticipated to be heard by the High Court in the first half of 2012.

Under its WA State Agreement, Fortescue's railway line is open to access by other miners at commercial rates. Fortescue has entered into one haulage arrangement with a junior miner, BC Iron Limited, and has stated it has been in negotiations with a number of other junior miners for haulage on its railway line. No access applications have yet been made public in relation to Fortescue's rail line.

Recently, QR National has stated that it is in preliminary discussions with some of the junior miners to construct and operate another Pilbara railway line that would target junior mining companies in the region that do not have existing access to rail networks. Both Brockman and Flinders Mines Limited (Flinders) have stated publicly that they are currently considering QR National as an alternative to using the existing railway lines in the Pilbara.

Additionally, a new mining project requires a range of State Government approvals including native title, heritage and environmental approvals and mining lease approval from the State Government. A lead time of several years is generally required to obtain these approvals

3.8 Climate Change Plan

On 8 November 2011, the Federal Government passed the Climate Change Plan legislation, a carbon tax and emissions trading scheme, which is aimed at reducing greenhouse gas emissions to enable Australia to meet future emission targets.

The Climate Change Plan is intended to form part of a framework for meeting Australia's target to reduce emissions to 25% below 2000 levels by 2020 under the proposed international agreement to restrain atmospheric concentrations of Australian greenhouse gases to 450 parts per million.

The Federal Government has released information regarding the structure of the Climate Change Plan, whereby a fixed carbon tax per tonne will apply from 1 July 2012 for three years (the initial price will be AUD 23 per permit/tonne from 1 July 2012, increasing by 2.5% in real terms for subsequent years), before moving into a "cap-and-trade" Emissions Trading Scheme (ETS) with flexible pricing.

3.9 Mineral Resources Rent Tax (MRRT)

The Australian Government has announced proposed changes to the tax legislation for iron ore and coal resource projects, which are yet to be fully enacted. Under the current proposed draft legislation, existing and new Australian coal and iron ore projects will be subject to a MRRT commencing on 1 July 2012.

The proposed tax has the following key characteristics:

- the tax is levied at a rate of 30% of the MRRT profit less an extraction allowance of 25% of the tax liability to focus the tax on the value of the resource instead of the value added through mining expertise
- MRRT profit is assessed after deducting operating costs and capital costs from revenue and after credits for state royalties are paid
- unutilised royalties and losses can be carried forward and are uplifted at a 7% premium to the long term Government bond rate
- carry forward losses can be transferred to other projects
- all interests in coal and iron ore tenements that existed on 1 May 2010 will be given the benefit of a starting base. The starting base provides a partial tax shield against MRRT liability by recognising the value of investments made up until that date. Taxpayers entitled to a starting base may make an irrevocable election to use market value or book value as the method for determining the value of the assets that make up the starting base
- the corporate tax rate in Australia will be reduced from 30% to 29% from 1 July 2012
- companies with MRRT assessable profits under AUD 75 million in any fiscal year will be excluded.

The Bill was passed by the Lower House and will be considered by the Senate in the first quarter of 2012.

4 Profile of Brockman

Brockman is an iron ore exploration and development company with a portfolio of iron ore assets at different stages of development located in the Pilbara region. The company's key asset is the Marillana Project located in the East Pilbara.

Brockman, previously called Yilgarn Mining Pty Limited (Yilgarn), is listed on the ASX with a market capitalisation of AUD 327 million as at 9 December 2011.

4.1 Company history

An overview of Brockman's history is provided in Figure 9 below.

Figure 9: Company history of Brockman

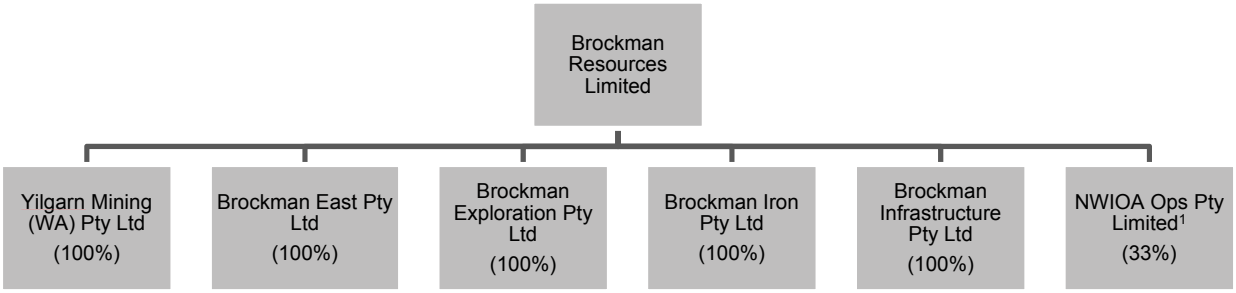
2002	• Yilgarn was incorporated on 5 March 2002
2004	• Yilgarn was listed on the ASX in August 2004
2007	• During October 2007, announced maiden Indicated JORC compliant resource for the Marillana Project of 43.5 Mt • Changed its name to Brockman Resources Limited in November 2007 • In December 2007, raised approximately AUD 8 million in equity capital to fund additional drilling and exploration for the Marillana Project
2008	• On 5 March 2008, upgraded the Marillana Project's JORC compliant resource to 1.1 Bt • Raised AUD 112 million in equity capital for further development of the Marillana Project • The WA State Government confirmed the reservation of two new multi-user berths in the Port Hedland port inner harbour for NWIOA Ops Pty Limited, now trading as NWI, of which Brockman is a founding member and 33% shareholder • In August 2008, announced a 40% upgrade to the Marillana Project's JORC compliant resource to 1.6 Bt (including 0.3 Bt of Indicated Resources)
2009	• On 15 April 2009, upgraded the Marillana Project's JORC compliant Indicated Resources to 0.6 Bt • In December 2009, signed the final Native Title Agreement covering the Marillana Project
2010	• In January 2010, announced that the Department of Mines and Petroleum granted a mining lease for the Marillana Project • In March 2010, the pre-feasibility study for the development of multi-user berths and associated infrastructure at the Port Hedland port was completed by NWI. The study concluded that development was economically viable and accommodates the NWI members' projected 50 Mtpa of iron ore exports by CY2013 • In September 2010, announced a positive definitive feasibility study for the Marillana Project, confirming the financial and technical viability of the project • In November 2010, Wah Nam launched a hostile takeover bid for Brockman. The bid comprised a scrip offer of 30 Wah Nam shares for every one share held in Brockman, implying an equity value of AUD 6.47 per Brockman share • During December 2010, announced it had advanced negotiations with Fortescue on an agreement for an end-to-end rail haulage, port access and marketing arrangement for the Marillana Project
2011	• In February 2011, the public environment review was approved and final environmental approval for the development of the Marillana Project was granted • On 15 June 2011, Wah Nam declared its off-market takeover offer for Brockman would not be extended. At the close of the offer, Wah Nam had acquired 55.33% of the issued capital of Brockman • In August 2011, identified a new hematite mineralisation target at the Ophthalmia Project • On 9 November 2011, in response to an ASX price query, Brockman announced that it was in preliminary discussions with Wah Nam regarding a potential transaction and future cooperation.

Source: Brockman, ASX announcements and other publicly available information

4.2 Legal structure

Figure 10 below sets out the group structure for Brockman.

Figure 10: Brockman group structure



Source: Brockman

Note:

1. NWIOA Ops Pty Limited trading as NWI.

NWI is owned by Brockman and Atlas.

4.3 Major assets

Brockman has the following assets.

Table 6: Brockman projects

Project	Type of ore[1]	Grade	Ownership interest	Location
East Pilbara Projects				
Marillana Project	Detrital/CID	40% - 43%[2]	100%	East Pilbara, WA
Ophthalmia	BIF	57% - 67%[3]	100%	East Pilbara, WA
West Pilbara Projects				
Duck Creek	CID	56% - 59%[4]	100%	West Pilbara, WA
West Hamersley	Brockman	56% - 64%[3]	100%	West Pilbara, WA
Mount Stuart	CID	58%[5]	100%	West Pilbara, WA

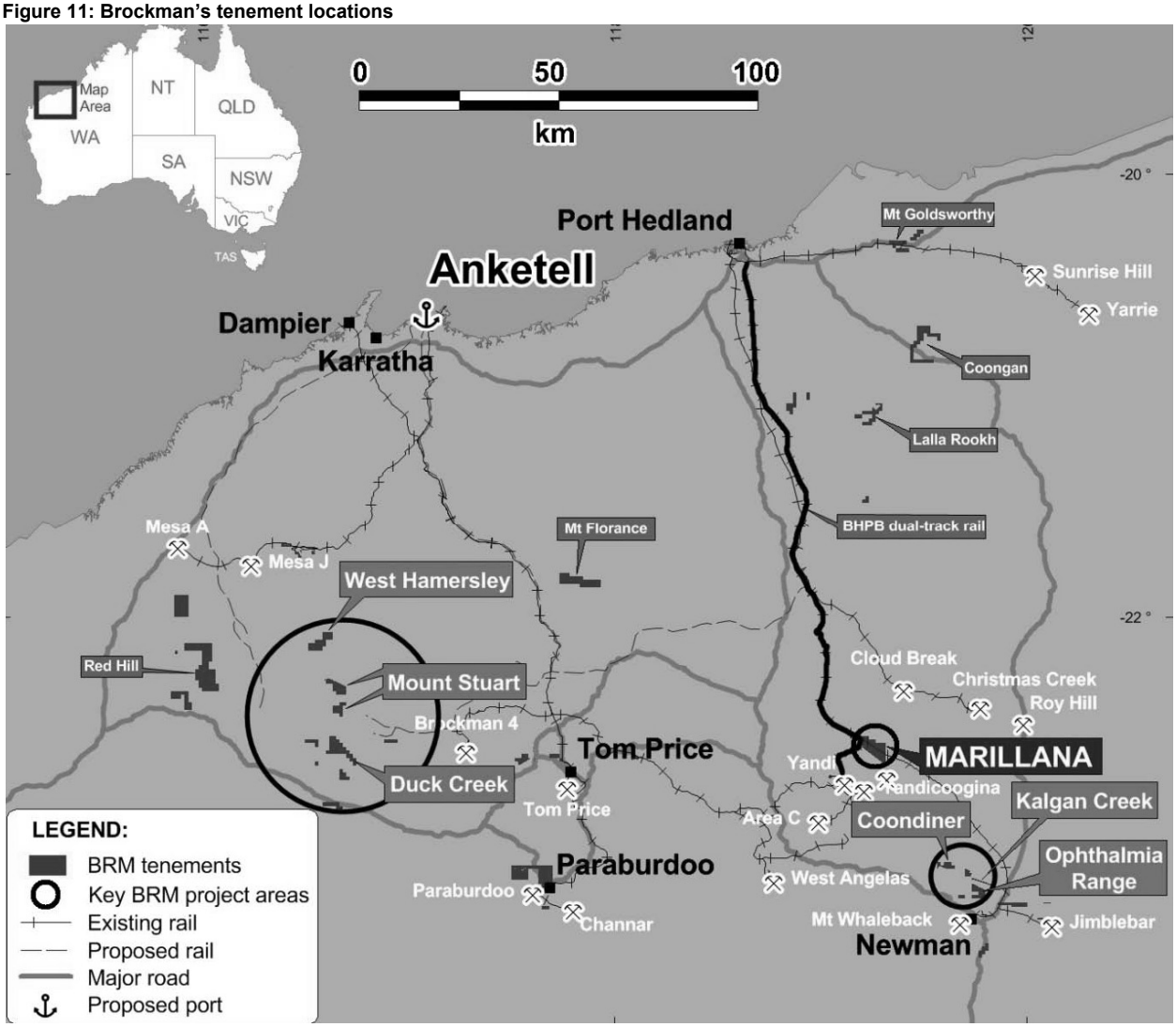
Source: ASX announcements

Notes:

1. BIF = bedded iron formation. A detailed description of each of the iron ore types is provided in Section 2 of the technical expert's report, provided in Appendix 6
2. Based on an independent technical report prepared in accordance with JORC
3. Based on surface reverse circulation (RC) drilling results
4. Based on rock chip sampling and RC drilling results
5. Based on initial sampling.

The figure below sets out the location of Brockman's assets.

Figure 11: Brockman's tenement locations



Source: Brockman 2011 annual report

Details on each asset are also provided in the independent technical expert's report provided in Appendix 6. An overview of each asset is outlined in the following sections.

4.3.1 Marillana Project

The Marillana Project is located in the Hamersley Iron Province in the East Pilbara, approximately 100 km northwest of Newman and comprises mining leases M47/1414 and M47/1419.

The project is in close proximity to other large scale iron ore projects operated by BHP, Rio and Fortescue, as well as rail infrastructure owned by BHP and Fortescue.

The Marillana Project is accessed via the Great Northern Highway and the unsealed Roy Hill-Munjina road, which is intersected by BHP's rail line. The BHP rail line runs from Newman to Port Hedland through the Marillana Project, a 310 kilometre (km) route from the Marillana Project site to Port Hedland. The Fortescue rail line runs from its Cloudbreak mine to Port Hedland approximately 80 km north of the Marillana Project, whilst the Rio railway from its Yandicoogina mine to Dampier is located approximately 40 km west of the Marillana Project.

4.3.1.1 Reserves and resources

The iron mineralisation of the Marillana Project comprises detrital, pisolite and CID formations.

A summary of the JORC compliant resource from the Marillana Project is outlined in the table below.

Table 7: Marillana Project reserve and resource summary[1]

	Volume (Mt)	Grade (% Fe)
Reserves		
Proved	133	41.6
Probable	917	43.2
Total reserves	**1,050**	**43.0**
Resources		
Measured	173	41.6
Indicated	1,237	43.9
Inferred	219	41.8
Total resources	**1,629**	**43.4**

Source: ASX announcements

Note:

1. Mineral resources are inclusive of iron ore reserves.

4.3.1.2 Mine plan and development schedule

The following information is based on the completed definitive feasibility study. A bankable feasibility study is currently being undertaken and therefore the mine plan and development schedule is not yet finalised.

The Marillana Project will consist of a traditional open cut mine, using a staged start-up and commencing with conventional truck and excavator for both ore and waste. The mine plan is also considering in-pit crushing and conveying as a potential alternative mining method.

The definitive feasibility study contemplated the operation to produce approximately 980 Mt of run-of mine (ROM) detrital ore and 50 Mt of CID ore over a life of mine of 25 years. The operation is expected to produce a product which is anticipated to have similar specification to a benchmark Pilbara Blend fines product.

The detrital ore has an insitu Fe grade averaging 42% at a 38% cut off and based on metallurgical test work completed to date can be upgraded to approximately 60.5% to 61.5% using a dense media separation process. The detrital ore has high levels of Al_2O_3 and SiO_2, however, these impurities reduce using conventional gravity separation techniques. The CID product is expected to have an Fe grade of approximately 55.5%, will not require beneficiation and will be blended directly with the detrital ore to form the single fines product. The operation is expected to yield saleable ore production of approximately 18.5 Mtpa.

During 2010, Brockman completed the definitive feasibility study and during 2011 was granted final environmental approval by the WA State Government[7]. Brockman also received the Front End Engineering and Design (FEED) report from UGL Resources Pty Limited in 2011, the results of which are to be incorporated into the bankable feasibility study.

[7] The Company is currently undertaking a bankable feasibility study

4.3.1.3 Rail access and infrastructure

Fortescue's rail network from its Cloudbreak mine to Port Hedland, including Fortescue's port facilities at Port Hedland, are owned and operated by The Pilbara Infrastructure Pty Limited (TPI), a wholly owned subsidiary of Fortescue. The TPI railway has been included in the WA rail access regime since July 2008, the aim of which was to develop a multi-user port and rail facility in the Pilbara.

Brockman has been in negotiation with Fortescue regarding an agreement for an end-to-end rail haulage, port access and marketing arrangement for the Marillana Project, which will include a rail spur from the Marillana Project's mine to Fortescue's rail line. Total capital expenditure for the rail spur is estimated to be AUD 474 million plus indirect, owners' costs and contingency costs (real 2010 terms).

Brockman recently received a Section 91 licence[8] from the Department of Regional Development and Lands, allowing Brockman to undertake further work in relation to the proposed rail spur to Fortescue's rail line.

Brockman is also considering alternative rail solutions including haulage on a potential new rail line under consideration by QR National, which could provide the Marillana Project direct access to the proposed new berths at the South West Creek development at Port Hedland which is currently allocated to NWI (refer below).

4.3.1.4 Port access and infrastructure

Brockman and Atlas are members of the NWI[9], which is currently undertaking studies on the potential development of a 50 Mtpa port facility at Port Hedland. Brockman has 18.5 Mtpa of the NWI port capacity through contributing 37% of NWI port study expenditure.

NWI completed the pre-feasibility study in March 2010, which confirmed the viability and capability of development plans to accommodate NWI members' projected 50 Mtpa of iron ore exports. Subsequently, NWI undertook a definitive engineering study and progressed native title and heritage matters for the proposed new port options for the project. NWI also completed an Environmental Referral Document, which was submitted to the Environmental Protection Authority (EPA) in July 2011. As of late November 2011 the EPA has publically displayed their recommendation for the development of the facilities for public comment. The definitive engineering study is designing a multi user port facility to facilitate the export or iron ore utilising the Port Hedland port capacity allocation.

The financing structure of the port facilities is yet to be decided, but may include Brockman and the other NWI shareholders electing to directly fund their share of the construction costs.

4.3.2 Ophthalmia Project

Brockman's Ophthalmia project is located in the East Pilbara, 15 km north of Newman. This project encompasses the Ophthalmia range, Kalgan Creek, Kalgan and Coondiner tenements.

During August 2011, Brockman identified a significant hematite mineralisation target, however the nature and extent of the mineralisation is largely unknown due to limited drilling completed to date. Mineralisation has been mapped over an area of 1.7 km long and 170 metres wide. Brockman recently conducted surface sampling, and 92 samples returned an average product grading of 62% Fe, with some samples up to 67.5% Fe, however a JORC compliant resource has yet to be defined.

4.3.3 West Pilbara Project

Brockman's Western Pilbara Hub includes tenements at Duck Creek, West Hamersley and Mount Stuart in the West Pilbara. The West Hamersley project has been granted an Exploration Licence (E47/1603) covering 54 square km (km^2).

Initial drilling at Duck Creek and West Hamersley has confirmed significant near-surface DSO grade mineralisation, containing low levels of phosphorus, however a JORC compliant resource has yet to be defined.

[8] A Section 91 licence provides right of access and a right to conduct an activity but does not permit ground disturbance or the development of structures.
[9] In January 2011, NWIOA Ops Pty Ltd adopted the trading name NWI

4.3.3.1 Duck Creek

The Duck Creek iron ore project is located approximately 115 km northwest of Paraburdoo in the Pilbara. Results from surface rock sampling showed the potential for 30 Mt to 50 Mt of iron ore grading 56% to 59% Fe but a JORC compliant resource has yet to be defined. A total of 1,657 metres has been drilled at Duck Creek in 45 holes.

4.3.3.2 West Hamersley

The West Hamersley Project comprises one granted Exploration Licence (E47/1603) covering 54 km^2 and containing extensive areas of outcropping Brockman Iron Formation. Results from sampling have identified six zones of hematite mineralisation of iron ore grading of 56% to 64% but a JORC compliant resource has yet to be defined. A total of 407m in 36 shallow holes drilled at West Hamersley.

4.3.3.3 Mount Stuart

The Mount Stuart project comprises two exploration license applications containing CID mineralisation, with initial reconnaissance sampling demonstrating that ore grade mineralisation is present. The CID mineralisation samples collected averaged iron ore grading of 58% with low contaminants but a JORC compliant resource has yet to be defined.

4.3.4 Other assets

Brockman holds the following other early stage exploration assets:

- one exploration licence containing a 20 km strike extent of Marra Mamba Iron Formation (under cover). The licence is located about 60 km east of Fortescue's Marra Mamba-hosted Flinders deposit
- seven coal exploration licence applications in the Canning Basin, west of Broome, WA. Brockman has completed a compilation of previous exploration work and geophysical surveys over the area to focus exploration activity once licenses are granted.

4.4 Capital structure and major shareholders

As at 9 December 2011, Brockman had 144.8 million fully paid ordinary shares and 4.9 million unlisted options on issue.

The following table lists the top ten shareholders of Brockman as at 9 December 2011.

Table 8: Top 10 shareholders of Brockman

Fully paid ordinary shareholders	Number of shares	%
Wah Nam International Australia Pty Limited[1]	48,766,028	33.7
Holdex Nominees Pty Limited[1]	31,347,405	21.6
Citicorp Nominees Pty Limited	7,466,512	5.2
Longfellow Nominees Pty Limited[2]	6,008,015	4.1
HSBC Custody Nominees	3,676,145	2.5
Mr Ross Norgard[2]	3,577,013	2.5
JP Morgan Nominees Australia Limited	2,920,669	2.0
Flinders Property investments Pty Limited	2,243,348	1.5
Longfellow Nominees Pty Limited[2]	2,074,550	1.4
Mr Wayne Richards	1,738,771	1.2
Other	34,984,695	24.2
Total shareholders	**144,803,151**	**100.0**

Source: ASX announcements

Notes:

1. Together, represents Wah Nam's collective shareholding of 55.33%.
2. Represents holdings which are controlled by Ross Norgard, which, in addition to smaller holdings not shown above, contribute to a total interest of approximately 9.3%.

The following table shows the number of options on issue, including their terms, as at 9 December 2011.

Table 9: Brockman's unissued shares under option

Tranche	Number of options (million)	Exercise price (AUD)	Expiry date	Vesting conditions
Tranche 1	0.25	1.25	21-Apr-2013	Fully vested
Tranche 2	0.60	1.30	11-Nov-2013	Fully vested
Tranche 3	1.50	3.21	16-Mar-2012	Fully vested
Tranche 4	0.60	3.21	15-Jun-2014	Fully vested
Tranche 5	1.50	3.00	31-Aug-2014	Fully vested
Tranche 6	0.45	5.85	16-Jan-2015	100,000 vest on 17-Jan-2012; 150,000 vest on 17-Jan-2013; 200,000 vest on 17-Jan-2014
Total	**4.9**			

Source: ASX announcements

As at 9 December 2011, approximately 0.85 million of the unlisted options were in-the-money, based on the closing share price of AUD 2.26.

Brockman provides its employees with an Employee Loan Scheme (ELS), whereby option holders are entitled to exercise their options using funds provided by Brockman. These loans are referred to as Shareholder Loans. Interest is charged on the loans at statutory rates and Brockman retains security over the issued shares (referred to as the loan

shares) until the loan amount and interest charges are repaid. If an employee wishes to sell the shares the subject of the Shareholder Loans the proceeds are first used to repay loan and interest amounts. Approximately AUD 9 million in Shareholder Loans was outstanding as at 31 October 2011.

4.5 Share price performance

A summary of Brockman's recent share price performance is provided in Table 10 below.

Table 10: Brockman's quarterly share price information

Quarter end date	High (AUD)	Low (AUD)	Last Trade (AUD)	Volume ('000)	VWAP[1] (AUD)
31-Mar-2010	3.92	2.37	3.77	32,175	3.10
30-Jun-2010	3.89	2.61	2.98	29,685	3.22
30-Sep-2010	3.86	2.78	3.72	11,630	3.26
31-Dec-2010	6.15	3.69	4.90	27,448	5.18
31-Mar-2011	6.10	4.84	5.92	15,975	5.59
30-Jun-2011	6.10	2.50	2.90	23,122	5.40
30-Sep-2011	3.81	1.79	1.94	5,175	3.01
9-Dec-2011[1]	2.45	1.60	2.26	4,631	1.92

Source: Thomson Reuters

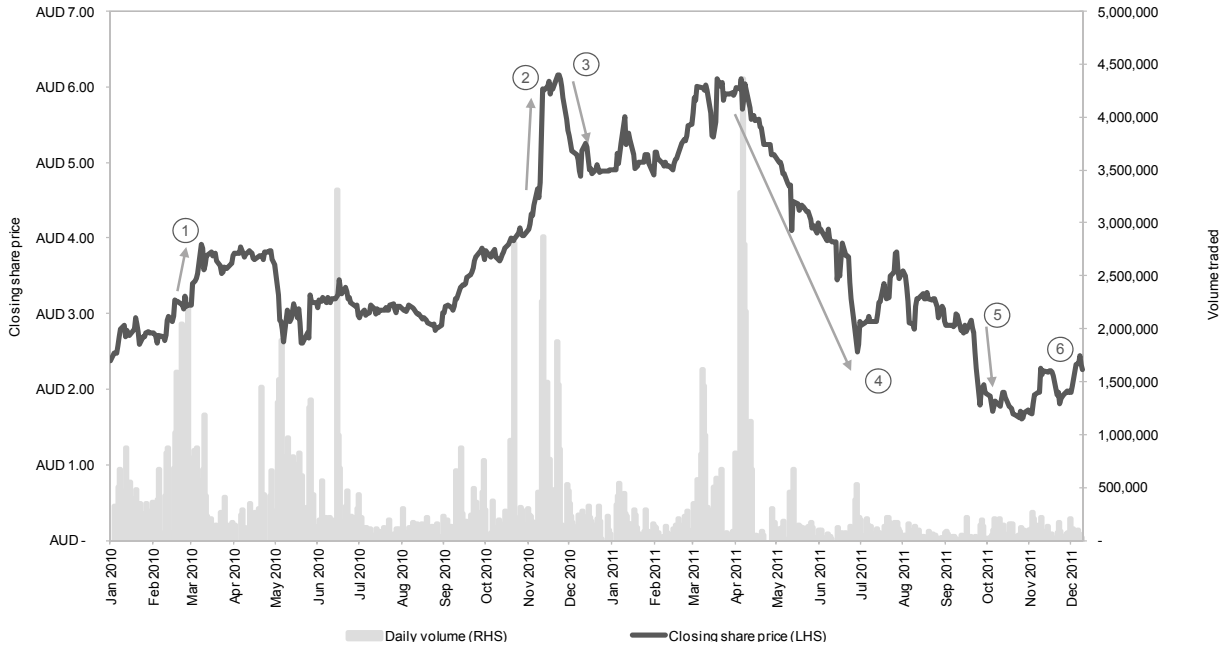
Note:

1. Relates to the period from 1 October 2011 to 9 December 2011, when Brockman shares were placed into a trading halt.

In the 12 months prior to the announcement of the initial Wah Nam takeover offer on 11 November 2010, approximately 1.7 million Brockman shares were traded on average each week. This equates to an average weekly trading volume of approximately 1.3% of the total shares on issue during this period. The volume of shares traded increased significantly during the period of the initial Wah Nam takeover offer with approximately 2.1 million shares traded on average each week in the period between October 2010 and December 2010.

Daily share price movements and trading volumes are presented graphically in the figure below. A summary of key movements is provided in Table 11.

Figure 12: Brockman's share price activity on the ASX[1,2]



Source: Thomson Reuters

Notes:

1. RHS – right hand side
2. LHS – left hand side.

Table 11: Selected Brockman announcements

Reference	Comment
1	Brockman announced a 133% increase in Measured and Indicated resources for the Marillana Project, resulting in a total resource of 1.63 Bt
2	Wah Nam launched a hostile takeover bid for Brockman
3	Brockman's share price declined following the Brockman Board's "decline" recommendation in respect of the Wah Nam offer
4	The close of the Wah Nam bid securing 55.3%, together with delays in the finalisation of a rail deal and concerns in relation to financing and infrastructure requirements
5	Wah Nam took control of the Brockman board on 16 September 2011, share price decline following a sharp decline in market sentiment with economic uncertainty in Europe and commodity price volatility
6	Brockman received an ASX price query. It confirmed it was in preliminary discussions with Wah Nam regarding cooperation and a potential transaction.

Source: Thomson Reuters; ASX announcements; Brockman

4.6 Financial performance

The audited income statements of Brockman for FY2009, FY2010 and FY2011 are summarised in the table below.

Table 12: Financial performance

	Actual FY2009 Audited (AUD'000)	Actual FY2010 Audited (AUD'000)	Actual FY2011 Audited (AUD'000)
Other income	-	110	118
Exploration and evaluation expenditure	(17,422)	(19,941)	(32,980)
Administration expense	(2,696)	(3,259)	(6,280)
Share-based payment expense	(1,109)	(5,478)	(5,792)
EBITDA[1]	**(21,228)**	**(28,568)**	**(44,934)**
Depreciation and amortisation	(84)	(93)	(202)
EBIT[2]	**(21,312)**	**(28,661)**	**(45,136)**
Net interest income	6,100	4,423	4,330
Profit before tax	**(15,212)**	**(24,239)**	**(40,807)**

Source: Brockman annual reports

Notes:

1. EBITDA – earnings before interest, tax, depreciation and amortisation
2. EBIT – earnings before interest and tax.

We note the following in relation to Brockman's financial performance:

- Brockman's projects are still in development or exploration
- Brockman's accounting policy is to expense all exploration expenditure as incurred.

4.7 Financial position

The audited statements of financial position of Brockman as at 30 June 2010 and 30 June 2011 are summarised in the table below.

Table 13: Financial position

	30-Jun-2010 Audited (AUD'000)	30-Jun-2011 Audited (AUD'000)
Cash and cash equivalents	84,234	53,507
Trade and other receivables	783	1,352
Financial assets	110	-
Total current assets	**85,127**	**54,859**
Property, plant and equipment	324	279
Other	308	322
Total non-current assets	**633**	**601**
Trade and other payables	3,805	3,766
Provisions	199	318
Total current liabilities	**4,004**	**4,085**
Provisions	100	70
Total non-current liabilities	**100**	**70**
Net assets	**81,656**	**51,306**

Source: Brockman annual reports

We note the decline in cash from 30 June 2010 to 30 June 2011 was principally due to exploration and evaluation expenditure of AUD 33 million incurred in FY2011.

5 Profile of Wah Nam

Wah Nam is a company incorporated in Bermuda. Its main interests are a 90% interest in a copper mine in China, a limousine rental and airport shuttle bus services business in Hong Kong and China (Limousine and Shuttle Bus Business), and a 55.3% interest in Brockman.

Wah Nam is dual-listed and has been listed on the HKEX since 2002 and the ASX since January 2011. As at 9 December 2011, Wah Nam has a market capitalisation of approximately AUD 460 million[10].

5.1 Company history

Figure 13: Company history of Wah Nam

2002	• Wah Nam was listed on the HKEX in 2002
2007	• Wah Nam acquired Limousine and Shuttle Bus Business from Parkland International Holdings in June 2007
2008	• Wah Nam acquired 90% of the Damajianshan copper mine in China
2009	• In June 2009, Wah Nam acquired 5.89% of the issued capital of Brockman
2010	• In November 2010, Wah Nam launched a takeover bid for all the issued capital in Brockman it did not already own. The bid comprised a scrip offer of 30 shares in Wah Nam for every share held in Brockman, implying an equity value of AUD 6.47 per Brockman share. It simultaneously made a takeover bid for FerrAus Limited (FerrAus), which was unsuccessful due to a competing bid from Atlas
2011	• Wah Nam was listed on the ASX in January 2011 • On 15 June 2011, Wah Nam declared its off-market takeover offer for Brockman would not be extended after 15 June 2011. At the close of the offer, Wah Nam had acquired 55.33% of the issued capital of Brockman.

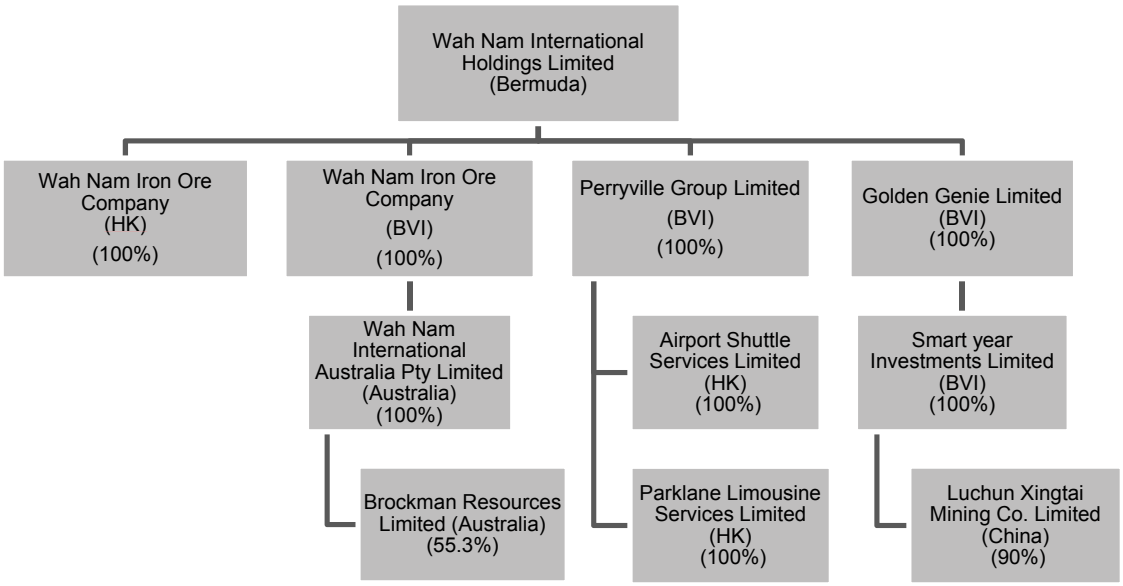
Source: Wah Nam company website; ASX announcements; other publicly available information

[10] Based on its HKEX market capitalisation of HKD 3.6 billion

5.2 Legal structure

Figure 14 below sets out the current group structure for Wah Nam, including the country of incorporation of each entity.

Figure 14: Wah Nam group structure[1,2,3]



Source: ASX announcements

Notes:

1. HK – Hong Kong
2. BVI – British Virgin Islands
3. The remaining 10% of Luchun Xingtai Mining Co. Limited (Luchun Xingtai), through which Wah Nam owns its 90% interest in the Damajianshan copper mine, is owned by Yunnan Moasheng Yuan.

5.3 Directors and management

Wah Nam's key management personnel, including their positions in both Wah Nam and Brockman, are summarised in Table 14.

Table 14: Key management personnel – Wah Nam[1]

Name	Position in Wah Nam	Position in Brockman
Luk Kin Peter Joseph	Chairman	Chairman and Non-executive Director
Chan Kam Kwan Jason	Executive Director and Company Secretary	n/a[2]
Chu Chung Yue Howard	Executive Director	Non-executive Director
Lau Kwok Kuen Eddie	Non-executive Director	n/a
Ulwe Henke Von Parpart	Non-executive Director	n/a
Yip Kwok Cheung Danny	Non-executive Director	n/a
Hendrianto Tee	Chief Investment Officer	n/a
Warren Beckwith	Director, Wah Nam International Australia Pty Limited	Non-executive Director

Source: ASX announcements; Wah Nam

Notes:

1. Au-Yeung Sai Kit Alex is Financial Controller and Director of Wah Nam International Australia Pty Limited
2. n/a – not applicable

On 13 October 2011, Wah Nam announced that Wah Nam's Chairman, Luk Kin Peter Joseph (referred to as Mr Luk), had been requested by the Independent Commission Against Corruption (ICAC) to assist it in its investigation regarding a matter personal to Mr Luk, which took place prior to his appointment as a director of Wah Nam.

Wah Nam noted that the investigation is not expected to have a material effect on its operations and/or its financial position.

5.4 Major assets

Wah Nam's major assets are its 90% interest in the Damajianshan copper mine in China, Limousine and Shuttle Bus Business based in Hong Kong and China and a 55.33% interest in Brockman. Refer to Section 4 for a detailed overview of Brockman.

Below we discuss each of Wah Nam's other assets.

5.4.1 Mining activities

Wah Nam's activities include the exploration, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources, through the operations of Luchun Xingtai, in which Wah Nam holds a 90% interest. Yunnan Moasheng Yuan, a China-based company holds the remaining 10%.

5.4.1.1 Damajianshan copper mine

Wah Nam acquired 90% of the Damajianshan copper mine in China in 2008 for HKD 987 million[11]. The Damajianshan mine is located in the Qimaba Township, Luchun County of Yunnan Province in China, near the border of Vietnam and covers 3.67 km^2.

The figure below outlines the location of the Damajianshan copper mine.

Figure 15: Damajianshan copper mine location

Source: Wah Nam company website

The copper mine, which has been in production since 2008, has over 7.5 Mt of JORC compliant ore reserves with an average copper (Cu) grade of 1.46% and over 15 Mt of JORC compliant resources with an average Cu grade of 1.68%.

[11] Approximately AUD 130 million

Wah Nam estimates that the Damajianshan copper mine will produce over 0.4 Mtpa of copper concentrate for at least 18 years.

The Damajianshan copper mine's JORC compliant ore reserves and resources as at 11 November 2011 are shown in the Table 15.[12]

Table 15: Damajianshan copper mine reserve and resource summary[1]

	Volume (Mt)	Grade Cu (%)	As[2] (%)	Pb[3] (%)	Zn[4] (%)	Bi[5] (%)	Ag[6] (g/t[7])
Reserves							
Proved	4.4	1.49	5.70	1.28	42.6	n/a	n/a
Probable	3.2	1.42	6.28	1.49	47.9	n/a	n/a
Total reserves[7]	**7.6**	**1.46**	**5.94**	**1.37**	**44.8**	n/a	n/a
Resources							
Measured	4.4	1.79	6.83	1.54	0.37	0.24	51.1
Indicated	3.2	1.70	7.52	1.79	0.52	0.25	57.4
Inferred	7.7	1.61	6.48	2.18	0.48	0.24	63.1
Total resources[7]	**15.2**	**1.68**	**6.80**	**1.91**	**0.46**	**0.24**	**58.3**

Source: ASX announcements

Notes:

1. 100% of reserves and resources shown in Table 15, of which Wah Nam's interest is 90%
2. As – arsenic
3. Pb – lead
4. Zn – zinc
5. Bi – Bismuth
6. Ag – silver
7. g/t – grams per tonne
8. Total – refers to weighted average grading based on total JORC compliant reserves and resources.

The Damajianshan copper mine produced approximately 1.8 kilotonnes (kt), 1.2 kt and 1.9 kt of copper concentrate during CY2008, CY2009 and CY2010, respectively.

The average price per tonne achieved by the Damajianshan copper mine for its copper concentrate product in CY2009, CY2010 and for the six month period ended 30 June 2011, per tonne, was Renminbi (RMB) 32,000[13], RMB 49,000[14] and RMB 49,300,[15] respectively. Wah Nam attributed the increase in the prices achieved to increasing Chinese demand combined with a shortage of available supply.

Since acquiring its interest in the Damajianshan copper mine, Wah Nam has amortised and impaired the asset from the original purchase price of AUD 130 million to a value of AUD 105 million[16] as at 30 June 2011. Income from mining activities contributed approximately AUD 2.8 million[17] in CY2010, or 13.2% of Wah Nam's total revenues. Wah Nam reported a net loss before amortisation and impairment for the Damajianshan copper mine in CY2010 of AUD 0.4 million.[18]

[12] The Damajianshan mine's reserve and resource statements were prepared on 11 November 2011 in accordance with JORC
[13] Approximately AUD 5,059 per metal tonne, based on an average AUD to RMB exchange rate in CY2009 of 1 AUD to 6.3 RMB
[14] Approximately AUD 7,888 per metal tonne, based on an average AUD to RMB exchange rate in CY2010 of 1 AUD to 6.2 RMB
[15] Approximately AUD 7,024 per metal tonne, based on an average AUD to RMB exchange rate for the six month period ended 30 June 2011 of 1 AUD to 7.0 RMB
[16] Impaired from HKD 987 million to HKD 869 million; conversion from HKD to AUD based on the spot exchange rate as at 30 June 2011
[17] Based on an average exchange rate during HKD of 1 AUD to 6.2 HKD
[18] Ibid.

5.4.1.2 Limousine and Shuttle Bus Business

The Limousine and Shuttle Bus Business operates in China (Beijing, Shanghai, Ghuangzhou and Shenzhen) and Hong Kong through its wholly owned subsidiary, Perryville Group Limited. Perryville Group Limited currently operates a fleet of over 130 vehicles, servicing high end corporate and individual customers and hotels.

In CY2010, income from the Limousine and Shuttle Bus Business contributed AUD 18.5 million[19], or 87%, of Wah Nam's total revenues earned. Over the six month period ended 30 June 2011, this business division reported a 16% increase in revenue compared to the corresponding period in the previous year, primarily driven by increasing activity in the travel industry in both Hong Kong and China.

5.5 Capital structure and major shareholders

Wah Nam shares are dual-listed on the HKEX and the ASX with a total of 5.4 billion fully paid ordinary shares on issue. Wah Nam also has 15.0 million listed and 74.5 million unlisted employee options on issue.

Wah Nam shareholders can move their shares from one register to the other register, thereby allowing shareholders to access both capital markets. The liquidity of Wah Nam shares has been assessed having regard to trading on both the HKEX (the primary exchange) and the ASX (the secondary exchange).

The following table lists the substantial shareholders of Wah Nam as at 31 October 2011.

Table 16: Wah Nam substantial shareholders

Name	Number of shares	Percentage
The XSS Group Limited	361,300,276	6.7%
China Guoyin Investments (HK) Ltd	321,661,070	6.0%
Ocean Line Holdings Limited[1]	321,428,440	6.0%
Groom High Investments Limited	279,548,000	5.2%
Other	4,075,341,617	76.0%
Total shareholders	**5,359,279,403**	**100.0%**

Source: ASX announcements

Note:

1. Ocean Line Holdings Limited (which is also the Subscriber) is beneficially owned by Kwai Sze Hoi (60%) and Cheung Wai Fung (40%).

In the 12 months prior to the announcement of the initial Wah Nam takeover offer for Brockman and FerrAus on 11 November 2010, approximately 15.1 million Wah Nam shares were traded each week. This equates to an average weekly trading volume of approximately 0.5% of the total shares on issue during this period. The volume of shares traded decreased during the period of the initial Wah Nam takeover offer with approximately 7.0 million shares traded each week in the period between October 2010 and December 2010.[20] During CY2011, Wah Nam issued new shares for the following purposes:

- between 13 May 2011 and 17 June 2011, Wah Nam issued 1.4 billion shares as part of Wah Nam's takeover offer for Brockman
- on 15 July 2011, Wah Nam issued 3.9 million shares at a price of AUD 0.20 per share to Capital Investment Partners as part payment of advisory fees for services provided to Wah Nam in relation to the takeover offer for Brockman.

[19] Ibid.
[20] Share volumes refer to HKEX listed shares only as Wah Nam did not list on the ASX until January 2011

Following the most recent issue of shares in July 2011, approximately 5.8 million Wah Nam shares, or 0.11% of total outstanding shares on issue, were traded on average each week.[21]

The following table shows the number of options on issue, including their terms, as at 9 December 2011.

Table 17: Wah Nam's options on issue

Tranche	Number of options (million)	Exercise price	Expiry date
Listed options			
Tranche 1 (ASX-listed options)	15.0	AUD 0.20	30-Sep-2014
Unlisted options			
Tranche 1	8.5	HKD 1.164	17-Jan-2014
Tranche 2	27.0	HKD 1.124	10-Feb-2014
Tranche 3	39.0	HKD 2.000	10-Nov-2013
Total unlisted and listed options	**89.5**		

Source: ASX announcements

Wah Nam's 15 million options were issued as one free option for every share applied for in connection with the initial public offering of Wah Nam shares on the ASX. As at 9 December 2011, the listed options were trading at AUD 0.01.

5.6 Share price performance

Wah Nam's recent share price performance, based on each exchange on which Wah Nam is listed, is summarised in Table 18 and Table 19 below.

Table 18: Wah Nam's quarterly share price information – HKEX[1]

Quarter end date	High (AUD)	Low (AUD)	Last Trade (AUD)	Volume ('000)	VWAP (AUD)
31-Mar-2010	0.20	0.15	0.20	356,144	0.19
30-Jun-2010	0.21	0.19	0.22	207,055	0.20
30-Sep-2010	0.21	0.20	0.20	203,212	0.21
31-Dec-2010	0.24	0.20	0.20	93,252	0.22
31-Mar-2011	0.21	0.16	0.18	176,527	0.19
30-Jun-2011	0.21	0.13	0.16	372,389	0.18
30-Sep-2011	0.16	0.09	0.09	136,881	0.13
9-Dec-2011[2]	0.09	0.07	0.09	22,024	0.08

Source: Thomson Reuters

Notes:

1. Converted into AUD based on the relevant exchange rate on the day of trading
2. Relates to the period from 1 October 2011 to 9 December 2011, when Wah Nam shares were placed into a trading halt.

[21] Based on total trades in Wah Nam, i.e. all trades on the ASX and all trades on the HKEX

Table 19: Wah Nam's quarterly share price information – ASX

Quarter end date	High (AUD)	Low (AUD)	Last Trade (AUD)	Volume ('000)	VWAP (AUD)
31-Mar-2011[1]	0.23	0.17	0.18	4,178	n/a[2]
30-Jun-2011[3]	0.20	0.07	0.07	9,133	0.09
30-Sep-2011	0.20	0.08	0.10	9,397	0.13
9-Dec-2011[4]	0.10	0.06	0.06	223	0.07

Source: Thomson Reuters

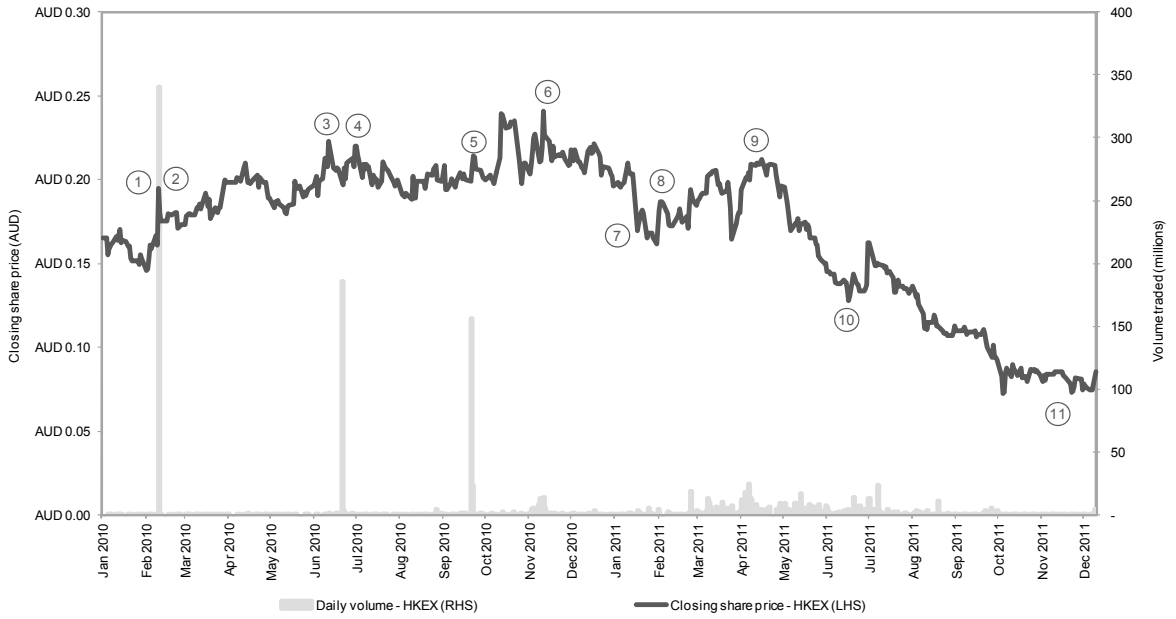
Notes:

1. Relates to the period from Wah Nam's listing date of 11 January 2011 to 31 March 2011
2. VWAP data not available for this period
3. Relates to the period from 11 May 2011 to 30 June 2011.
4. Relates to the period from 1 October 2011 to 9 December 2011, when Wah Nam shares were placed into a trading halt.

Trading in Wah Nam shares is more liquid on the HKEX relative to the ASX. The relatively lower liquidity of the Wah Nam shares listed on the ASX compared to the shares traded on the HKEX, together with the exchange rate differential, resulted in a lower closing price for Wah Nam shares traded on the ASX on 9 December 2011 compared to the shares traded on the HKEX.

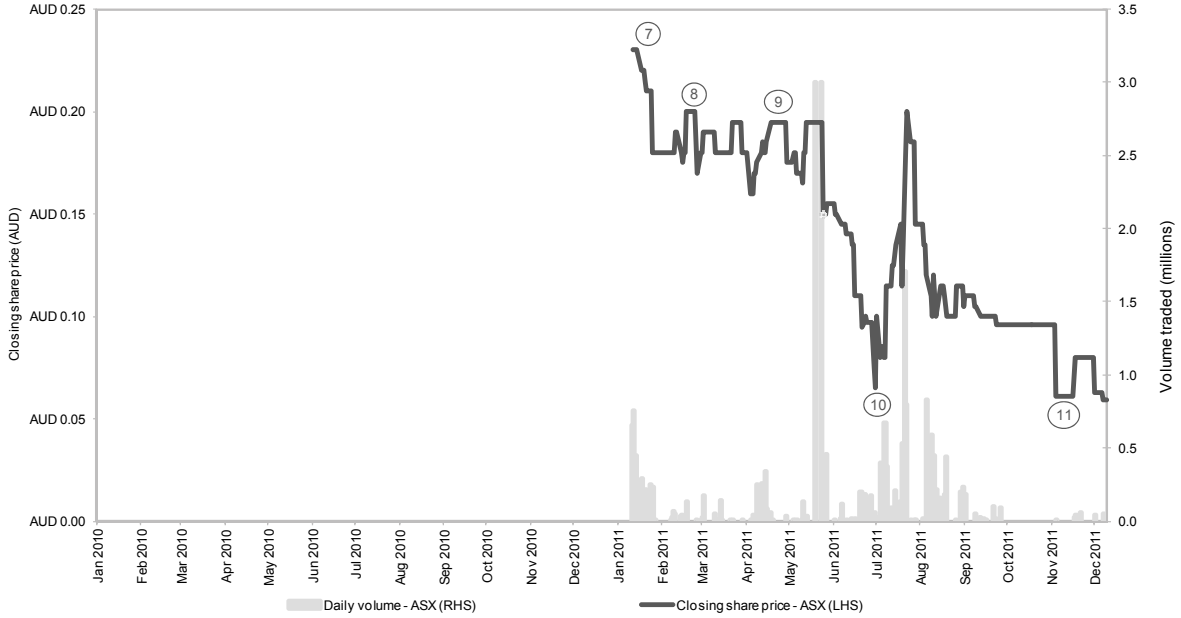
Daily share price movements and trading volumes for shares listed on both the HKEX and the ASX are presented graphically in the figure below. A summary of key movements for shares traded on each register is provided in Table 20.

Figure 16: Wah Nam's share price activity on the HKEX



Source: Thomson Reuters

Figure 17: Wah Nam's share price activity on the ASX[1]



Source: Thomson Reuters

Note:

1. ASX share price activity relates to the period from Wah Nam's listing date of 11 January 2011 to 9 December 2011.

Table 20: Selected Wah Nam announcements

Reference	Notes:
1	Wah Nam raised HKD 297 million to assist with acquisition and investment opportunities
2	Wah Nam acquired 9.5 million Brockman shares for HK196.4 million
3	Wah Nam raised HKD 199 million to assist with acquisition and investment opportunities
4	Wah Nam subscribed for 25 million FerrAus shares for HKD 147 million
5	Wah Nam raised HKD 200 million to assist with further acquisition and investment opportunities
6	Wah Nam announced the takeover offers for Brockman and FerrAus
7	Wah Nam commences trading on the ASX
8	Wah Nam announced that it would not withdraw its takeover offer for FerrAus despite FerrAus announcing an AUD 35 million capital raising
9	Takeover offers extended for Brockman and FerrAus
10	The takeover offer for Brockman closed. The decline in price thereafter was likely due to, amongst other factors, continued European sovereign debt concerns, commodity price volatility and easing GDP growth in China
11	Brockman responded to a price query from the ASX that it was in preliminary discussions with Wah Nam regarding a potential transaction and cooperation

Source: ASX announcements

5.7 Financial performance

The audited income statements of Wah Nam for CY2009 and CY2010 and the reviewed income statement for the six month period ended 30 June 2011 are summarised in the table below.

Table 21: Financial performance

	Actual CY2009 Audited (HKD'000)	Actual CY2010 Audited (HKD'000)	Actual 30-Jun-11 Unaudited (HKD'000)	Actual 30-Jun-11 Unaudited (AUD'000)[1]
Income	95,374	131,996	67,984	8,468
Direct costs	(84,729)	(106,792)	(59,414)	(7,401)
Gross profit	**10,645**	**25,204**	**8,570**	**1,068**
Change in fair value on available-for-sale investments	133,644	491,187	(175,560)	(21,869)
Selling and administrative expenses	(31,618)	(96,555)	(48,114)	(5,993)
Exploration and evaluation expenses	-	-	(17,678)	(2,202)
Other income	300	168	3,201	399
Other net gains	505	1,790	125,559	15,640
Foreign exchange gain / (loss)	(285)	32,405	85,800	10,688
Impairment of mining right	(38,314)	(153,000)	-	-
Finance costs	(20,914)	(4,001)	(828)	(103)
Profit / (loss) before tax	**53,963**	**297,198**	**(19,050)**	**(2,373)**

Source: Wah Nam annual reports

Note:

1. Converted into AUD based on the average exchange rate during the period of 1 January 2011 to 30 June 2011 of 1 AUD to 8.0 HKD.

We note the following in relation to Wah Nam's financial performance:

- Wah Nam's reporting currency is HKD
- prior to acquiring a controlling interest in Brockman, Wah Nam treated its interest in Brockman as an available-for-sale investment. Wah Nam also classified its interest in Atlas as an available-for-sale investment. As at 30 June 2011, Wah Nam consolidated its investment in Brockman
- income from the Limousine and Shuttle Bus Business contributed 87% of Wah Nam's total revenue during CY2010, with the sale of mineral ore products representing the balance
- other net gains during the six month period to 30 June 2011 relate to the acquisition of Brockman. Upon Wah Nam increasing its interest in Brockman from 22.34% to 55.33%, the cumulative gain on available for sale investments previously recognised in reserves was released to the income statement
- exploration and evaluation expenses largely relate to Brockman
- impairment losses recognised in CY2010 relate to the mining rights associated with the Damajianshan copper mine. The asset is amortised using the units of production method, based on Proved and Probable Reserves of 7.8 Mt.

5.8 Financial position

The audited and reviewed statements of financial position of Wah Nam as at 31 December 2010 and 30 June 2011 are summarised in the table below.

Table 22: Financial position

	31-Dec-10 Audited (HKD'000)	30-Jun-11 Unaudited (HKD'000)	30-Jun-11 Unaudited (AUD'000)[1]
Cash and cash equivalents	135,590	565,110	68,567
Restricted cash	5,200	5,200	631
Inventories	12,164	15,333	1,860
Trade receivables	30,013	25,285	3,068
Other receivables, deposits and prepayments	11,445	22,714	2,756
Amount due from related party	1,067	1,156	140
Financial assets at fair value through profit or loss	5,187	-	-
Current assets	**200,666**	**634,798**	**77,023**
Property, plant and equipment	87,668	98,568	11,960
Available-for-sale investments	1,545,224	307,987	37,369
Mining right	850,616	865,795	105,051
Goodwill	11,405	11,405	1,384
Intangible asset	11,217	6,050,443	734,126
Other non-current assets	8,685	12,130	1,472
Non-current assets	**2,514,815**	**7,346,328**	**891,361**
Trade payables	12,350	8,421	1,022
Other payables and accrued charges	46,069	84,663	10,273
Amounts due to related parties	4,368	10,005	1,214
Bank borrowings	41,622	42,411	5,146
Obligations under finance leases	1,951	3,453	419
Current liabilities	**106,360**	**148,953**	**18,073**
Obligations under finance leases	2,860	8,636	1,048
Amount due to a related party	32,360	33,096	4,016
Deferred income tax liabilities	223,499	1,821,171	220,970
Provision for restoration costs	489	1,086	132
Non-current liabilities	**259,208**	**1,863,989**	**226,166**
Net assets	**2,349,913**	**5,968,184**	**724,145**
Net assets per share	**HKD 0.60**	**HKD 1.11**	**AUD 0.14**

Source: Wah Nam annual report; Wah Nam interim report

Note:

1. Converted into AUD based on the spot exchange rate as at 30 June 2011 of 1 AUD to 8.2 HKD.

We note the following in relation to Wah Nam's financial position:

- as at 30 June 2011, Wah Nam consolidated Brockman for accounting purposes
- the restricted cash of AUD 0.6 million is held as security for Wah Nam's bank facility
- inventory relates to copper concentrate mined

- property, plant and equipment include motor vehicles, buildings, leasehold improvements and other furniture and equipment
- available-for-sale investments as at 30 June 2011 are listed shares held in FerrAus. Since lodgement of the interim accounts, FerrAus was acquired by Atlas and, as a result, Wah Nam received 10.2 million shares in Atlas, which have been subsequently sold
- mining rights relate to the Damajianshan copper mine. As at 30 June 2011, Wah Nam has amortised and impaired the asset from the original purchase price of approximately AUD 130 million to a value of AUD 105 million
- goodwill arose from the acquisition of the Limousine and Shuttle Bus Business
- the increase in intangible assets between 31 December 2010 and 30 June 2011 is the result of Wah Nam increasing its interest in Brockman from 22.34% to 55.33% and consolidating Brockman. The mineral asset was valued based on a mine life of 25 years, a production capacity of 17 Mtpa, a long term iron ore price forecast of USc 136.50 per dmtu and a discount rate of 13.7%
- current and non-current amounts due to related parties consist of an advance provided by Luchun Xingtai, the entity that holds the remaining 10% of the Damajianshan copper mine, for the purposes of funding operating cash flow at the copper mine
- bank borrowings are secured by motor vehicles and bank deposits (restricted cash), with interest charged at a variable interest rate of 1.75% to 3.25% above the Hong Kong Interbank Offer Rate (HIBOR). As at 30 June 2011, Wah Nam had undrawn bank facilities of AUD 1.1 million
- deferred income tax liabilities largely relate to the acquisition of Brockman (approximately AUD 221 million).

6 Proposed Merged Entity

Upon completion of the Takeover Offer, the Share Placement and the issue of the Convertible Bond pursuant to the Subscription Agreement, and the underwriting pursuant to the Underwriting Agreement, the Proposed Merged Entity will represent the combined operations of the development project and exploration assets of Brockman and the operating assets of Wah Nam.

In this section we have set out a profile of the Proposed Merged Entity, including:

- principal assets
- pro forma capital structure.

6.1 Principal assets

The principal assets of the Proposed Merged Entity will include the following:

- a 100% interest in the Marillana Project (refer to Section 4.3.1)
- a 100% interest in Brockman's exploration tenements, comprising the Duck Creek, West Hamersley, Ophthalmia, Mt Stuart and Mt Florance tenements (refer to Sections 4.3.2 and 4.3.3)
- a 90% interest in the Damajianshan Copper Mine (refer to Section 5.4.1.1)
- a 100% interest in the Limousine and Shuttle Bus Business (refer to Section 5.4.1.2).

6.2 Capital structure

Following completion of the Takeover Offer, the Share Placement and the issue of the Convertible Bond pursuant to the Subscription Agreement, and the underwriting pursuant to the Underwriting Agreement, the Proposed Merged Entity will continue to be listed on the ASX and the HKEX and will trade under Wah Nam's current ticker on the ASX and the HKEX.

We note the following:

- Wah Nam is proposing to acquire all of the shares in Brockman it does not currently own for the Bid Consideration under the Takeover Offer. Wah Nam currently owns 80.1 million shares in Brockman, with approximately 64.7 million shares owned by other Shareholders (excluding option holders). As a result, 1.16 billion additional shares in Wah Nam will be issued to the Shareholders if Brockman acquires 100% of Brockman
- the Takeover Offer extends to all Brockman shares which are issued upon exercise of Brockman options during the Takeover Offer period
- Wah Nam has agreed, in respect of the Brockman options with exercise prices of AUD 1.25 and AUD 1.30 that, subject to the Takeover Offer being declared unconditional and Wah Nam having a relevant interest in at least 90% of Brockman, Wah Nam will offer to acquire those options in exchange for the difference between the Cash Consideration of AUD 1.50 per share and the exercise price of the option. In addition, those option holders will also receive 18 shares in the Proposed Merged Entity for every option held in Brockman
- for the tranches of Brockman options with an exercise price of AUD 3.00 and above, Brockman has indicated that it intends to use all reasonable endeavours to make an offer to cancel the options in exchange for cash, on arm's length terms, subject to the Takeover Offer becoming unconditional. Option holders who accept this offer will have their Brockman options cancelled and will not be entitled to participate in the Takeover Offer
- under the Takeover Offer, Brockman has also indicated it intends to offer to amend the Shareholder Loans on terms to be agreed between Wah Nam and Brockman, so that the shares the subject of the Shareholder Loans can enter into the Takeover Offer. The Cash Consideration payable to Shareholders with Shareholder Loans will be used to repay the amounts outstanding under the Shareholders Loans with any residual paid to these Shareholders. Approximately AUD 9 million in Shareholder Loans was outstanding as at 31 October 2011

- under the Share Placement, Wah Nam will raise AUD 42 million through the issue of 555.1 million shares in the Proposed Merged Entity to the Subscriber at the Subscription Price of AUD 0.076 per share. The Subscriber currently owns approximately 6% of the issued shares of Wah Nam
- Wah Nam will also issue the Convertible Bond to the Subscriber for AUD 22 million. Under the terms of the Convertible Bond, the Subscriber will be required to progressively convert the Convertible Bond during the term of the Takeover Offer, however there will be limitations on the amount that can be converted into shares in the Proposed Merged Entity in order to ensure the Subscriber does not hold more than 14.9% of the issued capital of the Proposed Merged Entity. The Convertible Bond will convert into shares in the Proposed Merged Entity at the Subscription Price of AUD 0.076 per share.

  Based on the pro forma share capital of the Proposed Merged Entity, assuming Wah Nam acquires 100% of the outstanding shares in Brockman it does not already own, only 232.2 million shares can be issued to the Subscriber under the Convertible Bond. As a result, AUD 4 million of the Convertible Bond will not be converted and will be redeemed by the Subscriber two years after expiry of the Takeover Offer. The Proposed Merged Entity will pay interest at a rate of 5.0% per annum until redemption
- under the terms of the Underwriting Agreement, Wah Nam will raise AUD 10 million through the issue of 130.0 million shares to the Underwriter, which will procure the placement thereof. The Underwriter will receive a commission of 2.5% of AUD 10 million.

The following table sets out the pro-forma capital structure of the Proposed Merged Entity on a fully diluted basis, assuming the Takeover Offer results in Wah Nam acquiring 100% of Brockman and the Share Placement and part-conversion of the Convertible Bond are completed.

Table 23: Pro forma capital structure of the Proposed Merged Entity[1]

	No. of shares (millions)
Brockman capital structure	
Total number of issued shares	144.8
Total options the subject of the Takeover Offer[2]	0.9
Total shares in Brockman the subject of the Takeover Offer	**145.7**
Total number of Brockman shares owned by Wah Nam	80.1
Total number of Brockman shares owned by Shareholders[3]	65.5
Proposed Merged Entity capital structure	
Number of shares on issue in Wah Nam prior to the Takeover Offer, Share Placement, the Convertible Bond and the Underwriting Agreement[4]	**5,359.3**
Number of shares issued under Takeover Offer[5]	1,179.7
Number of shares issued under Share Placement	555.1
Maximum number of shares issued under Convertible Bond	232.2
Number of shares issued under the terms of the Underwriting Agreement	130.0
Number of shares on issue in the Proposed Merged Entity	**7,456.3**

Source: Deloitte analysis

Notes:

1. The figures in the table above are subject to rounding
2. Consists of the two tranches of options with exercise prices of AUD 1.25 and AUD 1.30
3. Refers to shares on a fully diluted basis
4. Refers to current number of outstanding shares in Wah Nam
5. Consists of shares in the Proposed Merged Entity issued to Shareholders (1.16 billion shares) and relevant Brockman option holders (15.3 million shares).

7 Valuation methodology

7.1 Valuation methodologies

To estimate the fair market value of a share in Brockman and a share in the Proposed Merged Entity we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which deals with the content of independent expert's reports. These are discussed below.

7.1.1 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

7.1.2 Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

7.1.3 Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

7.2 Selection of valuation methodologies

The sections below outline the valuation methodologies that are, in our opinion, the most appropriate for assessing the fair market value of a share in Brockman and a share in the Proposed Merged Entity.

7.2.1 Brockman

We have estimated the fair market value of Brockman by aggregating the estimated fair market value of its underlying assets and projects on a sum-of-the-parts basis and adding net cash.

We are of the opinion that the most appropriate methodology to value the Marillana Project is the discounted cash flow method due to the following factors:

- Brockman's management have prepared long term cash flow forecasts, a definitive feasibility study has been completed and a bankable feasibility study is in progress
- the Marillana Project has a finite life and therefore it is not possible to use a capitalisation of maintainable earnings approach
- the Marillana Project is at the development stage. The project has significant capital expenditure requirements over the next three to five years and is not projected to earn positive cash flows until FY2016.

We have also considered the enterprise value per tonne of contained iron (EV/tonne of contained Fe) implied from our discounted cash flow method compared with the EV/tonne of contained Fe for comparable companies and comparable transactions to provide additional evidence of the fair market value of the Marillana Project.

In valuing Brockman's exploration assets we have relied on the independent valuations performed by SRK and attached in Appendix 6. SRK has used the comparable market value method which considers comparable iron ore resource transactions to derive a comparable resource multiple to be applied to the exploration targets identified by Brockman, being the Duck Creek and West Hamersley projects. SRK also considered appropriate discounting in estimating the value of these exploration targets to account for their stage of exploration.

In estimating the value of the Ophthalmia, Mt Stuart and Mt Florance tenements, SRK considered transaction information relating to projects that did not contain resources at the time of the transaction.

We have also had regard to recent trading of Brockman's shares on the ASX to provide additional evidence as to the selected value range for a Brockman share on a control basis.

In valuing Brockman's other assets and financial instruments we have used the following methodologies:

- net cash is based on Brockman's net cash as at 31 October 2011
- for options with an exercise price of less than AUD 3.00 we have assumed that these options will be exercised and converted into shares. We have added the cash proceeds to Brockman's net cash and added the exercised shares to the total shares on issue when calculating the shares outstanding in Brockman on a fully diluted basis.

  For options with an exercise price of AUD 3.00 and above, we have considered their value based on the Black-Scholes options pricing model
- current accumulated tax losses have been included in the discounted cash flow valuation of the Marillana Project
- as Brockman is entitled to receive the amounts provided to employees under the Shareholder Loans, we have treated the Shareholder Loans as a surplus asset and added the amount due of AUD 9 million to the value of Brockman.

7.2.2 Proposed Merged Entity

In estimating the value of the Proposed Merged Entity, we have considered:

- the implied value of the Proposed Merged Entity derived from the sum-of-the-parts method.

  The following is a summary of the methodologies used to value the Proposed Merged Entity's assets:

  - for the Marillana Project, the value determined for the Marillana Project in the Brockman valuation, using the discounted cash flow method
  - for the exploration assets of Brockman, the value determined for the exploration assets in the Brockman valuation, where we relied on the valuations performed by SRK
  - for Wah Nam's interest in the Damajianshan Copper Mine, we have adopted the recoverable amount recorded for the assets of the Damajianshan Copper Mine as at 30 June 2011, which was estimated by Wah Nam based on a value in use analysis performed for impairment testing purposes
  - for the Limousine and Shuttle Bus Business, we have adopted the recoverable amount recorded for the assets of the Limousine and Shuttle Bus Business as at 30 June 2011, which largely consist of property, plant and equipment.
  - net cash is based on the pro forma net cash estimated for the Proposed Merged Entity (assuming the Takeover Offer, the Share Placement and the issue of the Convertible Bond pursuant to the Subscription Agreement, and the underwriting pursuant to the Underwriting Agreement, all proceed) and having regard to the terms under which options in Brockman are converted into shares in the Proposed Merged Entity or cancelled by Brockman
  - for options in the Proposed Merged Entity that are not currently in-the-money, we have considered their value based on the Black-Scholes options pricing model.

  In valuing the Proposed Merged Entity under the sum-of-the-parts method, we have also considered:

  - the value of any material cost savings or synergies achievable by the Proposed Merged Entity as a result of the Takeover Offer
  - applicable discounts in estimating the value of the Proposed Merged Entity on a minority interest basis
- the Subscription Price at which the Share Placement, conversion of the Convertible Bond and the placement under the Underwriting Agreement is being undertaken
- trading in Wah Nam shares on the HKEX prior to announcement of the Takeover Offer, but after 9 November 2011, when the ASX issued a price query to Brockman in respect of a potential transaction between Brockman and Wah Nam
- trading in Wah Nam shares on the HKEX up to 14 December 2011, being the first two trading days after the announcement of the Takeover Offer.

7.3 Appointment and role of the technical expert

SRK, an independent mining expert, was engaged to prepare a report providing a technical assessment of certain key assumptions underpinning the financial model for the Marillana Project, and prepare a fair market valuation of Brockman's early stage exploration assets, Duck Creek, West Hamersley, Ophthalmia, Mt Florance and Mount Stuart.

The management of Brockman prepared a financial model (the Model) to estimate the future cash flows of the Marillana Project. SRK reviewed and/or provided input on the reasonableness of the following assumptions adopted in the Model:

- levels of reserves and resources and production profiles (including production profiles for potential expansion cases)
- operating expenditure, including rehabilitation and abandonment costs
- capital expenditure
- operating and capital costs associated with various infrastructure scenarios considered by Deloitte
- other relevant assumptions.

SRK prepared its technical review having regard to the code for Technical Assessment and Valuation of Minerals and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN code). The scope of SRK's work was controlled by Deloitte. A copy of SRK's report is provided in Appendix 6.

8 Future cash flows

8.1 The Model

Brockman's management prepared the Model which estimates the future cash flows to be generated by the Marillana Project. The Model includes projections of real, after-tax cash flows in AUD over the life of mine on a financial year basis.

The Model was prepared based on:

- the latest reserve and resource statements, which are certified in accordance with JORC
- the definitive feasibility study completed and the bankable feasibility study currently being undertaken which include estimates of production profile, operating costs and capital expenditure over life of mine (including site restoration and rehabilitation costs)
- the rail and port infrastructure options potentially available to Brockman.

The analysis we have undertaken of the Model includes:

- engaging a technical expert, SRK, to review and, if required, provide changes to the technical assumptions underlying the Model
- holding discussions with Brockman's management regarding the preparation of the projections in the Model and its views regarding the assumptions on which the projections are based
- limited analytical procedures regarding the mathematical accuracy of the Model (our work did not constitute an audit or review of the projections in accordance with the AUASB standards).

Deloitte engaged SRK to prepare a report providing a technical review of certain assumptions (reserves, resources, expected life of mine, production volumes, beneficiation processing yields, operating expenditure and capital expenditure) underpinning the future cash flows of the Marillana Project. SRK held discussions with the management of Brockman and reviewed data, reports and other information that is either publicly available or made available by Brockman.

We valued the Marillana Project based on the technical assumptions reviewed and/or provided by SRK (including adjustments to processing yields, operating costs and capital expenditure) and our assessment of iron ore prices, foreign exchange rates, inflation, taxation assumptions and the discount rate applicable to the future cash flows of the project.

Our work did not constitute an audit or review of the projections in accordance with the AUASB standards and accordingly we do not express any opinion on the reliability of the projections or the reasonableness of the underlying assumptions.

Since projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the projections are based. Accordingly, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

The key assumptions underpinning our analysis are described in the following sections.

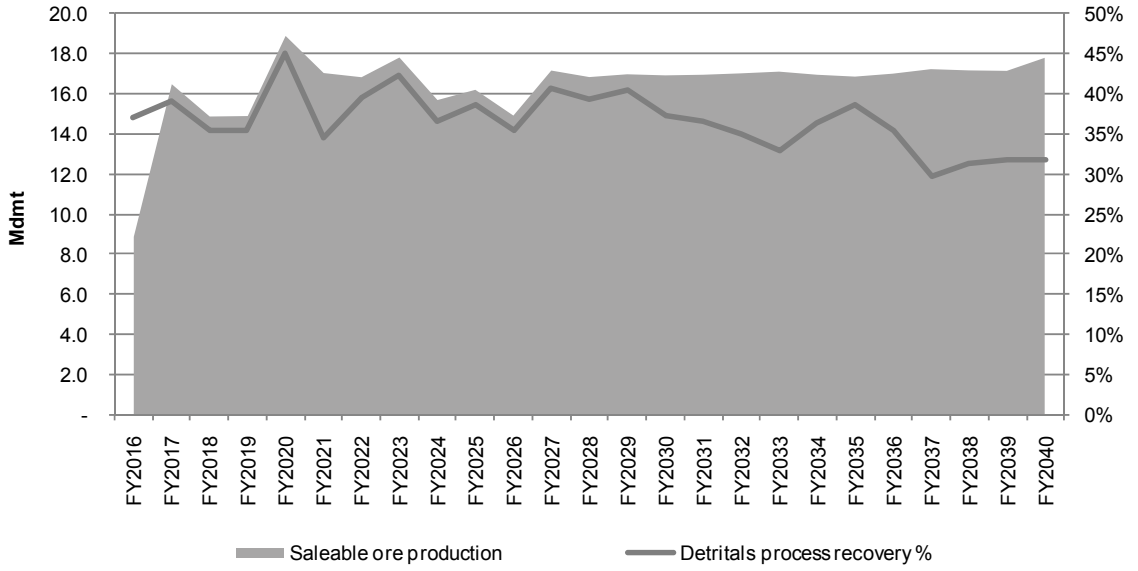
8.2 Revenue assumptions

Revenue is a function of saleable production volumes and commodity prices. Revenue has been estimated as the product of the annual saleable ore production and the benchmark iron ore price. The benchmark iron ore price has been adjusted for the grade of the iron ore expected to be produced by the Marillana Project and a discount has been applied to account for the impurities in the ore.

Saleable production volumes

The Marillana Project is projected to produce 424 Mt of saleable ore and has a life of mine based on the current defined reserves and resources of 25 years. The average production over life of mine is 16.3 Mtpa (on a dry basis). The figure below illustrates the projected iron ore production volumes and detrital process recovery from the Marillana Project over the life of mine.

Figure 18: Projected iron ore production and ore process recovery



Source: the Model; SRK; Deloitte analysis

We note the following:

- subject to the completion of a bankable feasibility study and securing an appropriate rail and port infrastructure solution, production is expected to commence in FY2016
- projected detrital ore volumes will include mining all Proved and Probable Reserves and 13 Mt of Indicated Resources, while projected CID ore volumes will include mining all Measured Resources and 3 Mt of Indicated Resources
- we have also considered the additional value implied by the Marillana Project potentially mining further Indicated and Inferred Resources above those currently projected in the Model.

Iron ore pricing assumptions

All the iron ore produced by the Marillana Project is expected to be exported to Asian customers. Price settlements between iron ore producers and Chinese and Japanese steel mills are generally based on quarterly negotiations with prices benchmarked to short term spot market averages.

We have had regard to the following in selecting appropriate pricing assumptions for saleable fines ore:

- recent broker forecasts for Pilbara Blend fines ore (FOB 62% Fe)
- most recent Consensus Economics price forecasts for Pilbara Blend fines ore
- historical spot and contract prices into the Asia Pacific market, as set out in Section 3.6
- Brockman has yet to enter into any sales agreements

- the estimated average discount to benchmark prices to be realised by Brockman for the Marillana Project's fines product having regard to the expected Fe grade, impurities and discussions held with Brockman's management and SRK
- other publicly available price estimates and commentary including, but not limited to, industry research and announcements released by comparable companies.

Based on our analysis, we have adopted benchmark Pilbara Blend fines ore pricing assumptions as follows:

Table 24: Selected export pricing assumptions[1]

USc/dmtu, FOB	FY2016 (nominal)	Long term (real)[2]
Low	160	110
High	170	120
Average	165	115

Source: Deloitte analysis

Notes:

1. Iron ore prices have been selected from the expected commencement of production at the Marillana Project of FY2016
2. Long term price assumed from FY2021.

The selected pricing assumptions refer to price expectations for iron ore of benchmark Pilbara Blend fines specification (i.e. 62% Fe and standard impurity levels). The Model applies grade adjustments to these prices to account for the specific Fe grade of the iron ore produced.

In addition, based on discussions with Brockman management, the Model applies a small discount to the benchmark price to take into account the relative difference in impurities between Brockman's expected fines product and the Pilbara Blend fines ore.

The long term price has been assumed from FY2021 (i.e. 10 years from the valuation date) and a straight line regression has been used to step the price down from FY2016 to FY2021.

We have also included a real price escalation factor of 0.25% per annum in our long term price forecast. This reflects anticipated increases in the real long term iron ore price that may result from factors such as the increasing cost of mining deposits in higher risk locations and the impact of falling grades on the cost of mining offset by the increasing technical productivity at new mines in response to advancements of technology.

It should be noted that our valuation is highly sensitive to changes in the forecast iron ore price and the discount applied to the benchmark iron ore price. Iron ore prices are subject to short term volatility resulting from factors such as perceived shortages and leading economic indicators. We have therefore considered the value of the Marillana Project under various pricing scenarios.

8.3 Mine and processing operating costs

The Model includes projections of mine and processing operating costs in real AUD terms, which are summarised as follows:

- mining costs include both fixed and variable costs. Fixed costs relate to contract mining mobilisation costs and mine site support and services, while the variable costs relate to drill, blast, load, haul and mine crushing. Variable mining costs are based on a cost per tonne of total material moved
- processing costs include crushing/screening (cost per dry metric tonne (dmt)), beneficiation (cost per wet metric tonne (wmt)) and staking/reclaiming/loadout (cost per tonne).

Based on discussions with SRK, the assumed unit mine and processing operating costs (in real terms) are projected to vary over the life of mine, with a weighted average cost of AUD 24 per dry metric tonne of ore produced based on saleable iron ore sold.

Other operating costs (excluding rail and port costs) in the Model include:

- WA State Government royalty payments, which are based on a percentage of FOB revenue. The royalty rates applicable to the Marillana Project are:
    - 7.5% for CID (referring to the WA State Government royalty rate applicable for fines)
    - 5.0% for detrital ore (referring to the WA State Government royalty rate applicable for beneficiated ore)
- rehabilitation and mine closure costs
- general and administrative costs and corporate overheads.

Rail and port costs are discussed in more detail in Section 8.5 below.

8.4 Mine and processing capital expenditure

The Model incorporates mine and processing capital costs over life of mine. We note that the projected capital costs are based on the mining operations being undertaken by a third party and therefore do not include capital costs associated with mining equipment (however, operating costs include a contractor's margin and owners' costs). The projected capital costs are primarily associated with the following:

- mine pre-strip, dewatering and site facility capital costs
- construction of the detrital ore processing plant and other process plant infrastructure at a cost
- a storage dam for fines
- other infrastructure costs, including offsite capital costs, indirect costs, owners' costs and contingency costs.

The Model also includes an allowance for ongoing maintenance capital expenditure.

8.5 Rail and port infrastructure options

The Marillana Project does not yet have a commercially viable rail and port infrastructure solution. As part of the definitive feasibility study, an end-to-end rail haulage, port access and marketing arrangement with Fortescue was considered but no agreement has been reached yet. We understand negotiations with Fortescue are ongoing.

Given the current uncertainty and overall importance of the rail and port solution to the successful development of the Marillana Project, we have considered a number of different options in our valuation of the project. Based on discussions with Brockman's management and SRK, we have considered three possible infrastructure scenarios in our valuation of the Marillana Project.

These scenarios, discussed below, are referred to as the Fortescue Option, the Independent Solution and the Port Ownership Option.

The Fortescue Option[22]

A Fortescue Option has been considered in the definitive feasibility study. The key assumptions adopted under the Fortescue Option are as follows:

- Brockman is assumed to secure a commercial haulage, port and marketing arrangement with Fortescue for haulage of Marillana Project iron ore on the Fortescue rail line and exported through Fortescue's port
- is the Brockman definitive feasibility study assumed Brockman would construct a rail spur from the Marillana Project to Fortescue's rail line at an estimated cost of AUD 474 million, excluding owners' costs and indirect costs. It is assumed that the investment by Brockman in the rail spur will be factored into the rail fee paid by Brockman
- a commercial rail and port charge is assumed to be levied for the rail and port services.

[22] All quoted figures are in FY2011 real terms

The Independent Solution[23]

The Independent Solution assumes an independent third party will construct, own and operate a new rail line in the Pilbara and Brockman will use the rail line to haul its production from the Marillana Project to Brockman's port allocation at South West Creek. The port is assumed to be constructed, owned and operated by an independent third party.

Based on discussions with Brockman's management and in conjunction with SRK, we have adopted the following assumptions for the Independent Solution:

- commercial rail haulage fees paid to a third party owner-operator of the rail (inclusive of a capital charge)
- commercial port usage fees paid to a third party owner-operator of the port (inclusive of a capital charge)
- a marketing fee paid to a third party sales and marketing agent calculated as a percentage of revenue.

Under the Independent Solution, the independent third party will fund 100% of the capital expenditure for the rail and port infrastructure and related facilities.

The Port Ownership Option[24]

The Port Ownership Option assumes the construction of equivalent rail and port infrastructure and related facilities consistent with the Independent Solution above, however, Brockman will be required to fund a portion of the port construction costs, with the balance funded by third party debt.

Based on discussions with Brockman's management and in conjunction with SRK, we have adopted the following assumptions for the Port Ownership Option:

- construction of the port is expected to take approximately three years. Brockman will fund its share of the total construction costs of the port, consistent with its current port allocation proportion at South West Creek, with Atlas assumed to fund the balance. Based on discussions with SRK, we have assumed a funding requirement of approximately AUD 1.0 billion to be incurred over a three year period between FY2013 and FY2015.

  During the construction phase, it is assumed Brockman will be required to fund 50% of its share of the capital costs via equity, with the balance funded by non-amortising debt at an interest rate consistent with our pre-tax cost of debt assumption for Brockman (refer to Appendix 2).

  Following completion of construction of the port, we have assumed that Brockman will be able to increase the gearing level of the port funding to 60% debt /40% equity and refinance the debt at a lower interest rate over life of mine.

  As part equity owner of the port, it is assumed that Brockman will pay a reduced port fee to account for a return on the construction costs contributed by Brockman to build the port.

  We have also incorporated a terminal value for Brockman's equity interest in the port at the end of life of mine
- commercial rail charges and marketing fees assumptions consistent with the Independent Solution.

[23] All quoted figures are in FY2011 real terms
[24] Ibid.

8.6 Economic assumptions

Inflation

The future cash flows in the Model are presented in FY2011 real terms and are denominated in AUD, whilst the selected real iron ore pricing assumptions are denominated in USD.

We have therefore adopted inflation rate assumptions to convert the cash flows from real to nominal terms based on the currency in which they are denominated.

In selecting inflation rate assumptions we have considered the following:

- the monetary policy adopted by the Reserve Bank of Australia to maintain inflation within a target range of 2.0% to 3.0%
- the US Federal Reserve's long term inflation rate target of approximately 2.0%
- forecasts prepared by economic analysts and other publicly available information including broker consensus.

Based on our analysis, we have selected the following inflation rate assumptions.

Table 25: Selected inflation rate assumptions (financial year basis)

	2012	2013	2014	2015	2016	Long term
US	2.00%	2.10%	2.10%	2.30%	2.30%	2.50%
Australia	2.70%	2.90%	3.00%	2.70%	2.60%	2.50%

Source: Deloitte analysis

Foreign exchange rate

To convert the USD denominated revenue in the Model to AUD, we have had regard to the following:

- historical and current AUD to USD exchange rates
- the AUD to USD exchange rate forward curve
- forecasts prepared by economic analysts and other publicly available information including broker consensus.

We have adopted the following foreign exchange rate assumptions.

Table 26: Selected exchange rate assumptions (financial year basis)

	2012	2013	2014	2015	2016
Deloitte selected (AUD to USD)	1.00	0.97	0.94	0.92	0.90
	2017	**2018**	**2019**	**2020**	**Long term**
Deloitte selected (AUD to USD)	0.87	0.85	0.83	0.80	0.77

Source: Deloitte analysis

8.7 Mineral Resource Rent Tax

We have considered at a high level the potential impact of the MRRT. Based on this analysis, the MRRT is not likely to have a material impact on the cash flows of the Marillana Project.

8.8 Carbon tax

A fixed price scheme (carbon tax) will operate from 1 July 2012 to 30 June 2015. The initial price will be AUD 23 per permit (one permit equals one tonne) from 1 July 2012, increasing by 2.5% in real terms for subsequent years.

From 1 July 2015, the carbon tax will transition to an ETS or a cap-and-trade scheme. From 1 July 2015 to 30 June 2018, the price will not be fully flexible and there will be a price ceiling, which will be set at AUD 20 above the expected international price for permits for that year and will rise 5% in real terms each year, and a price floor, which will be AUD 15 per tonne, rising 4% per annum in real terms. From 1 July 2018, the scheme should transition to a fully flexible emissions trading scheme.

At commencement of production, it is estimated that the Marillana Project will emit between 1,500 tonnes and 6,400 tonnes of carbon dioxide per Mt of total ore and waste removed over the life of mine.

In determining a reasonable carbon price from 2015 onwards (i.e. when the ETS is anticipated to commence), we have had regard to the following:

- commentary provided by the Government as to the floor and ceiling for a carbon price over the initial term of the ETS
- the current trading price of carbon credits in countries that are presently operating an ETS
- commentary provided by economic analysts and other publicly available information.

Based on our analysis of the above, we consider a reasonable carbon price in FY2016 to be AUD 29 per permit (real terms). This carbon price is assumed to escalate at inflation thereafter.

8.9 Other assumptions

In addition to the above assumptions, the Model assumes the following:

- a corporate tax rate of 29% (as a result of MRRT), with taxable income offset by current tax losses
- working capital calculated as receivables less payables.

9 Valuation of Brockman

9.1 Introduction

Deloitte has estimated the fair market value of Brockman using the sum-of-the-parts method which estimates the fair market value of a company by aggregating the value of each asset and liability of the company. The value of each asset may be determined using different valuation methods.

To value Brockman using the sum-of-the-parts method requires an estimate of the following:

- the value of the Marillana Project based on the discounted cash flow method, including any potential value associated with mining additional Indicated and Inferred Resources above those currently projected to be mined over life of mine
- the value of Brockman's exploration assets
- surplus assets and liabilities
- net cash.

This analysis is set out in Section 9.2.1 to Section 9.2.4.

To provide additional evidence of the fair market value of a share in Brockman on a control basis, we also had regard to:

- the resource multiple implied by our valuation of Brockman compared with the resource multiples observed for comparable transactions and comparable listed companies
- recent trading in Brockman's shares on the ASX.

This analysis is set out in Section 9.3 to Section 9.4.

9.2 The sum-of-the-parts method

9.2.1 The Marillana Project

The value of the Marillana Project has been estimated using the discounted cash flow method, which estimates the fair market value of the project by discounting its future cash flows to their net present value. To value the Marillana Project using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the future cash flows.

Our consideration of each of these factors is presented below.

Future cash flows

The future cash flows of the Marillana Project are described in Section 8.

In estimating production volume over the life of mine of the Marillana Project, the Model incorporates the following:

- all Proved and Probable detrital ore Reserves
- 13 Mt of Measured and Indicated detrital ore Resources and 3 Mt of Indicated CID Resources.

195 Mt and 201 Mt of Indicated and Inferred detrital ore Resources, respectively, and 33 Mt and 18 Mt of Indicated and Inferred CID Resources are not included in the Model. As a result, in estimating the value of the Marillana Project, we have considered the additional potential value associated with potentially mining further Indicated and Inferred Resources above those currently projected in the Model.

The extent to which these resources can be converted into reserves depends on the outcomes of future exploration and drilling and further analysis of the geology of the deposits.

As discussed in Section 8.5, there are a number of port and rail options currently being evaluated by Brockman, which we have considered in our valuation of the Marillana Project.

These scenarios are summarised as follows:

- **the Fortescue Option:** this scenario assumes an end-to-end rail haulage, port access and marketing arrangement for the ore produced from the Marillana Project. Brockman will construct a rail spur from the Marillana Project to Fortescue's rail line and will pay haulage and port charges to Fortescue for use of its rail and port infrastructure. This scenario assumes that Fortescue secures and develops additional infrastructure to support Marillana Project ore and that Brockman will be able to transfer its port allocation from NWI for use at the Fortescue facilities
- **the Independent Solution:** under this scenario, an independent third party will construct a rail line from the Marillana Project to the proposed new berths at South West Creek. Port charges, including a capital return, will be paid to the independent owner-operator of the berths at market rates
- **the Port Ownership Option:** under this scenario, an independent third party will construct a rail line from the Marillana Project to the proposed new berths at South West Creek (consistent with the Independent Option), however Brockman will fund part of the capital to construct the port in proportion to its ownership interest in NWI via equity and non-amortising debt. Under this scenario, the residual value of Brockman's share of the value of the port has also been included in our valuation of the Marillana Project.

Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor.

We have selected a nominal after tax discount rate in the range of 13.0% to 14.0% to discount the future cash flows of the Marillana Project to their present value.

In selecting this discount rate range we considered the following:

- the rates of return for comparable listed Australian iron ore companies
- the debt to equity ratios of comparable listed Australian iron ore companies
- an appropriate cost of debt
- an appropriate target debt to equity ratio.

A detailed consideration of these matters is provided in Appendix 2.

The discounted cash flow valuation

The estimated value of the Marillana Project derived under the discounted cash flow methodology is highly sensitive to a number of assumptions adopted in the Model. We have performed a sensitivity analysis of the value of the Marillana Project over life of mine under each infrastructure scenario by applying:

- a discount rate in the range of 12.5% to 14.5%
- a change of +/- 5% to the selected long term benchmark iron ore price
- a change of +/- 5% to estimated rail and port charges selected under each scenario
- a one and two year delay in the commencement of production.

The following table sets out the valuation outcomes from our discounted cash flow analysis.

Table 27: Discounted cash flow valuation of the Marillana Project (AUD million)

	Discount rate			
	14.5%	14.0%	13.0%	12.5%
Fortescue Option				
Long term benchmark iron ore price (real)				
+5%	258.3	380.8	657.1	812.9
Selected long term iron ore price (USc 115/dmtu)	107.8	219.7	472.1	614.4
(5)%	(42.7)	58.6	287.1	415.9
Rail and port fees				
+5%	42.7	151.3	396.5	534.9
Selected rail and port fee assumptions	107.8	219.7	472.1	614.4
(5)%	172.9	288.1	547.7	694.0
Delay scenario				
No delay	107.8	219.7	472.1	614.4
One year delay	63.4	164.0	393.8	525.1
Two year delay	37.2	127.7	337.4	458.6
Independent Solution				
Long term benchmark iron ore price (real)				
+5%	362.0	464.6	695.9	826.3
Selected long term iron ore price (USc 115/dmtu)	193.1	283.8	488.2	603.4
(5)%	24.1	102.9	280.6	380.6
Rail and port fees				
+5%	93.3	178.8	371.6	480.4
Selected rail and port fee assumptions	193.1	283.8	488.2	603.4
(5)%	292.6	388.5	604.5	726.2
Delay scenario				
No delay	193.1	283.8	488.2	603.4
One year delay	117.4	198.2	382.8	488.1
Two year delay	67.5	139.7	306.6	403.1
Port Ownership Option				
Long term benchmark iron ore price (real)				
+5%	457.3	569.4	821.8	963.9
Selected long term iron ore price (USc 115/dmtu)	288.4	388.6	614.2	741.1
(5)%	119.4	207.7	406.5	518.3
Rail and port fees				
+5%	188.6	283.6	497.5	618.0
Selected rail and port fee assumptions	288.4	388.6	614.2	741.1
(5)%	387.9	493.3	730.4	863.8
Delay scenario				
No delay	288.4	388.6	614.2	741.1
One year delay	224.2	313.1	515.9	631.5
Two year delay	185.7	264.6	447.2	552.7

Source: Deloitte analysis

Conclusion

The range of values for the Marillana Project varies significantly under the different infrastructure scenarios and the base assumptions adopted.

Several key risks remain in negotiating a suitable infrastructure solution, including:

- Brockman being able to reach a commercially viable agreement with Fortescue and Fortescue securing and developing the required additional infrastructure
- Brockman obtaining funding to implement either the Fortescue Option or the Port Ownership Option
- Brockman reaching agreement with Atlas, as the other NWI member, on construction of the port under the Port Ownership Option
- Brockman negotiating a suitable arrangement with an independent third party for the construction of the rail and port infrastructure under the Independent Solution, or the rail infrastructure under the Port Ownership Option
- a commercially viable rail line in the Pilbara may require circa 65 Mtpa of throughput. The rail line therefore would also require haulage from other parties to make it viable, potentially increasing the time to reach a suitable agreement and reducing the likelihood of the Marillana Project commencing production by FY2016. In addition, port capacity may need to be increased to accommodate this additional production.

In order to form a view on the estimated fair market value of the Marillana Project, we have considered how a potential purchaser may assess the key infrastructure risks. A hypothetical purchaser may view Brockman's interest in NWI as having significant value compared to other junior iron ore miners in the Pilbara which do not have a similar port allocation.

Potential purchasers will form different views on the relative benefits and risks of each infrastructure option. However, given the current uncertainty of each potential option and the significant impact on value if none of the options materialise within the anticipated timeframes, we consider it reasonable to assume a potential purchaser of the Marillana Project would take a conservative view of the value of the project.

On the basis of the above, we estimate the fair market value of the Marillana Project to be in the range of AUD 325 million to AUD 375 million.

9.2.2 Exploration assets of Brockman

SRK provided an assessment of the value of the exploration assets of Brockman, which is set out in Table 28.

Table 28: SRK's valuation of the exploration assets of Brockman

	Low (AUD million)	High (AUD million)	Preferred value (AUD million)
Duck Creek	7.4	17.2	12.3
West Hamersley	2.3	6.7	4.5
Ophthalmia	0.3	1.1	0.7
Mt Stuart	0.4	1.3	0.8
Mt Florance	0.3	0.9	0.6
Total value of exploration assets	**10.7**	**27.2**	**18.9**

Source: SRK

Based on the above, we have selected a value for the exploration assets of AUD 20.0 for our valuation based on SRK's preferred value.

Refer to section 11 of Appendix 6 of the SRK report for further discussion of SRK's valuation of the exploration assets.

9.2.3 Surplus assets

As Brockman is entitled to receive the amounts provided to employees under the Shareholder Loans (retaining security over the loan shares until the Shareholder Loans are repaid in full), we have treated the Shareholder Loans as a surplus asset and added the amount due of AUD 9 million to the value of Brockman.

Brockman has 4.9 million options on issue. For options with an exercise price of less than AUD 3.00 we have assumed that these options will be exercised and converted to shares. We have added the cash proceeds from the exercise of these options to Brockman's net cash and added the new shares to the total shares on issue in Brockman.

The options with an exercise price of AUD 3.00 and above are currently not in-the-money. These options are not expected to have material time value after consideration of the Black-Scholes Model. We have therefore not adjusted our valuation of Brockman for these options.

Management has advised that there are no other assets surplus to the operations of Brockman and, with the exception of the above, we have not identified any material surplus assets during the course of our work. The value of Brockman's current tax losses has been included in the Model.

9.2.4 Net cash

The net cash of Brockman as at 31 October 2011 is set out in the following table and consists of cash and cash equivalents on hand. We have also included the estimated proceeds from the exercise of all in-the-money options and the payment to be made to holders of options with an exercise price of AUD 3.00 and above.

Table 29: Net cash

	(AUD million)
Cash and cash equivalents	1.8
Term deposits	38.4
Estimated proceeds from exercise of in-the-money options[1]	1.1
Net cash	**41.3**

Source: Brockman; Deloitte analysis

Note:

1. Based on the assumed exercise of the Brockman options with an exercise price of AUD 1.25 and AUD 1.30.

9.2.5 Valuation: sum-of-the-parts method

The value of Brockman derived from the sum-of-the-parts method is summarised below.

Table 30: Value of Brockman using the sum-of-the-parts method

	Section	Unit	Low value	High value
Fair market value of the Marillana Project	9.2.1	**AUD million**	**325.0**	**375.0**
Exploration assets of Brockman	9.2.2	AUD million	20.0	20.0
Surplus assets	9.2.3	AUD million	9.0	9.0
Enterprise value of Brockman (on a control basis)		**AUD million**	**354.0**	**404.0**
Net cash	9.2.4	AUD million	41.3	41.3
Equity value of Brockman (on a control basis)		**AUD million**	**395.3**	**445.3**
Number of shares on issue[1]	4.4	*Million*	*145.7*	*145.7*
Value of a share in Brockman (on a control basis)		AUD	2.71	3.06
Deloitte assessed value of a share in Brockman using the sum-of-the-parts method		**AUD**	**2.70**	**3.05**

Source: Deloitte analysis

Note:

1. Represents fully diluted capital of Brockman, consisting of 144.8 million issued shares and 0.9 million in-the-money options.

9.3 Cross check: industry rules of thumb

We have compared the value of Brockman with reference to the resource multiples implied by our enterprise valuation of Brockman on a control basis.

We note that resource multiples are only intended to provide a high level cross check for our valuation of Brockman. The share trading resource multiples (enterprise value, implied by the current company share price, to Measured, Indicated and Inferred Resources) observed for the selected comparable companies and resource multiples implied by comparable transactions may vary significantly due to various factors including different cost structures, different geotechnical/geomechanical issues, different stages of development, different ratios of reserves to total resources plus reserves and different mine lives.

The following table sets out the resource multiples implied by our selected valuation range of the Marillana Project.

Table 31: Resource multiple implied by Deloitte valuation of Brockman

	Section	Unit	Low	High
Enterprise value of Brockman (control basis)	9.2.5	**AUD million**	**354.0**	**404.0**
Brockman resources[1]	4.3.1.1	Mt	706.1	706.1
Resource multiple (on a control basis)		**AUD per tonne**	**0.5**	**0.6**

Source: Deloitte analysis

Note:

1. Consists of Measured, Indicated and Inferred Resources and includes Proved and Probable Reserves.

The following table sets out the resource multiple implied by our valuation and the share trading resource multiples (enterprise value, implied by the current company share price, to Measured, Indicated and Inferred Resources) observed for Australian comparable companies (refer to Appendix 3 for descriptions of the comparable companies).

Table 32: Share trading reserve and resource multiples of comparable companies

Company/asset	Location	Iron ore type	Enterprise value[1] (AUD million)	Resources[2] (Mt)	EV[3]/tonne contained Fe (AUD/t)
Brockman	**Pilbara**	**Hematite**	**380**[4]	**706**	**0.5**
Development stage companies					
Flinders Mines Limited	Pilbara	Hematite	269	506	0.5
Iron Ore Holdings Limited	Pilbara	Hematite	148	463	0.3
Average					**0.4**
Production companies					
Fortescue Metals Group Limited	Pilbara	Hematite	17,449	3,627	4.8
Atlas Iron Limited	Pilbara	Hematite	2,600	583	4.5
Mount Gibson Iron Limited	Pilbara	Hematite	987	64	15.5
BC Iron Limited	Pilbara	Hematite	201	77	2.6
Average					**6.9**
Overall average					**4.7**

Source: Thomson Reuters, Deloitte analysis, company announcements

Notes:

1. Enterprise values as at 21 November 2011
2. Consists of Measured, Indicated and Inferred Resources and includes Proved and Probable Reserves
3. EV – enterprise value
4. Based on the approximate midpoint of the valuation range selected for Brockman.

The resource multiple implied by our valuation of Brockman (on a control basis) is higher than the average share trading resource multiple of the comparable development stage companies and lower than the average share trading resource multiple of the comparable producing companies identified.

We consider trading multiples for iron ore companies in the development stage to be most comparable to Brockman. The average share trading resource multiple for the development stage company is AUD 0.4 per tonne (on a minority interest basis), whilst the resource multiple implied by our valuation of Brockman is in the range of AUD 0.5 per tonne to AUD 0.6 per tonne (on a control basis).

We consider the share trading resource multiples broadly support our valuation of Brockman.

The following table sets out the resource multiples implied by comparable transactions that have occurred since 2005 (refer to Appendix 4 for further details on the comparable transactions). We note that the resource multiples of the comparable transactions that involve the acquisition of a controlling interest could include premiums for control. The resource multiples implied by our valuation of Brockman are based on a control value.

Table 33: Comparable transactions

Date	Target	Acquirer	Ore type	Interest acquired	Consideration (AUD million)	Contained Fe[1]	Implied EV/ resources[2] (AUD/t)
Development stage companies in the Pilbara							
27-Jun-11	FerrAus	Atlas	Hematite	100%	223	196	1.0
21-Dec-10	Giralia Resources Limited	Atlas	Hematite	100%	828	282	2.7
10-Mar-10	Aurox Resources Limited	Atlas	Magnetite	100%	143	204	0.7
16-Oct-09	United Minerals	BHP	Hematite	100%	204	92	2.1
8-Sep-09	Warwick	Atlas	Hematite	77%	82	15	6.9
8-Sep-09	FerrAus	CRM[3]	Hematite	12%[4]	13	98	0.9
1-Jul-05	Hope Downs	Rio	Hematite	50%	4,351	2,686	1.6
Average							**2.3**

Source: Deloitte analysis, CapitalIQ, various company announcements, Mergermarket

Notes:

1. Includes Measured, Indicated and Inferred Resources and includes Proved and Probable Reserves
2. Resource multiples have been calculated on an implied 100% basis, including reserves
3. CRM – China Railway Materials Commercial Corporation
4. Reflects the acquisition of a minority interest.

We note the following in relation to the above:

- during 2010 and 2011 there were three takeover transactions involving development stage companies, which achieved an average implied resource multiple of AUD 1.5/t. Two of these transactions consisted of the acquisition of target companies with hematite assets. The average resource multiple for these two transactions was AUD 1.9/t
- many of the above transactions are likely to include some special value, due to the strategic intention of the bidder and potential strategic value associated with gaining control of the target and its assets, in particular infrastructure assets, such as a port allocation.

  For example, it is likely that some level of special value existed for the purchaser in the Atlas transactions with Giralia Resources Limited (Giralia) and FerrAus and the BHP transaction with United Minerals. As a result, the resource multiples paid were higher than they would have been if special value had not existed.

Based on our analysis above, we note there are few comparable transactions against which to benchmark a suitable transaction resource multiple. We have therefore placed limited reliance on this cross-check.

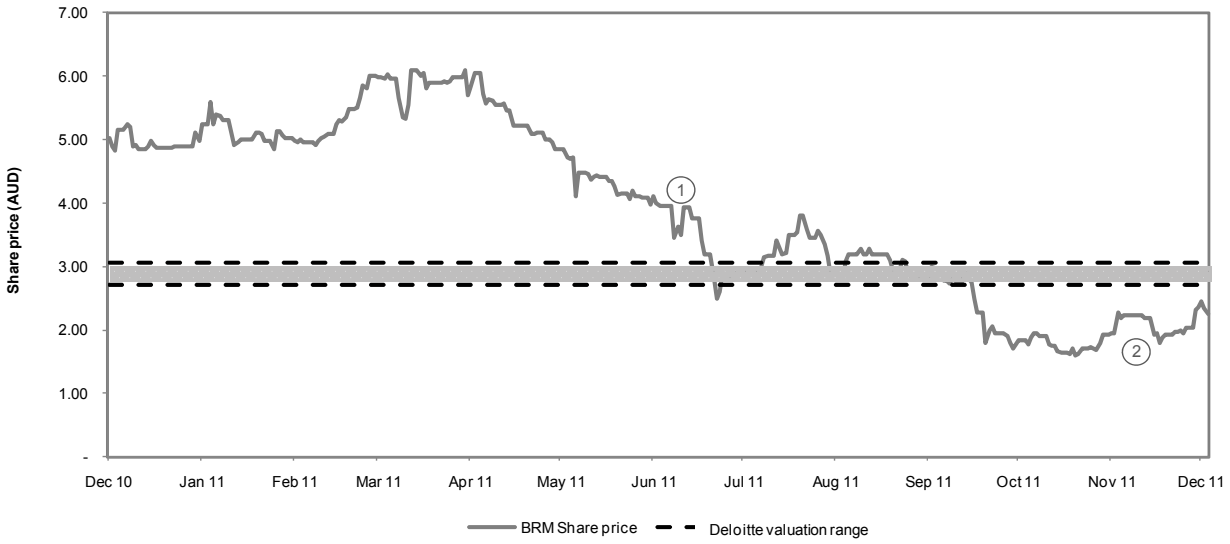
9.4 Analysis of recent share price

The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. The share price of an entity in an efficient market should incorporate the influence of all publicly known information relevant to the value of an entity's securities.

Share prices from market trading do not reflect the market value for control of a company as they are for portfolio holdings. Australian studies (including a study undertaken by Deloitte) indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values.

In the figure below, we have compared Brockman's historical share price over the year to 9 December 2011 (when Brockman's shares were placed in a trading halt) with our selected valuation range for a Brockman share.

Figure 19: Brockman share price analysis



Source: Thomson Reuters, Deloitte analysis

Notes:

1. Wah Nam's offer to acquire all shares it did not already own in Brockman (announced in November 2010) lapsed on 15 June 2011
2. On 9 November 2011, Brockman received a price query from the ASX.

Between 9 December 2010 and 9 December 2011, Brockman's share price ranged from a low of AUD 1.60 to a high of AUD 6.25, before closing at AUD 2.26 on 9 December 2011.

We note the following:

- Brockman received an ASX price query on 9 November 2011. In the price query, the ASX noted a change in the closing price of Brockman shares from AUD 1.95 on 8 November 2011 to an intra-day trading high of AUD 2.39 on 9 November 2011. Brockman immediately confirmed it was in preliminary discussions with Wah Nam regarding a potential transaction
- on 15 June 2011, Wah Nam declared its off-market takeover offer for Brockman would not be extended. Between 15 June 2011 to 9 November 2011 (when Brockman received the price query from the ASX), Brockman's VWAP was AUD 2.65. Between 15 June 2011 and 9 December 2011, Brockman's VWAP was AUD 2.57
- between 9 November 2011 and 9 December 2011, Brockman's share price has ranged from a low of AUD 1.89 to a high of AUD 2.39 with a VWAP of AUD 2.12 over the period. In comparison, Brockman's VWAP over the 30 days prior to 9 November 2011 was AUD 1.80. Whilst the volatility in Brockman's share price may be due to a number of factors, it is not unreasonable to assume that the increased VWAP is due to market speculation of a potential transaction between Wah Nam and Brockman

- during the period following the close of the initial takeover offer by Wah Nam on 15 June 2011 to the date on which Brockman received a price query from the ASX on 8 November 2011, approximately 15% of the average issued share capital for the period, excluding the shares owned by Wah Nam, was traded.

Further details relating to share price movements can be found in Section 4.5.

Our assessed value of a Brockman share implies a control premium of approximately 20% to 30% on the closing price of Brockman shares on 9 December 2011.

We note that Brockman placed its shares in a trading halt on 12 December 2011 before trading resumed on 13 December 2011 after announcement of the Takeover Offer. Between 13 December 2011 and 14 December 2011, the share price of Brockman ranged from a low of AUD 2.20 to a high of AUD 2.39 with a VWAP of AUD 2.29.

The Takeover Offer was announced by Wah Nam on 13 December 2011 and our report is contained within the Target's Statement to be issued on 15 December 2011. As a consequence, we have only had the opportunity to observe two days of trading in Brockman shares post the announcement of the Takeover Offer.

Given the limited time between the announcement of the Takeover Offer and the issue of the Target Statement, trading in Brockman shares may not fully incorporate the market's view of the Takeover Offer.

10 Valuation of the Proposed Merged Entity

10.1 Introduction

In this section we have estimated the fair market value of the shares in the Proposed Merged Entity. This valuation has been performed on a minority interest basis as Shareholders will receive a minority interest in the Proposed Merged Entity. We have assessed the fair market value of a share in the Proposed Merged Entity assuming the Takeover Offer, the Share Placement, the issue and the subsequent part-conversion of the Convertible Bond under the Subscription Agreement and the placement under the Underwriting Agreement are completed.

In order to value a share in the Proposed Merged Entity, we have considered:

- the sum-of-the-parts methodology, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods.

  To value the Proposed Merged Entity on the sum-of-the-parts basis requires an estimate of the following items:

  - the enterprise value of Brockman, consisting of the estimated value of the Marillana Project and the exploration assets of Brockman
  - the value of the Proposed Merged Entity's interest in the Damajianshan Copper Mine
  - the value of the Limousine and Shuttle Bus Business
  - the value of any potential synergies and/or cost savings that could be achieved by a hypothetical purchaser of Brockman
  - the value of any surplus assets and liabilities
  - a discount for a minority interest
  - pro-forma net cash assuming the Takeover Offer, the Share Placement, the issue and part-conversion of the Convertible Bond under the Subscription Agreement, and the placement under the Underwriting Agreement proceed
- the Subscription Price at which the Share Placement and part-conversion of the Convertible Bond under the Subscription Agreement, and the placement under the Underwriting Agreement is being undertaken
- trading in Wah Nam shares on the HKEX prior to announcement of the Takeover Offer, but after 9 November 2011, when the ASX issued a price query to Brockman in respect of a potential transaction between Brockman and Wah Nam
- trading in Wah Nam shares on the HKEX up to 14 December 2011, being the first two trading days after the announcement of the Takeover Offer.

This analysis is set out in Sections 10.2 to 10.5.

10.2 The sum-of-the-parts method

10.2.1 Brockman

Based on our analysis in Sections 9.2.1 and 9.2.2, the enterprise value of Brockman on a control basis, excluding surplus assets and net cash, is estimated to be as follows:

Table 34: Enterprise value of Brockman

	Section	Unit	Low value	High value
Fair market value of the Marillana Project	9.2.1	AUD million	325.0	375.0
Exploration assets of Brockman	9.2.2	AUD million	20.0	20.0
Total enterprise value of Brockman (on a control basis)		**AUD million**	**345.0**	**395.0**

Source: Deloitte analysis

10.2.2 The Damajianshan Copper Mine

The value of the 90% interest held by the Proposed Merged Entity in the Damajianshan Copper Mine has been estimated with reference to the most recent value in use analysis performed for impairment testing purposes as at 31 December 2010. Wah Nam did not impair the value of its interest in the Damajianshan Copper Mine as at 30 June 2011 on the basis that the market price for copper and the demand for copper in China remained strong.

We have therefore adopted the value recorded by Wah Nam for the Damajianshan Copper Mine as at 30 June 2011 in our valuation of the Proposed Merged Entity.

The value of Wah Nam's interest in the Damajianshan Copper Mine is shown in the table below.

Table 35: Valuation of Wah Nam's interest in the Damajianshan Copper Mine

	Unit	Value
Fair market value of the Damajianshan Copper Mine (100%)	HKD million	925.9
Fair market value of the Damajianshan Copper Mine (100%)[1]	AUD million	117.5
Fair market value of Wah Nam's interest in the Damajianshan Copper Mine (90%)	**AUD million**	**105.7**
Selected value of Wah Nam's interest in the Damajianshan Copper Mine (90%)	**AUD million**	**106.0**

Source: Deloitte analysis

Note:

1. Converted into AUD based on an exchange rate of 1 AUD to 7.8825 HKD.

10.2.3 The Limousine and Shuttle Bus Business

The value of the Limousine and Shuttle Bus Business has been estimated based on the recoverable amount of the assets allocated to this operating division by Wah Nam as at 30 June 2011.

The written down value of the assets of the Limousine and Shuttle Bus as at 30 June 2011 was approximately AUD 18 million.[25]

[25] Based on the book value of segment assets of HKD 141.5 million, translated into AUD at the current exchange rate of 1 AUD to 7.8825 HKD

10.2.4 Potential synergies achieved by the Proposed Merged Entity

With the exception of ASX listing fees and shared non-executive directors' fees, the Proposed Merged Entity is not expected to generate significant cost savings or synergies that may be available to other, hypothetical purchasers of Brockman. As a result, we have not attributed any value to potential synergies arising from the Takeover Offer.

10.2.5 Surplus assets

We have not identified any material surplus assets.

We note that Wah Nam currently has 89.5 million listed and unlisted options on issue. These options are currently not in-the-money (refer to Section 5.5 for details of the Wah Nam options on issue) and are not expected to have material time value after consideration of the Black-Scholes Model. We have therefore not adjusted our valuation of the Proposed Merged Entity for the potential exercise of these options or any other surplus assets.

10.2.6 Discount for minority interest

The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control (*minority interest discount = 1-(1/(1+control premium))*) and generally ranges between 15% and 30%.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors
- determine the strategy and policy of the company
- make acquisitions or divest operations
- control the composition of the board of directors.

If the Takeover Offer, the Share Placement and both the issue of the Convertible Bond and the shares pursuant to the Underwriting Agreement proceed, the Bid Consideration paid to acquire Brockman will consist of the Cash Consideration and the Scrip Consideration and Shareholders will become minority holders of shares in the Proposed Merged Entity. Our valuation of a share in the Proposed Merged Entity based on the sum-of-the-parts method has therefore been adjusted to reflect a minority interest basis.

The following factors have been taken into consideration in determining an appropriate minority interest discount for the Proposed Merged Entity:

- we considered the control premiums implied by recent transactions in the broader mining sector in Australia. The average and median control premium observed for these transactions was 41% and 38%, respectively. We note a number of the transactions are likely to have included some special value, due to the strategic intention of the bidder and potential strategic value associated with gaining control of the target and its assets
- Wah Nam currently owns 55.33% and has control of Brockman.

Based on these factors, we consider a minority interest discount in the range of 10% to 15% to be reasonable.

10.2.7 Net cash

The following table sets out the pro-forma net cash of the Proposed Merged Entity assuming the Takeover Offer, the Share Placement, part-conversion of the Convertible Bond and the placement under the Underwriting Agreement proceed. Net cash has been estimated after transaction costs of HKD 138 million (or approximately AUD 18 million), including:

- commissions paid to the Underwriter
- WA stamp duty, which is assessed when Wah Nam acquires more than 90% of Brockman's issued shares
- other transaction costs.

Under the Takeover Offer, Brockman has indicated it intends to offer to amend the Shareholder Loans on terms to be agreed between Wah Nam and Brockman, so that the shares the subject of the Shareholder Loans, can be sold into the Takeover Offer. The Cash Consideration payable to those Shareholders with Shareholder Loans will be used to repay the amounts outstanding under the Shareholders Loans with any residual paid to these Shareholders. Approximately AUD 9 million in Shareholder Loans was outstanding as at 31 October 2011, which we have therefore added to the Proposed Merged Entity's net cash.

As the Convertible Bond can only be converted into a maximum of 232 million shares, the unconverted portion will be redeemed by the Subscriber two years after expiry of the Takeover Offer. The unconverted portion has therefore been deducted from the pro forma net cash of the Proposed Merged Entity as it is financial debt.

Table 36: Pro forma net cash of the Proposed Merged Entity

	Section	Unit	Amount
Brockman			
Net cash	**9.2.4**	**AUD million**	**41.3**
Wah Nam			
Bank borrowings	5.8	HKD million	(42.4)
Obligations under finance lease	5.8	HKD million	(12.1)
Total debt		**HKD million**	**(54.5)**
Add: cash on hand[1]	5.8	HKD million	82.1
Add: proceeds from sale of Atlas shares[2]		HKD million	260.9
Net cash		**HKD million**	**288.5**
AUD to HKD exchange rate		AUD to HKD	7.8825
Net cash		**AUD million**	**36.6**
Proposed Merged Entity			
Net cash of Brockman	9.2.4	AUD million	41.3
Net cash of Wah Nam		AUD million	36.6
Net cash of the Proposed Merged Entity before the Takeover Offer, Share Placement, Convertible Bond and the Underwriting Agreement		**AUD million**	**77.9**
Add/(less):			
Proceeds from Share Placement[3]	1.1	AUD million	42.3
Proceeds from issue of Convertible Bond[4]	1.1	AUD million	22.1
Proceeds from placement under Underwriting Agreement[5]	1.1	AUD million	9.9
Cash Consideration paid under Takeover Offer[6]		AUD million	(98.3)
Proceeds from repayment of Shareholder Loans		AUD million	9.0
Transaction costs[7]		AUD million	(17.5)
Less: unconverted portion of Convertible Bond[8]	6.2	AUD million	(4.4)
Net cash of the Proposed Merged Entity after the Takeover Offer, Share Placement, Convertible Bond and the Underwriting Agreement[9]		**AUD million**	**40.9**

Source: Deloitte analysis

Notes:

1. Excludes Brockman's cash and cash equivalents as at 30 June 2011 of HKD 483 million. Brockman's cash position has been separately included
2. Between 20 September 2011 and 9 December 2011, Wah Nam progressively sold down 100% of its interest in Atlas (consisting of 1.15% of total Atlas shares outstanding). Total proceeds of HKD 261 million were received
3. Represents proceeds of HKD 333 million converted into AUD using an exchange rate of 1 AUD to 7.8825 HKD
4. Represents proceeds of HKD 174 million converted into AUD using an exchange rate of 1 AUD to 7.8825 HKD
5. Represents proceeds of HKD 78 million converted into AUD using an exchange rate of 1 AUD to 7.8825 HKD
6. Consists of total Cash Consideration payable to Shareholders in consideration of 65.5 million shares in Brockman on a fully diluted basis
7. Refers to total estimated transaction costs of HKD 138 million translated into AUD using an exchange rate of 1 AUD to 7.8825 HKD. Transaction costs include commissions payable to the Underwriter, estimated landholder duty and other transaction costs
8. Represents unconverted portion of the Convertible Bond of HKD 35 million converted into AUD using an exchange rate of 1 AUD to 7.8825 HKD (refer to Section 6.2)
9. The net cash of the Proposed Merged Entity differs to the net cash of Wah Nam estimated in the Bidder's Statement. This is due to the Bidder's Statement excluding transaction costs, cash proceeds received from holders of Brockman options with an exercise price of AUD 1.25 and AUD 1.30 (gross proceeds of AUD 1 million) and cash proceeds received from Shareholders with Shareholder Loans (AUD 9 million).

10.2.8 Conclusion: sum-of-the-parts method

The implied value of the Proposed Merged Entity derived from the sum-of-the-parts method is summarised below.

Table 37: Value of the Proposed Merged Entity using the sum-of-the-parts method

	Section	Unit	Low	High
Brockman	10.2.1	AUD million	345.0	395.0
Limousine and Shuttle Bus Business	10.2.3	AUD million	18.0	18.0
Damajianshan copper mine (90%)	10.2.2	AUD million	106.0	106.0
Total enterprise value (control basis)		**AUD million**	**469.0**	**519.0**
Net cash	10.2.7	AUD million	40.9	40.9
Total equity value (control basis)		**AUD million**	**509.9**	**559.9**
Discount for minority interest	10.2.6		10%	15%
Fair market value (minority interest basis)		**AUD million**	**458.9**	**475.9**
Shares outstanding	*6.2*	*million*	*7,456.3*	*7,456.3*
Implied value per share in the Proposed Merged Entity (on a minority interest basis)		**AUD**	**0.062**	**0.064**

Source: Deloitte analysis

10.3 The Subscription Price

On 12 December 2011 Wah Nam announced the Share Placement and the placement under the Underwriting Agreement, which consists of the issue of a total of 685 million shares at the Subscription Price of HKD 0.60 per share or AUD 0.076 per share based on the exchange rate as at 9 December 2011 of 1 AUD to 7.8825 HKD. Conversion of the Convertible Bond is also being undertaken at the Subscription Price.

The Subscription Price of AUD 0.076 represents a 10% discount to the closing share price of Wah Nam on the HKEX on 9 December 2011 of AUD 0.085. We note that equity placements often occur at a discount to the closing share price prior to the announcement of the placement to encourage investor participation.

10.4 Trading in Wah Nam shares

Brockman received an ASX price query on 9 November 2011. In the price query, the ASX noted a change in the closing price of Brockman shares from AUD 1.95 on 8 November 2011 to an intra-day trading high of AUD 2.39 on 9 November 2011. Brockman immediately confirmed it was in preliminary discussions with Wah Nam regarding a potential transaction. Share trading in Wah Nam shares may therefore reflect market speculation regarding a potential transaction between Wah Nam and Brockman.

Between 9 November 2011 and 9 December 2011, Wah Nam's share price ranged from a low of AUD 0.073 to a high of AUD 0.086 with a VWAP of AUD 0.082 over the period.[26]

Wah Nam placed its shares in a trading halt on 12 December 2011 before trading resumed on 13 December 2011 after announcement of the Takeover Offer. Between 13 December 2011 and 14 December 2011, the share price of Wah Nam ranged from a low of AUD 0.085 to a high of AUD 0.103 with a VWAP of AUD 0.094.[27]

[26] Based on share trading on the HKEX, converted into AUD using the AUD/HKD exchange rate on the relevant trading day
[27] VWAP calculated with reference to Wah Nam's closing price on the HKEX on 14 December 2011

10.5 Conclusion

The value of a share in the Proposed Merged Entity derived under each of the methods discussed above is summarised in the table below.

Table 38: Value of the Proposed Merged Entity – summary

	Section	Low (AUD)	High (AUD)
Sum-of-the-parts method	10.2	0.062	0.064
Subscription Price	10.3	0.076	0.076
Wah Nam VWAP between 9 November 2011 and 9 December 2011	10.4	0.082	0.082
Wah Nam VWAP between 13 December 2011 and 14 December 2011	10.4	0.094	0.094

Source: Deloitte analysis

In selecting a high value of AUD 0.080 for a share in the Proposed Merged Entity, we have had regard to the Subscription Price, which we consider provides good evidence as to the fair market value of a share in the Proposed Merged Entity on a minority interest basis, together with trading in Wah Nam shares after 8 November 2011.

We have adopted a value of AUD 0.065 as the low end of the value range for the Proposed Merged Entity, which is approximately the high end of our valuation range for the Proposed Merged Entity derived under the sum-of-the-parts method.

We have therefore selected a value for a share in the Proposed Merged Entity in the range of AUD 0.065 to AUD 0.080 on a minority interest basis.

The Takeover Offer was announced by Wah Nam on 13 December 2011 and our report is contained within the Target's Statement to be issued on 15 December 2011. As a consequence, we have had the opportunity to observe only two days of trading in Wah Nam shares after the announcement of the Takeover Offer.

Given the limited time between the announcement of the Takeover Offer and the issue of the Target Statement, trading in Wah Nam shares may not fully incorporate the market's view of the Takeover Offer.

Based on the VWAP of Wah Nam shares over the two days after the announcement of the Takeover Offer, the implied purchase price of a Brockman share is AUD 3.19, however, this implied consideration may change as the market fully incorporates the consequences of the Takeover Offer.

Appendix 1: Glossary

Reference	Definition
α	Specific company risk premium
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
AFSL	Australian Financial Services Licence
Ag	Silver
Al_2O_3	Aluminium oxide
AMEX	American Stock Exchange
APESB	Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Atlas	Atlas Iron Limited
AUASB	Auditing and Assurance Standards Board
AUD	Australian dollars
Aurox	Aurox Resources Limited
β	Beta
BBSY	Bank Bill Swap Bid Rate
BC Iron	BC Iron Limited
BHP	BHP Billiton Limited
Bi	Bismuth
BIF	Bedded iron formation
Bid Consideration	Collectively, the Cash Consideration of AUD 1.50 and the Scrip Consideration of 18 shares in the Proposed Merged Entity consisting of Wah Nam and Brockman
Bidder, the	Wah Nam International Holdings Limited
BREE	Bureau of Resources and Energy Economics
Brockman	Brockman Resources Limited
Bt	Billion tonnes
BVI	British Virgin Islands
CAPM	Capital Asset Pricing Model
Cash Consideration	AUD 1.50
CID	Channel iron deposits
Climate Change Plan	The carbon tax and emissions trading scheme legislation passed by the Federal Government on 8 November 2011
Convertible Bond	The issue of a convertible bond of HKD 174 million to the Subscriber
Corporations Act	Corporations Act 2001 (Cth)
CRM	China Railway Materials Commercial Corporation
Cu	Copper
CY	Calendar year
Damodaran	Aswath Damodaran
Deloitte	Deloitte Corporate Finance Pty Limited
Deloitte Touche Tohmatsu	Deloitte member firm in Australia
dmt	Dry million tonnes
DSO	Direct shipping ore
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation

Reference	Definition
EMRP	Equity Market Risk Premium
ELS	Employee Loan Scheme
ETS	Emissions Trading Scheme
EV	Enterprise value
F	Forecast
Fe	Iron
FEED	Front End Engineering and Design
FerrAus	FerrAus Limited
Flinders	Flinders Mines Limited
FOB	Free on board
Fortescue	Fortescue Metals Group Limited
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
g/t	Grams per tonne
Giralia	Giralia Resources Limited
GST	Goods and services tax
Hamersley Iron	Hamersley Iron Pty Limited
Hancock	Hancock Prospecting Pty Limited
HIBOR	Hong Kong Interbank Offer Rate
HK	Hong Kong
HKD	Hong Kong Dollars
HKEX	Hong Kong Stock Exchange
IBISWorld	IBIS World Pty Limited
Independent Directors	Directors of Brockman who are not nominees of, nor suggested to Brockman by, Wah Nam
ICAC	Independent Commission Against Corruption
IOH	Iron Ore Holdings Limited
JFY	Japanese financial year
JORC	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JV	Joint Venture
K_d	Cost of debt capital
K_e	Cost of equity capital
K_m	kilometre
km^2	Square kilometres
kt	kilotonne
lb	Pound
Limousine and Shuttle Bus Business	Wah Nam's limousine rental and airport shuttle bus services business in Hong Kong and China
LOM	Life of mine
Luchun Xingtai	Luchun Xingtai Mining Co., Ltd
Marillana Project	Marillana iron ore development project in the Pilbara region of Western Australia
mm	Millimetres
Model, the	Model prepared by Brockman which estimates the future cash flows to be generated by the Marillana development project

Reference	Definition
Morningstar	Morningstar Inc
Mt Gibson	Mount Gibson Iron Limited
MRRT	Mineral Resources Rent Tax
MSCI Index	Morgan Stanley Capital International World Index
Mt	Million tonnes
Mtpa	Million tonnes per annum
NASDAQ	National Association of Securities Dealers Automated Quotation System
NPAT	Net profit after tax
NSW	New South Wales
NWI	North West Infrastructure
NYSE	New York Stock Exchange
OneSteel	OneSteel Limited
P	Phosphorus
Pb	Lead
Pilbara	Pilbara region
Proposed Merged Entity	The combined entity consisting of Wah Nam and Brockman
QR National	QR National Limited
RC	Reverse circulation
R_f	Risk free rate of return
R_m	Expected return on the market portfolio
Rio	Rio Tinto Limited
RMB	Renminbi
Robe River	Robe River Iron Associates
ROM	Run-of mine
S	Sulphur
Scrip Consideration	18 shares in the Proposed Merged Entity
Section 640	Section 640 of the Corporations Act (Cth) 2001
Share Placement	Share placement to raise HKD 333 million at HKD 0.60 per share
Shareholder Loans	Loans provided by Brockman to employees under the ELS
Shareholders	Holders of Brockman shares other than Wah Nam
SiO_2	Silicon dioxide
SRK	SRK Consulting (Australia) Pty Limited
Subscriber	Ocean Line Holdings Limited
Subscription Agreement	Collectively, the Share Placement and the issue of the Convertible Bond
Subscription Price	HKD 0.60 per share
Takeover Offer, the	Wah Nam's offer to acquire all of the outstanding shares in Brockman it does not already own
Thomson Reuters	Thomson Reuters (Professional) Australia Limited
TPI	The Pilbara Infrastructure Pty Limited
Underwriter	REORIENT Financial Markets Limited
Underwriting Agreement	Underwriting agreement to raise HKD 78 million via a placement to the Underwriter
United Minerals	United Minerals Limited
US	United States of America
USc/dmtu	US cents per dry metric tonne
USD	United States dollars
Vale	Vale SA

Reference	Definition
VALMIN code, the	Technical Assessment and Valuation of Minerals and Petroleum Assets and Securities for Independent Expert Reports
VWAP	Volume weighted average price
WA	Western Australia
WACC	Weighted average cost of capital
Wah Nam	Wah Nam International Holdings Limited
Warwick Resources	Warwick Resources Limited
wmt	Wet metric tonne
Yilgarn	Yilgarn Mining Pty Limited
Zn	Zinc

Appendix 2: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

For ungeared cash flows, discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC).

The WACC can be derived using the following formula:

$$WACC = \left(\frac{E}{V} * K_e \right) + \left(\frac{D}{V} * K_d (1 - t_c) \right)$$

The components of the formula are:

K_e = cost of equity capital

K_d = cost of debt

t_c = corporate tax rate

E/V = proportion of enterprise funded by equity

D/V = proportion of enterprise funded by debt

The adjustment of K_d by $(1- t_c)$ reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 29%, in line with the Australian corporate tax rate and having regard to the MRRT.

Cost of equity capital (K_e)

The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

We have used the CAPM to estimate the K_e for Brockman. The CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta(R_m - R_f) + a$$

The components of the formula are:

K_e = required return on equity

R_f = the risk free rate of return

R_m = the expected return on the market portfolio

β = beta, the systematic risk of a stock

α = specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

Since there is no zero-coupon government bond issued by the Australian Government, we have utilised the zero coupon bond yield calculated by Thomson Reuters, which excludes the coupon payments from the 10-year Australian Government bond. In determining R_f we have taken the 5-day average of the zero coupon 10-year Australian Government bond yield for the period of 5 December 2011 to 9 December 2011 as shown in the table below.

Table 39: Five-day average of the 10-year zero-coupon Australian Government bond yield

	Yield
05-Dec-11	4.16%
06-Dec-11	4.13%
07-Dec-11	4.16%
08-Dec-11	4.12%
09-Dec-11	4.02%
Five day average as at 9 December 2011	**4.12%**

Source: Thomson Reuters

The 10-year Government bond rate is a widely used and accepted benchmark for the risk free rate in Australia. This rate represents a nominal rate and thus includes inflation.

Based on the above we have selected a risk-free rate of 4.1%.

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP.

Historical approach

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average

- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- the impact of franking tax credits
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.

We have considered the most recent studies undertaken by the Securities Industry Research Centre of Asia-Pacific Limited, Morningstar Inc (Morningstar), ABN AMRO/London Business School and Aswath Damodaran (Damodaran). These studies generally calculate the EMRP to be in the range of 5% to 8%.

Prospective approach

The prospective approach is a forward looking approach that is current, market driven and does not rely on historical information. It attempts to estimate a forward looking premium based on either surveys or an implied premium approach.

The survey approach is based on investors, managers and academics providing their long term expectations of equity returns. Survey evidence suggests that the EMRP is generally expected to be in the range of 6% to 8%.

The implied approach is based on either expected future cash flows or observed bond default spreads and therefore changes over time as share prices, earnings, inflation and interest rates change. The implied premium may be calculated from the market's total capitalisation and the level of expected future earnings and growth.

Selected EMRP

We have considered both the historically observed EMRP and the prospective approaches as a guideline in determining the appropriate EMRP to use in this report. Australian studies on the historical risk premium approach generally indicate that the EMRP would be in the range of 5% to 8%.

In recent years it has been common market practice in Australia in expert's reports and regulatory decisions to adopt an EMRP of 6%.

Having considered the various approaches and their limitations, we consider an EMRP of 6.0% to be appropriate.

Beta estimate (β)

Description

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

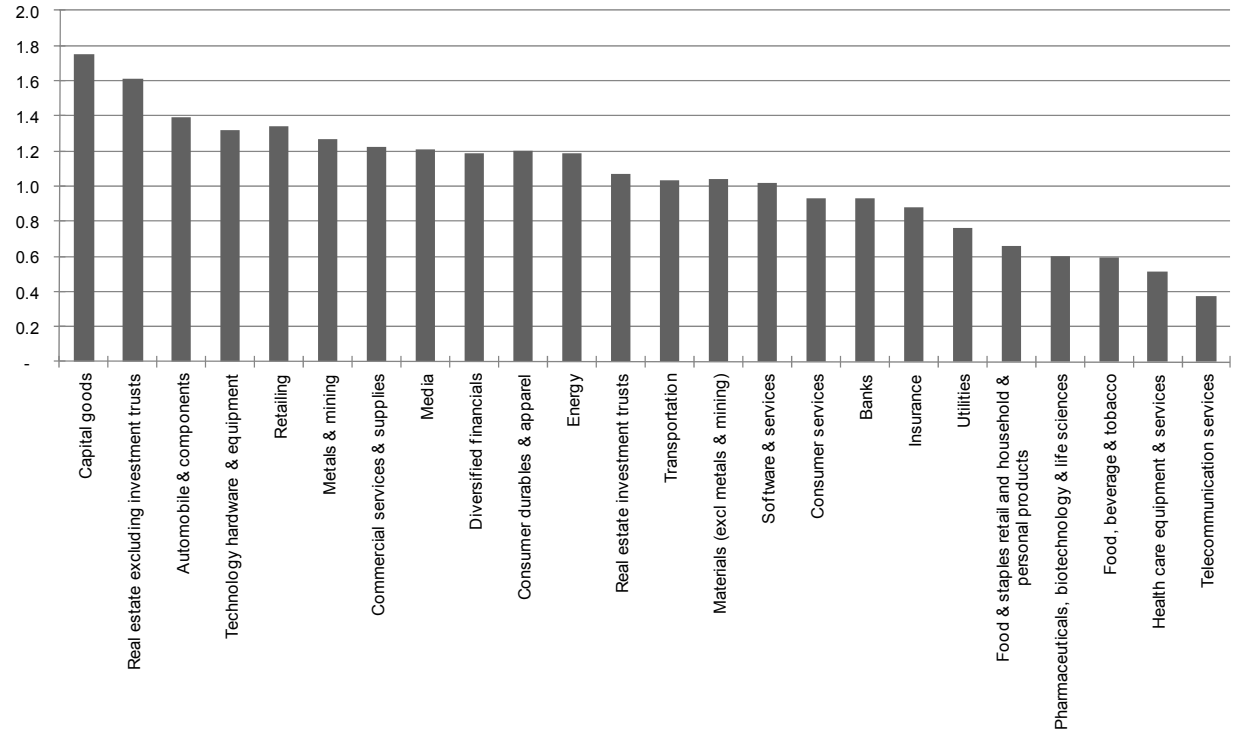
Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt

- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

The betas of various Australian industries listed on the ASX are reproduced below and provide an example of the relative industry betas for a developed market.

Figure 20: Betas for various industries (as at 30 June 2011)



Source: Securities Industry Research Centre of Asia-Pacific Limited

The differences are related to the business risks associated with the industry. For example, the above diagram indicates transportation companies are more correlated to overall market returns with a beta close to 1.0 whereas telecommunications and other infrastructure companies (in particularly those that are regulated) typically have betas lower than 1.0.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

Market evidence

In estimating an appropriate beta for Brockman we have considered the betas of listed companies that have operating assets that are comparable to Brockman. These betas, which are presented below, have been calculated based on monthly returns, over a four year period, compared to the Standard and Poor's ASX 200 index (ASX 200 Index) and the Morgan Stanley Capital International World Index (MSCI Index).

Table 40: Analysis of betas for listed companies with comparable operations to Brockman

Company	Enterprise value[1] (AUD million)	Debt to enterprise value[2]	ASX 200 Index 4 year monthly		MSCI Index 4 year monthly	
			Levered beta	Unlevered beta[3]	Levered beta	Unlevered beta[3]
Iron ore development companies						
Brockman Resources Limited	230	(23%)	1.91	1.91	1.19	1.19
Iron Ore Holdings Limited	148	(28%)	1.73	1.73	1.41	1.41
Flinders Mines Limited	269	(17%)	2.34	2.34	1.49	1.49
Average – iron ore development companies			**1.99**	**1.99**	**1.36**	**1.36**
Iron ore production companies						
Atlas Iron Limited	2,600	(6%)	1.84	1.84	1.48	1.48
Fortescue Metals Group Limited	17,449	11%	1.51	1.30	0.96	0.83
Mount Gibson Iron Limited	987	(35%)	2.39	2.28	2.02	1.93
BC Iron Limited	201	(11%)	2.07	2.07	1.23	1.23
Average – iron ore production companies			**1.95**	**1.87**	**1.42**	**1.37**
Overall average			**1.97**	**1.92**	**1.40**	**1.37**
Overall median			**1.91**	**1.91**	**1.41**	**1.41**

Source: Thomson Reuters and Deloitte analysis

Notes:

1. Enterprise value as at 21 November 2011
2. Refers to average four year debt to enterprise value ratio
3. Levered betas have been unlevered using the Company's average four year gearing.

Descriptions for each of the above companies are provided in Appendix 3.

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of Brockman. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta (β)

In selecting an appropriate beta for Brockman we have considered the following:

- iron ore assets have varying risk profiles depending on the maturity of the asset, the location of the resources, the type of ore and the stage of its development. The Marillana Project is expected to commence production in the 2016 financial year. Accordingly, we have placed more reliance on comparable companies that are currently in the development phase, with production anticipated in the short to medium term. We have also included Australian iron ore producing companies as a point of reference
- the Marillana Project is located in the East Pilbara. Accordingly, we have placed more reliance on comparable development companies that operate primarily in the Pilbara, which are subject to similar rail and port infrastructure constraints
- the Marillana Project is projected to produce a beneficiated hematite fines product. The majority of comparable production companies produce high grade direct shipping ore which requires little or no beneficiation prior to shipping. Therefore, the costs and risks associated with processing and upgrading its ore is not a key issue for the comparable companies
- we consider it preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the inherent difficulties in measuring the beta of the underlying iron ore project being valued. In addition, we note current debt to equity levels for production companies are below historical levels due to the strong earnings generated by high iron ore prices achieved in the recent past
- there is no company with operations directly comparable to the Marillana Project. However, we consider that Flinders' operations are broadly comparable to the Marillana Project for the following reasons:
    - Flinders has completed a prefeasibility study and is current undertaking a definitive feasibility study on its Pilbara Iron Ore Project.
    - the project is located in the Central Pilbara and has Indicated and Inferred resources of approximately 750 Mt of Brockman and detrital ore at approximately 55% Fe grade.
    - Flinders does not have a rail solution (although it has been in discussions with QR National)
- the average levered beta for comparable iron ore development companies, based on the ASX 200 Index and the MSCI Index, is 2.0 and 1.4, respectively, consistent with the average beta for comparable iron ore producing companies

On this basis of the above, we have selected a levered beta of 1.9 to 2.0 for Brockman.

Specific company risk premium (α)

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as:

- company size (which we discuss in detail below)
- depth and quality of management
- reliance on one key individual or a few key members of management
- reliance on key customers
- reliance on key suppliers
- product diversity (limits on potential customers)
- geographic diversity
- labour relations, quality of personnel (union/non-union)
- capital structure, amount of leverage
- existence of contingent liabilities.

The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

There are several empirical studies that demonstrate that the investment market does not ignore specific company risks. In particular, studies show that:

- on average, smaller companies have higher rates of return than larger companies (often referred to as the size premium)
- on average, early stage companies have higher rates of return than mature companies.

These are discussed separately below.

Size premium

The following table summarises the returns for different size categories from 1926 to 2008 for companies on the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX) and the National Association of Securities Dealers Automated Quotation System (NASDAQ).

Table 41: Evidence of size premium

		Summary statistics of annual returns	
Decile	Market capitalisation of largest company in group[2] (USD million)	Arithmetic mean return[3] (%)	Size premium (return in excess of CAPM)[1] (%)
Largest (1st decile)	314,623	10.92	(0.38)
Large (2nd decile)	15,080	12.92	0.81
Mid-cap (3rd – 5th decile)	6,794	13.87	1.20
Low-cap (6th – 8th decile)	1,776	15.38	1.98
Micro-cap (9th – 10th decile)	478	18.37	4.07
Smallest (10th decile)[4]	236	20.97	6.36

Source: Market Results for Stocks, Bonds, Bills, and Inflation 2011 Valuation Yearbook, Ibbotson SBBI

Notes:

1. Size premium was calculated as the difference between the actual return and the return calculated using the CAPM
2. Market capitalisation was calculated as at 30 September 2010
3. Ibbotson use the 20 year US Treasury coupon bond yield in determining the risk free rate
4. Ibbotson provide a further breakdown of the 10th decile, noting that the size premium for the upper half of the 10th decile (decile 10a) was 4.55%, whereas the size premium for the lower half of the 10th decile (decile 10b) was 10.06%. However care must be taken in considering decile 10b due to the volatility of companies in this segment of the market.

Having regard to the current market capitalisation of Brockman and the market capitalisation of the comparable companies considered when selecting the appropriate beta for Brockman, we do not consider a size premium is required.

Early stage companies

Generally, investors in early stage companies/projects often require higher rates of return than investors in mature companies/projects. Venture capitalists are a common source of equity capital for early stage investments. The Australian Venture Capital Guide provides the following indicative guidelines for their required rate of return.

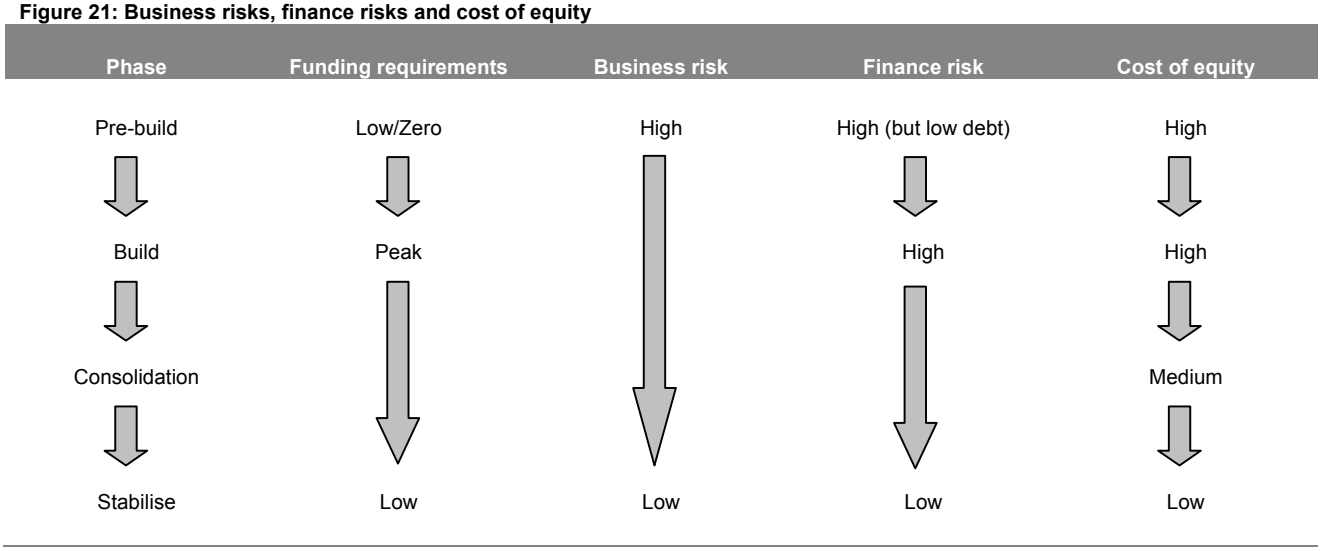
Table 42: Venture capital required rates of return

Methodology	Required rate of return
Starting a new business	30% to 40%
Expanding a business, MBOs or MBIs	20% to 30%

Source: Australian Private Equity and Venture Capital Guide 2010

These rates of return are significantly higher than those required for mature listed companies. The reason that the discount rate required for an early stage company is different to that required for a mature company is because the relationship between business risks, finance risks and the cost of equity changes as a company progresses from an early stage company to a mature company. The relationship between business risk, finance risk and cost of equity is illustrated in the following figure.

Figure 21: Business risks, finance risks and cost of equity



Source: Adapted from The Valuation of Businesses, Shares and Other Equity, 3rd edition, W Lonergan

Selection of specific company risk premium

We have considered the development uncertainty regarding the success and timing of securing a commercially acceptable rail and port solution for the Marillana Project. We note that our selected beta has primarily been based on the betas of development stage companies with similar infrastructure issues as Brockman. Therefore, our selected beta incorporates the risks associated with Brockman commencing production, including the risk of not securing a suitable rail and port solution or that its ramp up to full production will be delayed. On this basis, we do not consider it necessary to add an additional company specific risk premium.

Dividend imputation

Dividends paid by Australian corporations may be franked, unfranked, or partly franked. A franked dividend is one that is paid out of company profits which have borne tax at the company rate, currently 30%. Where the shareholder is an Australian resident individual or complying superannuation fund, it will generally be entitled to a tax credit (called an imputation credit) in respect of the tax paid by the company on the profits out of which the dividend was paid. If the recipient of the dividend is another company, the dividend will give rise to a credit in that company's franking account thereby increasing the potential of the company to pay a franked dividend at a later stage.

We have not adjusted the cost of capital or the projected cash flows for the impact of dividend imputation due to the diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Determining the value of franking credits requires an understanding of shareholders' personal tax profiles to determine the ability of shareholders to use franking credits to offset personal income. Furthermore, the observed EMRP already includes the value that shareholders ascribe to franking credits in the market as a whole. In our view, the evidence relating to the value that the market ascribes to imputation credits is inconclusive.

Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity, K_e, as follows:

Table 43: K_e applied to valuation of Brockman

Input	Low	High
Risk free rate (%)	4.10	4.10
EMRP (%)	6.00	6.00
Beta	1.90	2.00
Specific company risk premium (%)	-	-
K_e – calculated (%)	**15.50**	**16.10**

Source: Deloitte analysis

Cost of debt capital (K_d)

We have selected a pre-tax cost of debt of 8.6% to 9.6% for Brockman as we consider a margin of 450 to 550 basis points above the current risk free rate to be reasonable based on the rates currently payable by companies with comparable risk profiles to Brockman. This converts to an approximate post-tax cost of debt of 6.1% to 6.8%.

Debt and equity mix

Current gearing levels of iron ore mining companies have been distorted compared to long-term trends due to the very strong cash flows generated as a consequence of the recent high commodity prices.

We have adopted a target debt to enterprise value (gearing) ratio of 25% for Brockman.

Calculation of WACC

The calculation of the WACC, based on the above parameters, is as follows:

Table 44: WACC applied to valuation of Brockman

	Low	High
Cost of equity capital (%)	15.50	16.10
Post-tax cost of debt capital (%)	6.10	6.80
Debt to enterprise value ratio (%)	25.00	25.00
Nominal, post-tax WACC (%)	**13.15**	**13.78**

Source: Deloitte analysis

In selecting a discount rate for Brockman, we have selected parameters that take into consideration the early stage of development of the Marillana Project. As development of the Marillana Project progresses, the risk associated with the project will reduce. As a result, we would expect the WACC of the Marillana Project to be lower during the later stages of development and when the project starts producing compared to during the earlier stages of development.

Based on the above, we have assessed the nominal post-tax WACC for Brockman to be in the range of 13.0% to 14.0%.

Appendix 3: Comparable company descriptions

Flinders Mines Limited

Flinders is an iron ore explorer, its main project being the Pilbara Iron Ore Project. The project includes two exploration permits (Blacksmith and Anvil) with a current Indicated, Inferred and Measured Resource of 917 Mt at 55.2% Fe. A definitive feasibility study was commenced in May 2011, following a prefeasibility study that was released in early 2011. Flinders also has the Canegrass project located in the Mid West with a current magnetite resource of 216 Mt at 25.4% Fe and a high grade vanadium resource.

Iron Ore Holdings Limited

Iron Ore Holdings Limited (IOH) is an iron ore explorer with Pilbara based assets. IOH recently settled the divestment of its Koodaideri South project (106.8 Mt at 58.8% Fe to Rio for AUD 32 million cash and a 2% FOB royalty). IOH has also entered into agreement with Mineral Resources Limited to divest its Phil's Creek, Lamb Creek and Yandicoogina Creek projects for AUD 42m cash. Following the divestment of these assets, IOH's main asset is the Iron Valley project with a resource of 259 Mt at 58.3% Fe. IOH currently has a total iron ore resource of 569 Mt over its Central and Western Pilbara assets, as well as recently announcing a magnetite resource of 310 Mt at 34.7% Fe at its Coastal Pilbara project.

Fortescue Metals Group Limited

Fortescue is an Australian based mining company focussed on producing iron ore from deposits located in the Pilbara region of Western Australia. Fortescue is currently producing approximately 55 Mtpa from its Christmas Creek and Cloudbreak mines, with development and construction underway to achieve 155 Mtpa by mid 2013. Fortescue owns a Pilbara rail network and port facilities at Port Hedland. The company is currently completing development on its Solomon Hub deposit (target production of 60 Mtpa), including the construction of a new port and additional rail network. In August 2009, Fortescue entered into a joint venture agreement with BC Iron Limited for the mine-gate sale of 5 Mtpa of iron ore to Fortescue.

Atlas Iron Limited

Atlas is an iron ore producer operating in the Pilbara. Atlas currently has two operating mines, Pardoo and Wodgina, currently exporting 6 Mtpa. Atlas is undertaking significant expansion of its current operations as well as the development on its other Pilbara assets to achieve a targeted production rate of 12 Mtpa in 2013. Atlas has secured port allocation at various ports including Utah Point (20 Mtpa), the proposed South West Creek port (31.5 Mtpa) and the proposed Anketell port (10 Mtpa). Atlas also has strategic investments in exploration companies across various commodities, including Shaw River Resources Limited (45.4%) and Centaurus Metals Limited (19.9%).

Mount Gibson Iron Limited

Mount Gibson Iron Limited is an Australian based mining company with principal operations located on Koolan Island and in the Mid West region of WA. Mt Gibson is currently producing 3.5 Mtpa from high grade hematite deposits at Koolan Island and 3.0 Mtpa from its hematite deposit at Tallering Peak (Mid West). The company recently commenced the export of ore from its Mid West Extension Hill hematite deposit that has reserves of 14.3 Mt and resources of 22.1 Mt, with target production of 3.0 Mtpa.

BC Iron Limited

BC Iron Limited (BC Iron) is a Pilbara based iron ore producer. BC Iron is the operator of the Nullagine Iron Ore Project, owned in a 50/50 joint venture with Fortescue. Production commenced in February 2011 with a targeted production rate of 5.0 Mtpa by mid 2012. Iron ore produced from the project is sold under a mine gate sale arrangement to Fortescue and utilises Fortescue's rail and port infrastructure. This project has a reserve of 36 Mt at 57% Fe and a resource of 101.7 Mt at 54.1% Fe.

Appendix 4: Comparable transaction descriptions

FerrAus Limited

On 27 June 2011, Atlas made an off-market takeover for 100% of FerrAus on the basis of one Atlas share for every four FerrAus shares, following a subscription by Atlas of 159,285,939 shares in FerrAus shares at AUD 0.65 per share. The transaction was fully recommended by the FerrAus board and was settled on 6 October 2011.

Giralia Resources Limited

On 21 December 2011, Atlas announced an off-market bid for Giralia. Tow offers were made, a full scrip offer of 1.5 Atlas shares for every Giralia share and a scrip and cash offer of 1.33 Atlas shares plus AUD 0.50 cash for every Giralia share. The transaction valued Giralia at AUD 828 million, equivalent to AUD 4.57 per share. The transaction was fully recommended by the Giralia board and was successfully settled on 1 March 2011.

Aurox Resources Limited

On 10 March 2010, Atlas announced a scheme of arrangement in relation to the 100% acquisition of Aurox Resources Limited (Aurox). Altas offered 1 Atlas share for every 3 Aurox shares and valued Aurox at AUD 143 million (a 173% premium to the pre-offer share price). The transaction was fully recommended by the Aurox board and was successfully settled on 24 September 2010.

United Minerals Limited

On 16 October 2009, BHP announced a scheme of arrangement in relation to the 100% acquisition of United Minerals Limited (United Minerals). BHP offered AUD 1.30 per United Minerals share, valuing United Minerals at AUD 204 million (a 43% premium to the pre-offer share price). The transaction was fully recommended by United Minerals board and was successfully settled on 4 February 2010.

Warwick Resources Limited

On 8 September 2009 Atlas announced it would acquire the remaining 77.8% interest in Warwick Resources Limited (Warwick Resources) that it did not already own. Under the scheme of arrangement, Atlas offered 1 Atlas share for every 3 Warwick Resources shares. The transaction was fully recommended by Warwick Resources board and was successfully settled on 29 December 2009.

FerrAus Limited

On 8 September 2009, FerrAus announced that it had entered into a share subscription agreement with CRM, whereby CRM would acquire a 12% interest in FerrAus for a consideration of AUD 13 million.

Hope Downs Joint Venture

On 1 July 2005, Hancock Prospecting Pty Limited (Hancock) and Rio entered into a joint venture to develop the Hope Downs iron ore project. The transaction involved Hancock exercising its right to purchase Kumba Resources Limited's 49% stake in Hope Downs.

Rio provided the funding to buy back the option from Kumba Resources Limited for AUD 231 million (plus an additional undisclosed amount) which some analyst have estimated equates to a total consideration for the 50% interest of between AUD 400 million and AUD 465 million.

Appendix 5: Control premium studies

Deloitte study

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 30 September 2011. This study was conducted by Deloitte staff for internal research purposes. Our merger and acquisition data was sourced from Bloomberg and Reuters and yielded 474 transactions that were completed during the period under review[28].

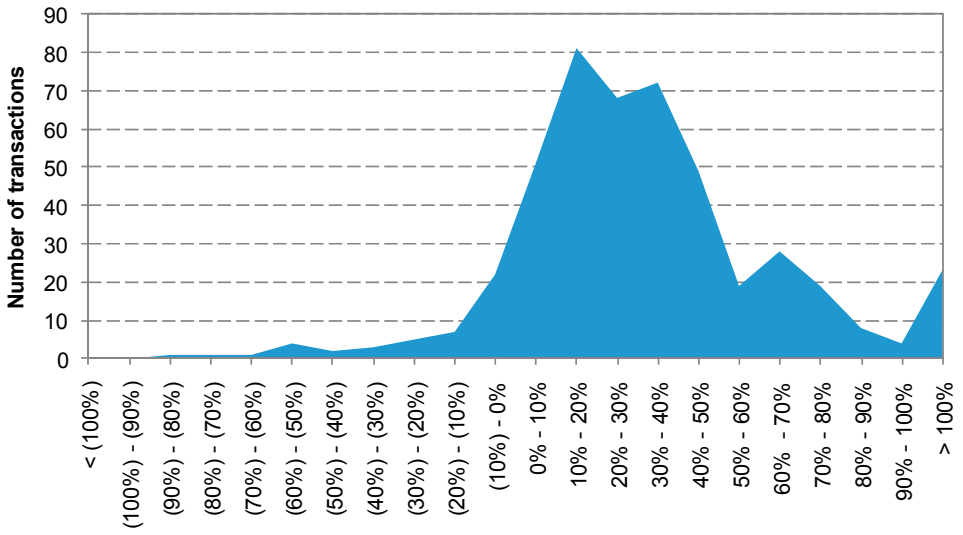
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 30 September 2011 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 22: Distribution of data



Source: Deloitte analysis

The following table details our findings.

Table 45: Premium analysis – findings

	Control premium
Average	34%
Median	29%
Upper quartile	46%
Lower quartile	12%

Source: Deloitte analysis

Notwithstanding the relatively wide dispersion of control premiums observed in our study we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

[28] Excluding transactions where inadequate data was available.

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise 'special purchaser' value which is only available to a very few buyers. Such 'special purchaser' value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a uncontested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

Other studies

In addition to the study above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, 'Cross Country Determinants of Mergers and Acquisitions', on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- 'Valuation of Businesses, Shares and Equity' (4th edition, 2003) by W.Lonergan states at pages 55-56 that: *"Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly."*
- a study conducted by P.Brown and R.da Silva dated 1997, 'Takeovers: Who wins?', JASSA: The Journal of the Securities Institute of Australia, v4(Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7%.

Appendix 6: Technical expert's report

Independent Technical Expert's Report and Mineral Asset Valuation Report

Report Prepared for

Deloitte Corporate Finance Pty Limited in connection with Brockman Resources Limited

Report Prepared by

SRK Consulting (Australasia) Pty Ltd

BRO001

December 2011

Independent Technical Expert's Report and Mineral Asset Valuation Report

Deloitte Corporate Finance Pty Limited in connection with Brockman Resources Limited

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Executive Summary

Deloitte Corporate Finance Pty Limited (Deloitte) has asked SRK Consulting (Australasia) Pty Ltd (SRK) to prepare an Independent Technical Assessment Report (Report) on the mineral assets of Brockman Resources Limited (Brockman) located in Australia. The Report will also include a valuation of the exploration assets held by Brockman.

Geology

Brockman controls a number of iron ore projects in the Pilbara region of Western Australia. Its principal project is the Marillana Project but the company also has a number of tenements under various stages of application and ownership. Six iron-ore projects are considered here, including:

- Marillana
- Duck Creek
- Ophthalmia
- West Hamersley
- Mt Florance
- Mt Stuart

The most advanced is the Marillana Project which has undergone a definitive feasibility study (DFS). The mining study for this was completed by Golder Associates Pty Ltd (Golder). The other projects are at much earlier stages of exploration with some including Exploration Targets with indicative mineralisation, not verifiable as a resource.

Mineral Resources

From its review of the Marillana Mineral Resource Estimate, SRK concludes that the resource has been estimated and classified using methodologies appropriate for the style of mineralisation. SRK did not identify any fatal flaws during its review.

A summary of the Mineral Resource estimate for the Marillana Project is provided in Table ES-1 and ES-2 and Competent Person's Statement below.

Table ES-1: Beneficiation Feed Mineral Resource Summary for the Marillana Project (cut-off grade 38% Fe)

Resource Classification	DID		Pisolite		Total	
	Mt	% Fe	Mt	% Fe	Mt	% Fe
Measured	173	41.6			173	41.6
Indicated	1,036	42.5	117	47.4	1,154	43.0
Inferred	201	40.7			201	40.7
Total	1,410	42.1	117	47.4	1,528	42.6

Table ES-2: Marillana Project CID Mineral Resource Summary (cut-off grade 52% Fe)

Resource Classification	CID						
	Mt	% Fe	% CaFe	$\%Al_2O_3$	SiO_2 %	% P	LOI %
Indicated	84.2	55.8	61.9	3.6	5.0	0.097	9.8
Inferred	17.7	54.4	60.0	4.3	6.6	0.080	9.3
Total	101.9	55.6	61.5	3.7	5.3	0.094	9.7

Notes: CaFe represents calcined Fe and is calculated by Brockman using the formula CaFe = Fe% / ((100-LOI)/100). Data sourced from http://www.brockman.com.au/

Mining & Reserves

A number of Mining Studies have been undertaken on the Marillana deposit.

- Definitive Feasibility Study - Mine Planning by Golder
- Geotechnical Assessment - Open Pit Related Components by Coffey Mining
- Marillana Iron Ore Project - SMU Study by Golder
- Marillana Mining Options Study by Golder
- Marillana Bankable Feasibility Study (BFS) (DRAFT) - Mining Component by Optiro

The proposed mining operation at Marillana, as detailed in the latest Optiro report will initially utilise a Truck/ Excavator (T&E) load haul system.

The proposed mining operation at Marillana consists of a number of open pits. The optimised pits to be mined take into account several constraints which limit the area available to be mined in the lease.

These constraints are:

- The orebody extends North under the Weeli Wolli Creek
- The orebody extends south and west under the mining lease boundary
- An area was sterilised in order to allow for the processing plant and related infrastructure

The mining operation will utilise 360 to 480 t excavators and 180 to 226 t capacity haul trucks. Mining of the DID and overburden will be predominantly free dig. Ripping by dozer and light blasting may be required in some areas. The channel iron deposit (CID) areas will require some blasting. The CID pits have to be carefully scheduled so as not to interfere with the DID mine schedule and backfilling. The CID will be blended with the DID. The proposed CID crusher rate is 3.5 million tonnes per annum (Mtpa) and at various stages in the mine life, stockpiling of the CIDs will be required.

There are two aspects to the schedule – the mining schedule and the backfill schedule. The mining schedule was developed independently of the backfill schedule, but the backfill schedule is dependent on the mining schedule. The waste disposal schedule, including fine and coarse rejects, is an important aspect of the Optiro BFS (draft). The mining sequence and therefore waste disposal plan is substantially different in the BFS (draft) compared to the plan in the DFS completed by Golder. The Optiro plan will require substantially longer hauls to deliver the mining sequence, but will also involve substantially less rehandle of waste material in the later years of the mine life.

There is insufficient land available for waste to be dumped outside the pits. Consequently, some waste will be dumped on top of pits ahead of mining, then rehandled and placed as backfill in the mined-out void. A waste dump will then also be located on top of the backfill. Optimisation studies are ongoing to minimise rehandle requirements. A current summary of the Ore Reserve statement for Marillana is provided in Table ES-3 and ES-4.

Table ES-3: Ore Reserve summary for the DID Marillana Project

Reserve Classification	DID	
	Mt	% Fe
Proven	133	41.6
Probable	868	42.5
Total	1,001	42.4

Table ES-4: Ore Reserve summary for the Channel Iron Marillana Project

Reserve Classification	CID						
	Mt	% Fe	% CaFe	% SiO_2	% Al_2O_3	% P	% LOI
Proven							
Probable	48.5	55.5	61.5	5.3	3.7	0.09	9.7
Total	48.5	55.5	61.5	5.3	3.7	0.09	9.7

Note: Reserves are included within Resources, data sourced from http://www.brockman.com.au/

Competent Person's Statement

The information in this report that relates to the Mineral Resources and Ore Reserves is based on information compiled by Mr I Cooper, Mr J Farrell and Mr A Zhang.

The Ore Reserves statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2004 Edition). The Ore Reserves have been compiled by Mr Cooper, who is a member of the AusIMM and a full-time employee of Golder Associates Pty Ltd. Mr Cooper has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr J Farrell, who is a member of the AusIMM and a full-time employee of Golder Associates Pty Ltd, produced the Mineral Resource estimates based on the data and geological interpretations provided by Brockman. Mr Farrell has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results' – the JORC Code.

Mr A Zhang, who is a member of the AusIMM and a full-time employee of Brockman Resources Limited, provided the geological interpretations and the drillhole data used for the Mineral Resource estimation. Mr Zhang has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results' – the JORC Code.

Geotechnical Engineering

The main aspects of the Marillana Project that require geotechnical assessment include the stability of the open pit slopes, and excavatability and trafficability within the pits. In addition, the stability of waste dump slopes and those of other storage facilities or embankments, the foundations for the plant and other surface infrastructure elements at the mine site and any site influences for port and rail development were also reviewed.

In terms of pit slope design and development, the conditions in the pit walls may be variable and a set of slope designs that are intended to be robust enough to be generally applicable have been provided. Opportunities may exist for optimisation of the pit slope designs. Taking the shallow nature of the pit and the generally low angles for the slopes into account, the geotechnical design recommendations do not appear to present a fatal flaw.

Diggability and trafficability assessments have been carried out using recognised methods and the conclusions seem reasonable. Although variability in conditions may mean that the conclusions are not of the highest confidence, it seems that recommendations have been made with conservatism in mind.

The mine site infrastructure investigations are adequate and the conclusions reasonable for a general site characterisation

Geotechnical studies of a desktop nature only have been carried out for the proposed port and rail developments. These provide conceptual data, and serve only to identify the main development considerations and risks. Detailed investigation and studies will need to be undertaken prior to finalisation of designs.

The potential difficulties associated with establishment of the port means that detailed geotechnical input will be important to the design outcomes of this key element of the project. The lack of detailed study at this time presents a level of uncertainty – which must be considered a risk to the overall project.

Hydrology & Hydrogeology

SRK has reviewed the hydrology and hydrogeology, and the results are shown below:

- The tasks and structure adopted for water planning and development are in line with the requirements of water management for a mining project of this nature.
- Best practice approaches are in place with the surface water and groundwater management plans that have been developed to address operational issues and to define responses to any adverse events detected from ongoing monitoring.
- Flood protection and diversion drain design standards are consistent with mining projects.
- For smaller catchments, an appraisal of critical storm duration should be considered for design flood estimation for site drainage and diversions.
- Groundwater modelling has been carried out on the basis of relatively limited data.
- The model is key to optimising managed aquifer recharge (MAR), closure prediction and for assessing potential environmental impacts.
- It is essential that field work is carried out to improve hydrogeological understandings and the groundwater model's reliability is completed as planned, including:
    1. Completion of injection trials (at the earliest opportunity if they have not been completed already) to inform proposals for MAR at the mine.
    2. Groundwater studies in the Tertiary aquifer to confirm yields and locate sources for cleanwater supply and long-term make-up supply.
- The design and management of the MAR system could potentially have significant impacts on water supply, capital cost and the mine schedule. Field trials and accurate modelling prediction are essential to minimise any associated design and planning risks.

Metallurgy

The Marillana ore body consists of a range of DID mineralisation zones, plus localised CID. The BFS (draft) proposes T&E mining methods for the life-of-mine for the removal of overburden, plus the mining of both DID and CID ore. SRK considers this suitable as T&E is expected to increase the flexibility for in-pit grade control. DID run-of-mine (ROM) grade control is expected to be important to ensure that the process plant operates close to design throughput, with optimum recovery and product grade.

Six testwork phases have been completed. SRK considers the testwork procedures and methodology to be well-documented and executed. However, SRK feels that the impact of fluctuating grade at the pilot scale has not been fully assessed, so the effect of fluctuating feed grade to the full-scale process plant remains an area of process risk. The process plant flowsheet defined during the DFS is based on the results of the metallurgical testing programs. The flowsheet selection and design appears sound to SRK, with the results from the testwork programs suitably applied to the process plant design.

While a T&E mining strategy is likely to facilitate grade control, SRK considers that the main risk to recovery is the unquantified effect that short-term feed grade variability could have on the dense media separation (DMS) plant operation. In addition, dense medium losses have not been measured for the Marillana ore. SRK regards that while 500 g/t medium loss is conservative for a DMS plant operating as designed, if the DMS feed grade varies more than expected, this would impact the operating cost as dense medium accounts for 20% of the DFS operating cost estimate for DID processing.

There was limited supporting documentation supplied to SRK to justify changes made to the financial model between the DFS and BFS. There is no reason to doubt the validity of the changes, to the capital cost, operating cost and recovery.

SRK recommends the following two sensitivities be run in the financial model:

1 DID reagents & consumables cost is increased from AUD0.67 /dry metric tonne (dmt) of feed to AUD1.35 /dmt feed, based on the DFS operating cost assumptions, with dense medium loss assumed to be 700 g/t instead of 500 g/t.

2 DID recovery decreased by 5 to 10% (i.e. 2% – 4% of total yield) to account for recovery efficiency drop in the event of fluctuations in DMS plant feed grade.

Rail & Port Infrastructure

A number of rail transport alternatives are relevant for the Marillana Project as follows:

- A commercial rail haulage arrangement with BHPB
- Commercial rail haulage arrangement with Hancock Roy Hill Special Railway Licence (SRL)
- Commercial rail haulage arrangement with The Pilbara Infrastructure Pty Ltd (TPI)
- Regulated rail access arrangement with The Pilbara Infrastructure Pty Ltd (TPI)
- Commercial rail haulage arrangement with an Independent rail developer/ provider like Queensland Rail (QR)
- Building own rail line.

No formal executed agreement for rail for the Marillana Project exists at the time of this report.

Timing of various alternatives will be important to project economics. As BHPB's existing rail system travels through the Marillana Project tenement, such a BHPB rail solution for the project could potentially deliver a rail solution ahead of the development timeframe for the Marillana Project.

The Marillana Project would require a rail spur to access the TPI main line. This alternative requires a Marillana rail spur of approximately 85 km in length.

An SRL, QR or own rail alternative would require a longer lead time to secure approvals and develop and in relation to approvals and required studies.

Brockman the owner of the Marillana Project is a shareholder of the North West Infrastructure (NWI) which has been allocated a 50 Mtpa capacity at Port Hedland. As an alternative to this, Brockman has pursued a commercial rail, port and marketing arrangement with TPI. No executed agreement exists at the time of this report.

A review of the port arrangements has been undertaken as a desk study based on resources available from the study data room, supplemented by other material particularly from web-based sources such as the Port Hedland Port Authority's website and others for benchmarking purposes. Additional in-house databases have also been used.

Based on the material reviewed, and using comparative benchmarks, the berth design and equipment specification, the first phase of development of the port should be capable of supporting at least 30 million tonnes per year and potentially much higher. The second phase of port development to fully utilise the port capacity allocation should add significant capacity but unless the Port Hedland Port Authority (PHPA's) allocations can be improved, much of this additional capacity will be underutilised in the event the port allotted allocated remains at 50 Mtpa.

The estimates of capex and opex plus port charges, the total port and handling costs used in the financial model appears to be verified. SRK confirms that the costs as outlined in the model are in the vicinity of those calculated in the review process using a series on benchmarks based on other ports.

Environmental & Social Impacts

SRK's principal findings from a review of environmental aspects of the proposed mine suggest that there are no fatal flaws within the proposal. However, SRK considers that the main environmental aspect of the project which constitutes risks to the project is the incompleteness and inconclusiveness of some the studies conducted to date. This relates in particular to the geochemistry of the waste and the assessment of the potential impacts on surface and ground water quality. Whilst the low sulphur content does suggest that acid generation may not occur, the acid generation testing was completed on very few samples considering the magnitude of the proposed project. Other environmental matters which were identified as part of this review include:

- There is a lack of baseline data for surface water and groundwater quality. The condition in the authorisation to meet Australian and New Zealand Environmental and Conservation Council (ANZECC) water quality guidelines would require a good baseline reference for the existing water quality in the Weeli Wolli Creek and within the local aquifers.
- The potential for nutrient release from blast residues (where applicable) does not appear to have been considered.
- The risk of occurrence of asbestiform minerals will need to be addressed in environmental and safety plans submitted to the Department of Mines and Petroleum.
- Closure costing unit rates appear to be inconsistent, as reported in the Closure Plan prepared by Golder. The closure costs may therefore have been underestimated; SRK has added a 10% contingency to the closure costs.
- The closure report indicates that consolidation may take more than a decade. However, the time period for post-closure monitoring is given as 5 years.

Exploration Valuation

Brockman's exploration assets and resources not currently included in the DFS range from greenfields exploration areas to unclassified mineralisation adjacent to the Marillana Project. Deloitte requested that SRK provide a valuation of Exploration Targets stated for the Duck Creek and West Hamersley Projects and other earlier stage projects including the Ophthalmia, Mt Stuart and Mt Florance projects.

For Brockman's Exploration Targets, SRK relied on the comparable market value method to derive a value, as there was considerable market activity in the sector. SRK has undertaken an analysis of comparable iron ore resources transactions and applied these, with appropriate discounting to account for the stage of exploration to the Exploration Targets stated for the Duck Creek and West Hamersley projects.

In addition, information was compiled relating to projects that do not contain Mineral Resources at the time of the transaction, and these transactions were considered with respect to generating a value for the very early stage exploration tenure, for the Ophthalmia, Mt Stuart and Mt Florance projects.

A summary of the valuation of Brockman's exploration assets is provided in Table ES-5.

Table ES-5: Valuation of Exploration Targets and Exploration Tenements of Brockman Resources Limited effective at 23 November 2011

Project	Mineralisation type	Low Value (AUD M)	Preferred Value (AUD M)	High Value (AUD M)
Duck Creek	Exploration Target	7.4	12.3	17.2
West Hamersley	Exploration Target	2.3	4.5	6.7
Ophthalmia	Tenements	0.3	0.7	1.1
Mt Stuart	Tenements	0.4	0.8	1.3
Mt Florance	Tenements	0.3	0.6	0.9
Total Value		**10.7**	**18.9**	**27.2**

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Brockman Resources Ltd (Brockman or BRL). The opinions in this Report are provided in response to a specific request from Deloitte Corporate Finance Pty Limited (Deloitte) to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

List of Abbreviations

Abbreviation	Meaning
ANZECC	Australia New Zealand
AUD M	million Australian dollars
BHPBIO	BHP Billiton Iron Ore
BIF	banded iron formation
BRL	Brockman Resources Limited
CID	channel iron deposit
COG	cut-off grade
CP	Competent Person
CPR	Competent Person's Report
DEC	Department of Environmental Conservation
DFS	Definitive Feasibility Study
DID	Detrital iron deposits
DMP	Department of Mines and Petroleum
DMS	dense media separation
dmt	dry metric tonne
dmtu	dry metric tonne unit
DSO	direct shipping ore
FMG	Fortescue Metals Group
FRS	fines reject storage
g/t	grams per tonne
GSWA	Geological Survey of Western Australia
IER	Independent Expert's Report
IPCC	in-pit crusher conveyor system
MAR	managed aquifer recharge
MRE	Mineral Resource Estimate
Mt	million tonnes
Mtpa	million tonnes per annum
NWI	North West Infrastructure
NWIOA	North West Iron Ore Alliance
PEC	Priority Ecological Community
PER	Public Environmental Review
QA/QC	Quality Assurance Quality Control
QR	Queensland Rail
RC	reverse circulation
ROM	run-of-mine
SRK	SRK Consulting (Australasia) Pty Ltd
SRL	Special Railway Licence
t	Tonnes
T&E	Truck and excavator
TPI	The Pilbara Infrastructure Pty Ltd

1 Introduction and Background

SRK contracted with BRL, and Deloitte controlled the scope of work for preparation of an Independent Technical Assessment Report (Report) on the mineral assets of Brockman Resources Limited (Brockman) located in Australia. The Report also includes a valuation of the exploration assets held by Brockman.

The Report will be required as input into an Independent Expert's Report (IER) prepared by Deloitte and commissioned by Brockman as part of a proposed transaction with Wah Nam International Holdings Limited (Wah Nam).

1.1 Programme objectives

SRK understands that the objective of this study is to provide an independent assessment of the key technical mining assumptions of Brockman's main development asset (Marillana) and valuation of Brockman's exploration assets. SRK has selected the most appropriate valuation technique for the assets, based on the development stages of the projects and the amount of available information.

This Report complies with the technical property information required under various securities laws of Australia and may be included in the Deloitte IER to be prepared in connection with the proposed transaction. This Report provides a review and valuation of the mineral assets, but does not provide comment on the fairness and reasonableness of the proposed acquisition.

1.2 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report and Valuation Report under the guidelines of the VALMIN Code. In this Report, identified Mineral Resources and Ore Reserves are quoted using categorisation in accordance with the JORC Code (2004) guidelines. The Report is prepared under the guidelines of the VALMIN Code. Both Codes provide standards that are binding upon all members of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

1.3 Work programme and Project Team

The Project commenced in late November 2011, with a review of existing remote electronic company data and other information sourced by SRK from literature and company websites, in addition to subscription databases such as Intierra and Metals Economics Group (MEG).

SRK did not visit the Marillana Project in Western Australia, as SRK considered that, due to the project's early stage of development, a site visit would not be required. The exploration properties were not visited as SRK considered that a site visit would not materially impact the valuation.

SRK consultants had discussions with management, worked through the relevant databases, compiled the report and completed research on comparable market transactions to assist with the valuation.

Tony Stepcich acted as Project Manager. A number of SRK consultants worked on various aspects of the Project concurrently as follows:

- Mark Grodner compiled the Geology and Exploration sections
- Andre Wulfse reviewed the Mineral Resource Estimate and Geostatistics sections
- Tony Stepcich compiled Mining Engineering and Mineral Reserves sections
- Ian de Bruyn worked on Geotechnical Engineering aspects
- Lisa Chandler and Troy Hindmarsh reviewed the Environmental aspects

- Ewan Wilson reviewed the Hydrogeology and Hydrology requirements
- Exploration Valuation was carried out by Deborah Lord
- Simon Willis, an employee of Simulus, worked on an associate basis with SRK to review the Mineral Processing and Metallurgical aspects
- Colin Eustace, an employee of AECOM, worked on an associate basis with SRK to review the Rail Infrastructure requirements
- Andrew Malowiecki, an employee of AECOM, worked on an associate basis with SRK to review the Port Infrastructure requirements
- The first draft of the Report was Peer Reviewed by Richard Forsyth
- The second draft of the Report was Peer Reviewed by Deborah Lord, with input from Peter Williams.

1.4 Statement of SRK independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence. SRK confirms its Independence to the Commissioning Entity, Brockman.

SRK's fee for completing this Report of $131,578 is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

1.5 Note on tenement status and material contracts

SRK has not independently verified the current ownership status and legal standing of the tenements that are subject of this Report. Instead it has relied on information provided by Brockman. SRK has prepared this Report on the understanding that all the tenements are legally in good standing and that there is no cause to doubt the eventual granting of any tenement applications. SRK has not reviewed the material contracts relating to the mineral assets of Brockman and is not qualified to make legal representations in this regard.

1.6 Representation and Indemnities

Brockman has agreed to provide full disclosure to SRK that all material information to the best of its knowledge and understanding has been provided and that such information is complete, accurate and true.

As recommended by the VALMIN Code, Brockman has agreed to provide SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required which results from SRK's reliance on information provided by Brockman or to Brockman not providing material information; or which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.7 Consents

SRK consents to this Report being included, in full, in the Deloitte IER, in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

2 Geology

2.1 Resource holdings

Brockman holds 110 resource tenements over 41 different projects. Information about most of these projects is minimal, and it is thus assumed that they do not represent significant assets due to their low level of development. The licence details (including numbers) of the six projects reviewed are shown in Table 2-1. The positions of the tenements are indicated in Figure 2-1.

Table 2-1: Tenement information

Project	Lic. No.	Holder	Date granted	Date expiry	Status	App date	Ha
Marillana	E47/1408	Brockman Iron Pty Ltd	6/10/2005	5/10/2012	Live	11/05/2004	
	L45/0225				Pend	9/06/2010	3266
	L45/0235				Pend	18/10/2010	94
	L45/0236				Pend	18/10/2010	142
	L45/0237				Pend	18/10/2010	96
	L45/0238				Pend	18/10/2010	2467
	L46/0097				Pend	11/03/2011	1714
	L47/0369				Pend	2/06/2010	1182
	L47/0389				Pend	18/10/2010	3696
	L47/0408				Pend	16/12/2010	64
	L47/0544				Pend	19/08/2011	332
	L52/0124				Pend	16/12/2010	469
	M47/1414		23/12/2009	22/12/2030	Live	18/12/2007	8249
	E47/2176	BE			Pend	11/11/2009	29745
Duck Creek	E47/1725	BE	18/12/2007	17/12/2012	Live	12/06/2006	8217
	E47/2446		16/09/2011	15/09/2016	Live	11/11/2010	1895
	E47/1936		18/03/2010	17/03/2015	Live	17/04/2010	1581
	E47/1937		18/03/2010	17/03/2015	Live	17/04/2010	316
Ophthalmia	E47/1598		13/02/2007	12/02/2012	Live	28/11/2005	2934
	E47/1599		3/04/2008	2/04/2013	Live	28/11/2005	5012
	E47/2621				Pend	15/09/2011	9770
	E47/2622				Pend	15/09/2011	315
	E47/2623				Pend	15/09/2011	315
West Hamersley	E47/1603	BE	9/03/2007	8/03/2012	Live	1/12/2005	5708
	E47/2313				Pend	24/03/2010	1894
	E47/2314				Pend	24/03/2010	3477
Mt Stuart	E47/1845	BE	31/03/2010	30/03/2015	Live	30/11/2007	4830
	E47/1850		31/03/2010	30/03/2015	Live	30/11/2007	2800
	E47/2214				Pend	7/12/2009	3477
	E47/2215		18/02/2011	17/02/2016	Live	7/12/2009	1265
Mt Florance	E47/1738	BE	14/10/2007	13/10/2012	Live	28/06/2006	8898

Note: BE = Brockman Exploration Pty Ltd. Data from "Tenement Schedule_30.09.2011"

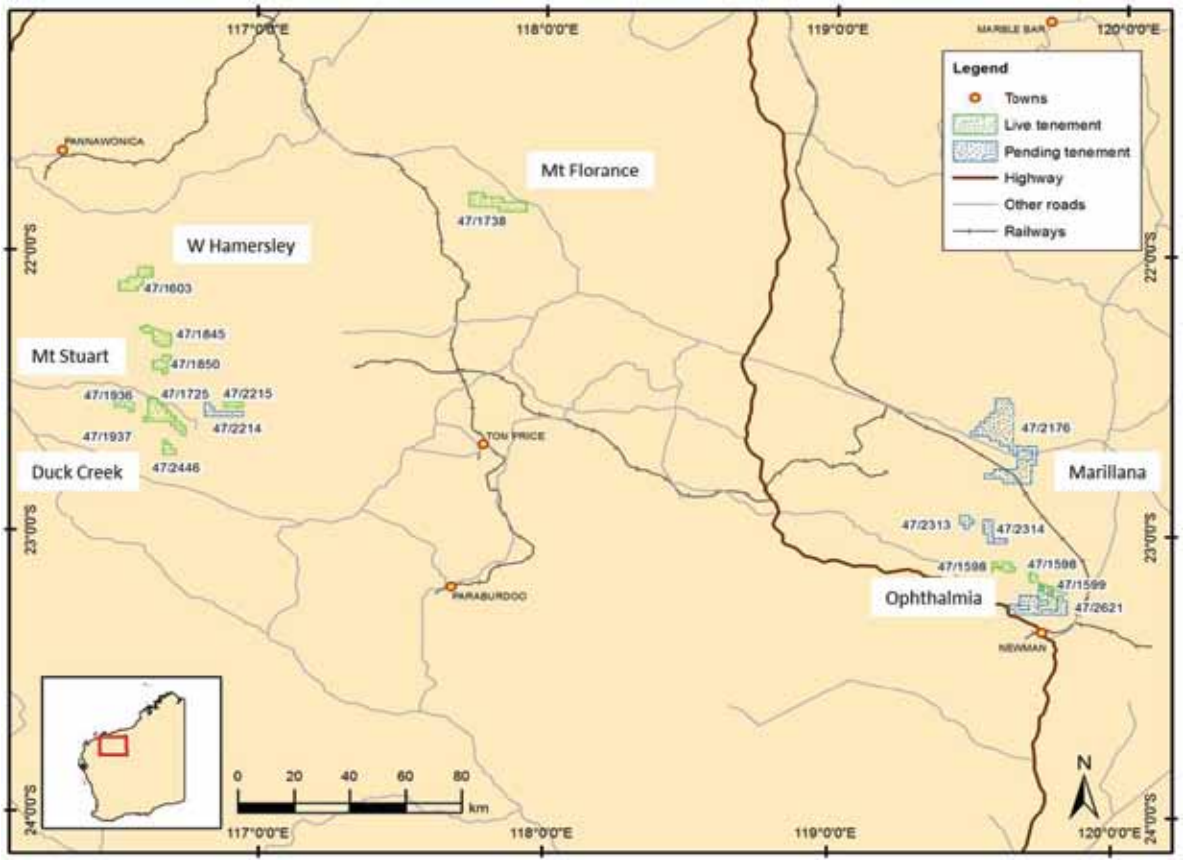


Figure 2-1: Map indicating position of the tenements

Note: Data sourced from WA Department of Mines and Petroleum Tenement information
http://www.mapserver.doir.wa.gov.au

2.2 Regional Geology pertaining to the Projects

Brockman's tenements are located in Western Australia on the rocks of the Hamersley Province, which forms part of the Pilbara Craton (Figure 2-1 and Figure 2-2) This area presently has a continental semi-arid climate.

The basement in the area is Archean age granite-greenstone which is overlain by the Proterozoic Fortescue and Hamersley Groups. Extensive economic concentrations of iron ore (as banded iron formation (BIF)) occur in the Hamersley Group, particularly in the Brockman and Marra Mamba Iron Formations. During the formation of the Hamersley Surface in the Tertiary, weathering and supergene enrichment concentrated the iron from these stratigraphic layers as superficial goethite and hematite deposits. These were then eroded from hilltops and deposited in paleo-channels and in areas of low relief to form DID iron deposits (DID) and channel iron deposits (CID).

As a result, several different types of iron deposits are present across the projects:

- Primary BIF
- Remnant (weathered) outcrops hematite-goethite on hilltops
- Hematite DID and fluvial deposits in valleys and Tertiary paleo-channels (DID and CID).

The typical distribution of these types of deposits within the Hamersley area is shown Figure 2-2. The CIDs occupy Early Tertiary paleo-channels that are typically less than 1 km, but range to several kilometres in width, and from 1 to about 100 m in thickness. The Robe paleo-channel is the longest, with CID partly preserved over a distance of 150 km. CIDs range from goethitic mudstone to fine hematite-goethite gravel and intra-formational conglomerate varying in distribution along the channels in a range of massive, bedded and altered types. The ore is typically ooidal, comprising pelletoids with goethite cortices around hematite nuclei (which often consist of fossilized wood), coarse goethitised wood fragments, peloids, minor pisoids, and a porous goethitic matrix. Generally, the presence of ferruginised fossil wood is the principal diagnostic field criterion used to distinguish CID from other comparable goethite-hematite DID.

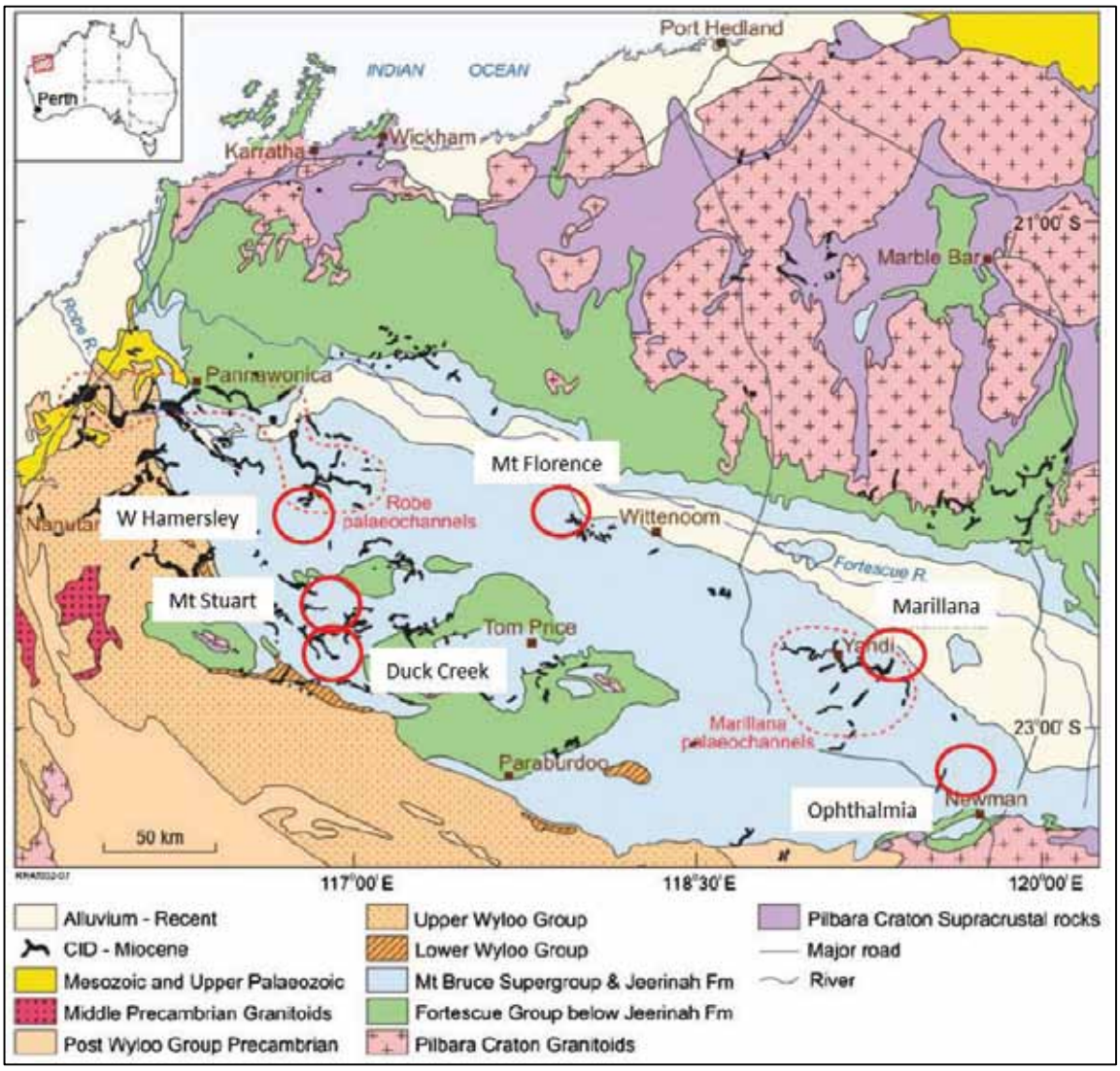


Figure 2-2: Regional geology of the tenements

Note: Base-map from Morris and Ramanaidou (2010)

DID typically form as more proximal deposits, which can grade into CID. Both are usually overlain by more siliceous sediments derived from the iron-depleted section of the weathering profile.

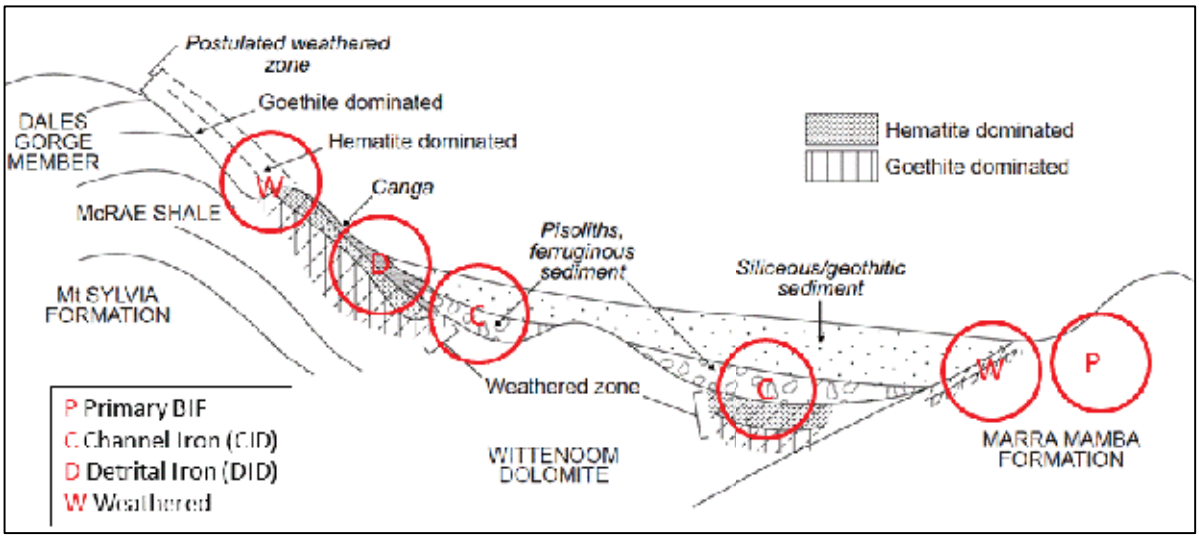


Figure 2-3: Channel and DID iron deposit types

Note: Figure after Killick et al., 2003

The CID and DID are the primary targets in all but the Ophthalmia Project, where weathered Boolgeeda Iron Formation (part of the Hamersley Group and of similar age to the Brockman Iron Formation) is being explored.

2.3 Projects

Information regarding the geological characteristics and resources of each of the six project areas was obtained from the documents provided and from Brockman Company reports. These findings are presented below.

2.3.1 Marillana

The Marillana Project lies just to the north of the Hamersley Range, in the Fortescue River Valley. It is covered with partly consolidated Cenozoic (late Mesozoic to early Tertiary) sediments including locally developed DID and CID. The Project area covers 96 km^2 adjacent to large areas of supergene iron ore mineralisation within the dissected Brockman Iron Formation which caps the range. The basement rock in the area is typically Wittenoom Formation dolomite (as shown in Figure 2-3 and especially Figure 2-4). CID and DID deposits overlie the dolomite, with Quaternary gravels and sands covering these more deeply to the east along the river valley.

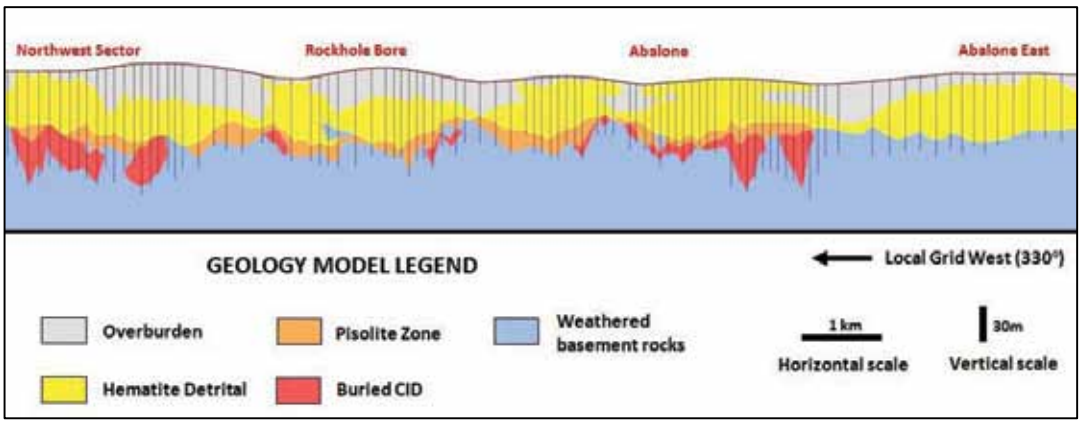


Figure 2-4: Geological cross-section through Marillana Project

Note: from http://www.brockman.com.au/

Table 2-2 shows that the stratigraphy of the project is fairly typical of the region. The Brockman Iron Formation and Tertiary laterite are exposed immediately to the southwest of the project. These are overlain by proximal to distal Quaternary age sediments as one moves eastward across the project. Iron mineralisation is typically hosted in the CIDs or hematite DID deposits as described in Table 2-2.

Table 2-2: Stratigraphy of Marillana Project compared to regional stratigraphy

Geological Age		Marillana Project Area			Deposit	Hamersley Province	
		Code	Thickness	Description		Code	Description
Cenozoic	Quaternary	SND	1 to 6	Wind-blown sand		Qs	Aeolian sand
		GS	20	Gravelly sand		Qa/Qw	Alluvium - unconsolidated silt, sand and gravel
		SG		Sandy gravels		Qc	Colluvium - unconsolidated rock fragments in soil
		GVL		Clast-supported gravel			
	Tertiary	HDS	1 to 50	Siliceous hematite detritus (ps < 5%)	Hematite DID iron deposits	Czc	Colluvium, partly consolidated valley-fill
		HD		Hematite detritus (ps 5 to 30%)			
		HDP		Pisolitiic hematite detritus (ps 30 to 75%)			
		LP	1 to 30	Loose pisolite (ps > 75%)		Czl	Laterite
		LPC	1 to 20	Silty clay with minor fine grained ps			
		CC	1 to 60	Calcrete and minor silt		Czk	Calcrete (Oakover Fm)
		SCID	1 to 10	Siliceous (weathered / reworked) CID	Channel iron deposits	Czp	Robe Pisolite - pisolitic limonite along paleo-channels
		CID	1 to 30	Unaltered CID, hard and red-brown			
		BCID	1 to 15	Basal CID, limonitic with clay			
		BCG	1 to 10	Basal conglomerate - polymictic		Czc	Colluvium - consolidated
Proterozoic		Wittenoom Formation					

The Marillana Project has undergone a DFS, with the mining study being completed by Golder Associates (Golder). This is further discussed in later sections of the Report. Mineral Resources are discussed in Section 3 and were not re-calculated for this review, but the resources as agreed to by the Competent Person are quoted there. In addition to Mineral Resources, Golder identified further potential DID mineralisation as included in an Australian Securities Exchange (ASX) release by Brockman on 9 February 2010. This potential mineralisation is adjacent to the current resource boundary, but further drilling is required to demonstrate continuity of this mineralisation.

2.3.2 Duck Creek

The Duck Creek Project is located about 115 km WNW of Paraburdoo in the West Pilbara region (Figure 2-1 and Figure 2-2). Mineralisation forms mesas of CID some 15 to 30 m above the adjacent plain. Chip sampling of the Project has identified nine mesas containing ore grade CID mineralisation. Brockman claims this has a potential of 30 to 50 Mt of iron ore grading 56–59% Fe.

While Brockman is optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration at Duck Creek to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

A reconnaissance Reverse Circulation (RC) drilling programme of 45 holes and totalling 1,657 m undertaken in late 2010 confirmed direct shipping ore (DSO) grade mineralisation at shallow depths (often from surface) at all targets drilled. Brockman has reported the results shown in Table 2-3. Very low levels of phosphorous are apparently present, and according to a statement by Brockman, other contaminant levels (silica and alumina) are “comparable with other West Pilbara CID” (ASX Release, 2011 - http://clients.weblink.com.au/clients/brockman2/).

Table 2-3: Selected borehole results from RC drilling at Duck Creek

Borehole	Depth from (m)	Thickness (m)	% Fe	% Ca-Fe
DRC032	1	20	56.6	61.5
DRC029	0	17	56.8	61.8
DRC008	4	19	55.3	62
DRC002	4	16	54.5	62

Note: Data from http://www.brockman.com.au/index.php?option=com_content&view=article&id=20&Itemid=23

No independently verified resources have been generated for Duck Creek and it can thus, at best, be considered an Exploration Target.

2.3.3 Ophthalmia

The Ophthalmia Project tenements are situated approximately 15 km north of Newman in in the Pilbara region (Figure 2-1and Figure 2-2). The most promising of these appears to be the Sirius prospect, which is located on the eastern end of the Parmelia Syncline, with mineralisation hosted in tightly folded BIFs within the Boolgeeda Iron Formation of the Hamersley Group. The bedded hematite mineralisation (DSO) on the northern and southern limbs of the syncline has a combined strike length of about 1,700 m and is up to 150 m wide. Both main limbs dip sub-vertically steeply to the south, with the fold hinge plunging shallowly to the west.

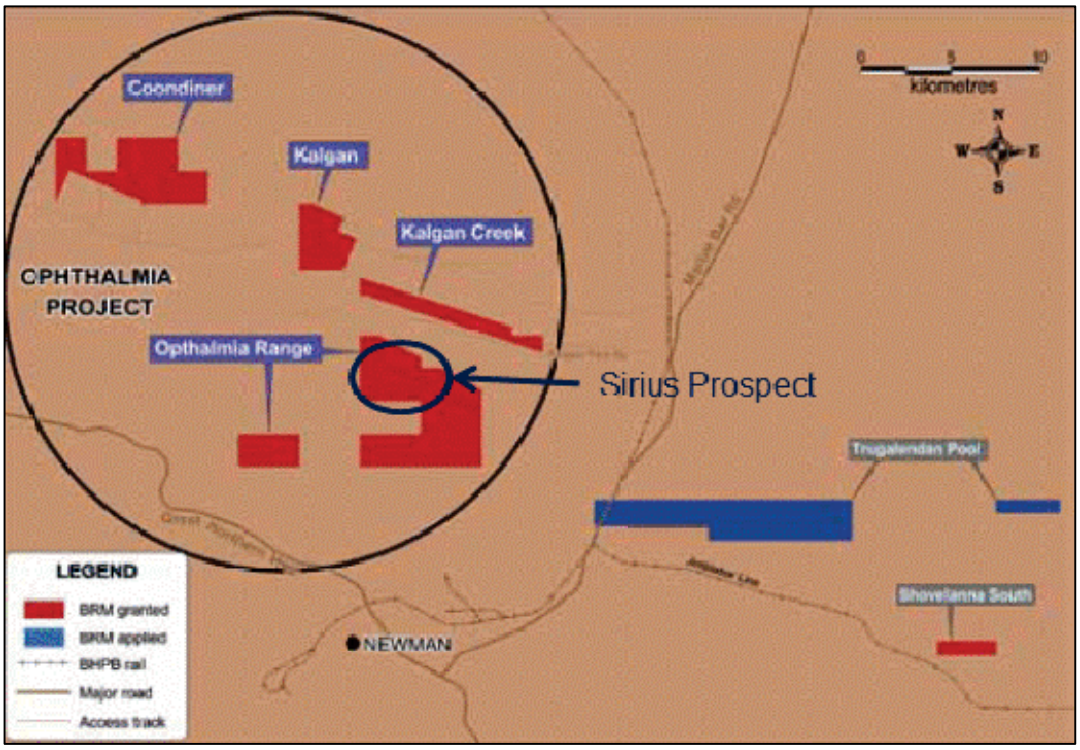


Figure 2-5: Location of the Sirius prospect within the Ophthalmia Project

Note: map from http://www.brockman.com.au/

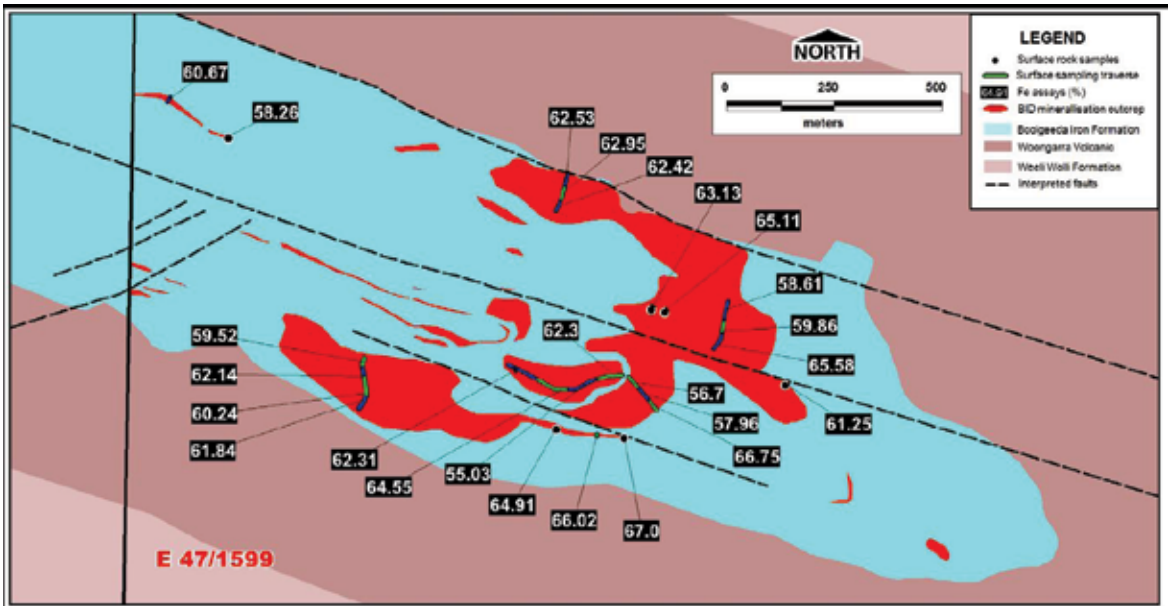


Figure 2-6: Geological map of the Sirius prospect

Note: map from http://www.brockman.com.au/

Sampling and mapping at Sirius has identified three main iron ore types, based on the proportions of martite and goethite in the mineralisation, with average grades of each mineralisation style presented in Table 2-4.

Table 2-4: Sample grades – Sirius prospect

	No. Samples	Fe	Ca-Fe	SiO_2	Al_2O_3	P	S	LOI1000
Martite dominant	24	65.32	67.33	1.66	1.37	0.074	0.039	2.98
Martite - Goethite	38	61.5	64.99	3.35	2.61	0.113	0.042	5.37
Goethite dominant	17	56.43	62.2	4.51	3.88	0.145	0.055	9.28
Total	79	61.57	65.1	3.09	2.51	0.108	0.044	5.49

Note: Data from http://clients.weblink.com.au/clients/brockman2/

Previous drilling and surface sampling across the Ophthalmia Project also identified DSO grade mineralisation in four other areas at Coondiner (to 66% Fe), Kalgan Creek (to 66% Fe) and Ophthalmia Range (to 57% Fe). A small RC drilling programme was completed in December 2010 (five holes for a total of 342 m) at the Kalgan prospect (E47/1598). Two holes intersected a zone of goethitic bedded-iron in the strongly weathered Joffre Member of the Brockman Iron Formation. Follow-up surface sampling along strike has identified occurrences of DSO grade mineralisation in four areas at Coondiner, Kalgan Creek and Ophthalmia Range (Figure 2-5). Of 31 surface samples collected, 20 assayed greater than 55% Fe. The drilling at Ophthalmia also encountered thick magnetite BIF beneath the oxidised profile. All holes were terminated inside this magnetite.

2.3.4 West Hamersley

The West Hamersley Project consists of one granted Exploration Licence (E47/1603) covering 54 km^2 and containing extensive areas of outcropping Brockman Iron Formation as indicated in Figure 2-7.

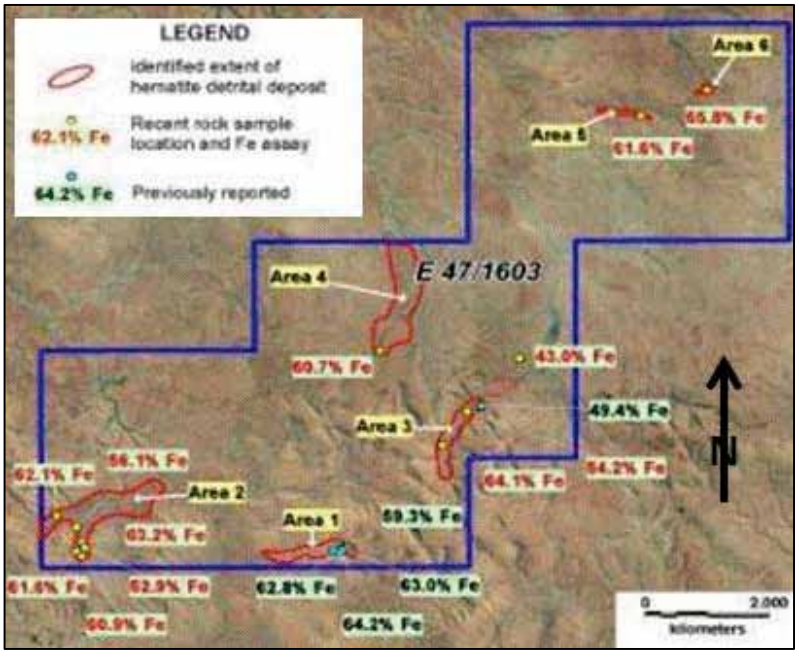


Figure 2-7: Map of the West Hamersley Project

Note: map from http://www.brockman.com.au/

Helicopter-supported reconnaissance mapping and sampling over West Hamersley has identified six zones of hematite mineralisation grading 56-64% Fe (Figure 2-7).

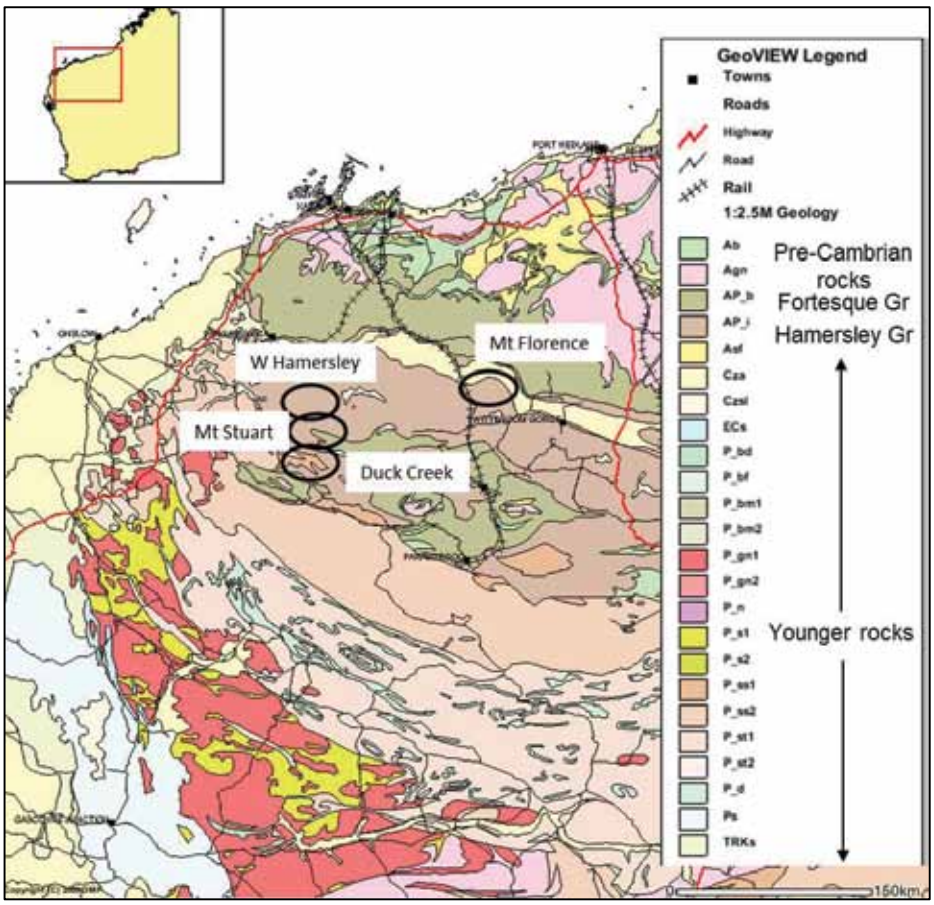


Figure 2-8: Geology of West Hamersley, Mt Stuart and Mt Florance

Note: map from GeoVIEW.WA (http://mapserver.doir.wa.gov.au/GeoVIEW2)

An initial programme of reconnaissance RC drilling in late 2010 comprising 407 m in 36 shallow holes found shallow DSO grade hematite mineralisation. Mineralisation at West Hamersley is in the form of cemented hematite-goethite canga, formed as valley-fill deposits at the base of the Brockman Iron Formation ranges within the project area. While individual valley targets range up to 2 km in length and 500 m in width, much of the area is covered by scree and therefore the continuity of the canga mineralisation cannot be established with certainty. Recent work supports an Exploration Target of 20-30 Mt grading 58-61% Fe (ASX Release, 2011 - http://clients.weblink.com.au/clients/brockman2/).

While Brockman is optimistic that it will report resources and reserves in the future at West Hamersley, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

2.3.5 Mt Florance

Very little work has been done at Mt Florance (location shown in Figure 2-8). It consists of one granted Exploration Licence containing a 20 km strike extent of Marra Mamba Iron Formation (under cover).

Figure 2-9: Locality map of Mt Florance

2.3.6 Mt Stuart

The Mt Stuart Project (Figure 2-10) comprises three Exploration Licences and one Exploration Licence application containing outcropping CID mineralisation. Initial reconnaissance sampling (four samples) over a mesa of CID mineralisation demonstrated that ore grade mineralisation is present with an average 58% Fe. The thickness of CID mineralisation in the area is estimated at 10-20 m.

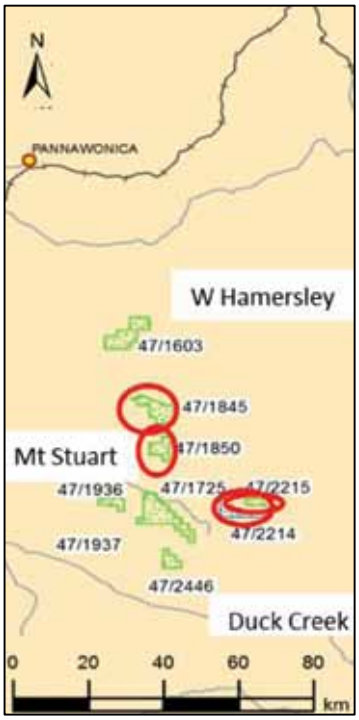


Figure 2-10: Locality map of Mt Stuart (circled) relative to West Hamersley and Duck Creek

3 Mineral Resource Review

A critical aspect of any Mineral Asset Valuation is the accuracy and precision of the underlying Mineral Resource Estimates (MRE). In the case of this study, only the Marillana Project has an associated public MRE. The review was desktop-based and consisted of the following aspects:

- Review of the Competent Person's Report (CPR) – Mineral Resource Report for the Marillana Project dated August 2010, authored by Golder
- A review of the resource drill data and resource block model

The reader is referred to the CPR for a detailed description of the assumptions and methodologies used by the Competent Person (CP) during the MRE. The following sections summarise SRK's review of the methodology and findings.

3.1 Mineral Resource Statement

The resource estimates were classified in accordance with the guidelines provided by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). These were announced to the ASX by Brockman on 9 February 2010. The classification of Mineral Resources was considered appropriate on the basis of data density and quality, representativeness of sampling, geological confidence criteria, the position of the water table and estimation performance parameters.

The resource is based on the Ordinary Kriging interpolated block model *mar200110_ok.bmf*. The Mineral Resource has been defined using geological boundaries and a cut-off grade of 38% Fe for the DID mineralisation (Table 3-1) and 52% Fe for the CID mineralisation (Table 3-2). The cut-off grades were selected based on the Mineral Resource achieving an acceptable product grade.

Table 3-1: Marillana DID in situ Mineral Resource at a cut-off grade 38% Fe

Classification	Mt	% Fe	%Al_2O_3	SiO_2 %	% P	LOI $_{(1000°C)}$ %
Measured Resources	173.2	41.6	4.85	30.19	0.063	4.08
Indicated Resources	1,153.5	43.0	5.85	27.79	0.055	3.51
Inferred Resources	201.2	40.7	5.01	32.42	0.053	3.20
Total	1,527.9	42.6	5.62	28.67	0.056	3.53

Table 3-2: Marillana CID in situ Mineral Resource at a cut-off grade 52% Fe

Classification	Mt	% Fe	%Al_2O_3	SiO_2 %	% P	LOI %
Indicated Resources	84.2	55.8	3.58	5.03	0.097	9.76
Inferred Resources	17.7	54.4	4.34	6.62	0.080	9.30
Total	101.9	55.6	3.71	5.30	0.094	9.68

The information in this statement which relates to the Mineral Resource is based on information compiled by James Farrell, who is a full-time employee of Golder Associates Pty Ltd and a member of the AusIMM. James Farrell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004).

The Competent Person responsible for the geological interpretation and drill holes data used for the resource estimation is Mr Aning Zhang. Mr Zhang is a full-time employee of Brockman Resources Limited, is a member of the AusIMM, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results' – the JORC Code.

3.2 Data Quality Assurance and Control review

The quality of an MRE is dependent on the quality of the data used to estimate the grade and tonnages and the quality assurance and quality control (QA/QC) data analysis undertaken by Golder indicates that overall the data quality is commensurate with a public MRE.

3.3 Survey data review

The accuracy and precision of the topographical and drill collar data impacts on the overall reported tonnes as well as the accuracy of the underlying geological model. SRK loaded the topographic data into Datamine and visually compared the collar data against the topo data. Overall, SRK is satisfied that the collar data is spatially consistent with the topo data; however there are a small number of collars that appear to be located below the topo DTM. One of these has a vertical discrepancy of 21 m. SRK is of the opinion that these discrepancies should be queried and resolved as they could pose a risk to the overall estimate.

3.4 Geological model review

In SRK's experience, MREs are either based upon wireframes designed using geological or grade parameters, or a combination of the two. SRK attempted to visually validate the supplied geological wireframes but could not reproduce geological domains based on the selection criteria stated in the MRE. It is stated that a combination of logging, grade parameters and mass recoveries were used to define geological domains. However, the actual methodology is not described and it would appear that more weight was given to grade parameters than lithological logging. SRK concludes that the geological model takes cognisance of geology, but is primarily based on a complex set of grade parameters. More information on the exact application of the parameters and weighting of each is needed to be able to reproduce the geological wireframes used for domaining the block model.

3.5 Variography review

Golder used a Kriging algorithm to interpolate grades from the drill data into the block model. Variography is an integral part of the Kriging process as it is used to determine the estimation parameters necessary for Kriging. SRK reviewed the supplied variograms for consistency and appropriateness.

Correlograms were used for spatial continuity analysis as these were reported to generally produce the clearest variogram structures for all variables. The use of correlograms in continuity analysis assumes first order stationarity. As a check, trend analysis (stationarity analysis) was carried out for the two most extensive variography domains. The results of the stationarity analysis showed no discernible trend for mean Fe grades for both variography domains. The remaining analysed variables all showed slight trends in the mean although these are deemed not to have a significant impact on the continuity analysis. SRK concludes that the data honours the requirement of first order stationarity necessary for continuity analysis via correlogram.

SRK constructed horizontal variogram fans for the two major variography domains in order to check the reported directions of major and semi-major continuity. These fans were not refined, but mostly constructed with software default settings for the purpose of spot-checking. The constructed horizontal variogram fans confirmed the major and semi-major directions of continuity.

As a final check, downhole variograms and variograms in the major direction were constructed to review the reported nugget and major axis ranges. As in the case of horizontal varogram fans, the downhole and directional varograms were not refined, but only used as a rough spot-check. These variograms confirmed the reported nugget and major axis ranges reported by Golder.

3.6 Block model review

A standard method of testing the accuracy and precision of a block model is to construct a series of grade profiles that show the grade of the input data (drill data) versus the grade of the resultant block model data. SRK did this for iron (Fe), silica ($SiO_{2)}$ and alumina ($Al_2O_{3)}$ for geological domain 45 (most extensive geological domain), as well as for geological domains 20, 35, 43, 46 and 55 combined. The swath plots show a very good correlation between local block model grade and composite sample grade. SRK also reviewed swath plots produced by Golder for Fe, phosphorous (P), SiO_2, Al_2O_3 and loss on ignition (LOI) for all estimated domains. SRK is of the opinion that the results show an appropriate level of correlation between sample grades and block grades for areas that are appropriately populated with drilling data. There is no obvious evidence of over-smoothing of block grades, nor is there any evidence of bias.

3.7 Independent estimation

SRK performed an Inverse Distance Squared (ID^2) interpolation of grades on domain 45 and checked against the original Kriged grades as an independent check of the Golder estimate. Resultant tonnes and grade show <2% discrepancy in all cases between the MRE and check estimate indicating that the Kriged MRE is of appropriate quality.

3.8 Mineral Resource classification

Golder classified the Mineral Resource on the basis of drill spacing. As a check, SRK reported the slope of regression statistics for two of the resource domains to establish the level of confidence in the estimates within the classification boundaries. The Measured Resource has a mean slope of regression of 0.99 with all individual values >0.9, indicating a very high degree of confidence in the Resource Estimate. The Indicated Resource for both domains has a mean slope of regression of 0.95 and 0.98 respectively. The vast majority of individual values are >0.8 indicating a high degree of confidence in the Resource Estimate. The Inferred Resource for both domains has a mean slope of regression of 0.84 and 0.96 respectively. The vast majority of individual values are >0.6 indicating a reasonable degree of confidence in the estimate appropriate for an Inferred Resource. SRK concludes that the classification of the Mineral Resource is appropriate to the confidence levels in the estimate.

SRK reported the resource from the block model to check for any discrepancies in the MRE statement. SRK's reported Mineral Resource is consistent with that reported by Golder.

3.9 Conclusions and recommendations

From its review of the Marillana MRE, SRK concludes that the resource has been estimated and classified using methodologies appropriate for the style of mineralisation. SRK did not identify any fatal flaws during its review.

4 Mining and Ore Reserve Estimate

4.1 Mining Studies

The following Mining Studies have been undertaken on the Marillana Project:

- Definitive Feasibility Study - Mine Planning by Golder
- Geotechnical Assessment - Open Pit-related components by Coffey Mining
- Marillana Iron Ore Project - SMU Study by Golder
- Marillana Mining Options Study by Golder
- Marillana Bankable Feasibility Study (DRAFT) - Mining component by Optiro.

In these studies, numerous configurations of mining methods and equipment combinations were examined.

Golder examined the following four possible options in the Mining Options Study:

- Option 1: Truck and Excavator
- Option 2: Truck, Excavator and Conveyor
- Option 3: Excavator and Conveyor
- Option 4: Bucket Wheel Excavator and Conveyor.

The DFS by Golder had originally proposed the use of Option 3 or 4 as they are less capital intensive and have lower operating costs than Option 1 or 2. Such methods have the potential to move large volumes of material at a low operating cost per tonne. In an effort to reduce start-up capital, Brockman has opted for a T&E mining system. There were also some blending disadvantages with Plant feed sizes associated with Options 3 & 4.

Optiro was asked to review the mining section of the DFS completed by Golder in 2010, as well as the Value Improvement Study completed in 2011. Once Optiro had completed its reviews, it was to create a BFS Mining document that combined the benefits of both studies.

The proposed mining operation at Marillana, as proposed by the latest Optiro report, will initially utilise a T&E load haul system, with the possibility of introducing an IPCC system after Year 10 of operation. A T&E system has the advantage of being able to ramp-up production quickly, and provide flexibility and selectivity in assisting the blending and control of the Plant feed. The Marillana Project is expected to be mined by contract miners for the first 5 years, with the possibility of an extension. The Optiro Draft report is the latest iteration of the mine planning process. SRK was provided a copy of the Optiro Mining Report in Draft form, as the report is not yet complete.

4.2 Site layout and mining constraints

The orebody lies in the southern half of the Mining Lease.

There are two different material types that are of economic interest at Brockman:

1 DID which require beneficiation in order to produce a saleable product.

2 CIDs which are considered DSO, and will be crushed to produce a fines product, which will be blended with the beneficiated DID.

The proposed mining operation at Marillana consists of a number of open pits. The optimised pits to be mined take several constraints which limit the area available to be mined in the lease into account.

These constraints are:

- The orebody extends north under the Weeli Wolli Creek
- The orebody extends south and west under the Mining Lease boundary
- An area was sterilised in order to allow for the processing plant and related infrastructure.

The optimisation model was constrained so that the sterilised areas were not included in the optimisation.

The BHPBIO rail line runs through the tenement, with an area under application for a future rail line sited to the north of the existing line.

Figure 4-1 shows the proposed site layout.

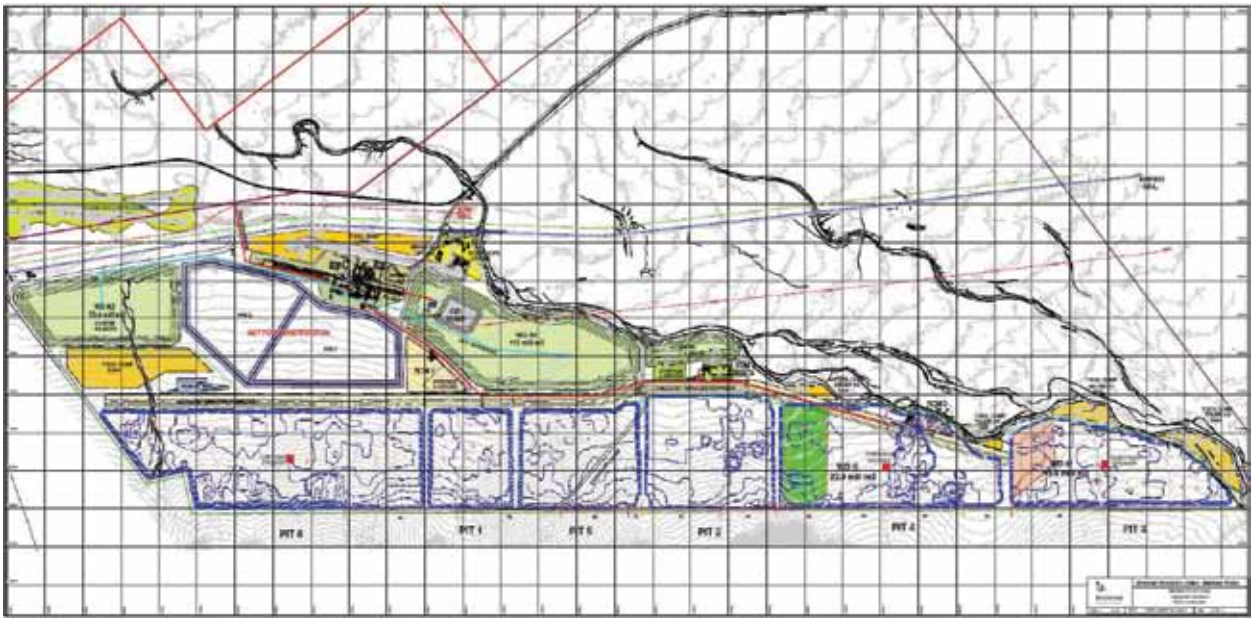


Figure 4-1: Site layout

4.3 Pit optimisation

The base case optimisation was run using Measured and Indicated Resources only. The cut-off grades for the DID were 38% Fe and 52% Fe was used for the CIDs. No cut-off grade was applied for alumina, silica or phosphorous.

The 50 m x 50 m blocks in the Resource Model in the X & Y direction were considered too coarse for optimisation and mine planning purposes in the DFS. The model was therefore regularised to a 20 m x 20 m x 6 m model. The effect of regularising the Resource Model resulted is some dilution and ore loss (7.4% of the resource). This was deemed by Golder to be acceptable for this type of deposit, and no further dilution or ore loss was applied.

In reviewing the physical results of the optimisation, SRK notes that the size of the pit does not increase significantly between shells 6 & 17, and the incremental growth in the size of the pit between shells 6 & 13 is small. This is due to the resource being mined close to full extraction.

Pit 13 (with Revenue Factor 1.0) was chosen as the optimal pit for Marillana. The size of the optimal shell is insensitive to mining or processing costs.

The size of the optimal shell is not sensitive to an increase or decrease in cut-off grade of 2%, but a change in cut-off grade does affect the tonnes available for Plant feed. Dropping the cut-off grade will increase project cash-flow. Increasing the cut-off grade will decrease the project cash-flow.

The optimisation was sensitive to product recovery, changes in exchange rates and product prices.

Future drilling may upgrade the Inferred material and result in a larger pit shell than is currently the case.

4.4 Mining method & scheduling

The mining operation will utilise 360-480 t excavators and 180-226 t capacity haul trucks. Mining of the DID and overburden will be predominantly free dig, with some ripping by dozer and light blasting required in some areas.

The CID areas will be mined by a smaller fleet and some blasting will be required. The CID pits have to be mined as quickly as possible so as not to interfere with the DID mining schedule and backfill schedule. Crushed CID will be blended with beneficiated DID at a maximum rate of one in six The proposed CID crusher rate is 3.5 Mtpa, and at various stages in the mine life, stockpiling of the CIDs will be required.

There are two aspects to the schedule – the mining schedule and the backfill schedule. The mining schedule was developed independently of the backfill schedule, but the backfill schedule is dependent on the mining schedule. The waste disposal schedule including fine and coarse rejects is an important aspect of the BFS (draft). The mining sequence and therefore waste disposal plan proposed by Optiro is substantially different in the BFS draft compared to the plan in the DFS completed by Golder. The Optiro plan will require substantially longer hauls to deliver the mining sequence but also results in substantially less rehandle of waste.

There is insufficient land available for waste to be dumped outside the pits. Consequently, some waste will be dumped on top of pits ahead of mining, then rehandled and placed as backfill in the mined-out void. A waste dump will then also be located on top of the backfill. Optimisation studies to minimise rehandle requirements are ongoing.

There is an environmental requirement that all excavated areas be covered with waste material to at least 2 m above the water table. Due to a lack of dump space throughout the mine's life, some waste and coarse reject rehandling will be required.

The pit has been designed using Pit Shell 13 of the base case optimisation.

The design of the pits was influenced by:

- Surface water management
- Proximity to Process plant
- Pit access and timing of backfill
- Location and timing of Fines Reject Storage (FRS) requirements
- Proximity to lease boundary and Weeli Wolli Creek.

The deepest point in the pit is 88 m below surface.

4.4.1 Scheduling

SRK has not sighted a detailed mine planning schedule as this is still under construction by Optiro. The life-of-mine (LOM) model supplied shows summary physical quantities per annum, but does not show mining locations, dump locations, or excavator numbers. The schedule is a T&E schedule for the LOM.

4.5 Ore Reserves

Table 4-1 and Table 4-2 show the DID and CID ore reserves at Marillana. These were announced to the ASX by Brockman on 29 September 2010.

Table 4-1: Marillana DID Ore Reserve

Reserve Classification	DID	
	Mt	% Fe
Proven	133	41.6
Probable	868	42.5
Total	1,001	42.4

Table 4-2: Marillana CID Ore Reserve

Reserve Classification	CID						
	Mt	% Fe	% CaFe	% SiO_2	% Al_2O_3	% P	% LOI
Proven							
Probable	48.5	55.5	61.5	5.3	3.7	0.09	9.7
Total	48.5	55.5	61.5	5.3	3.7	0.09	9.7

Note: Reserves are included within Resources, data sourced from http://www.brockman.com.au/

The information in this report that relates to the Mineral Resources and Ore Reserves is based on information compiled by Mr I Cooper, Mr J Farrell and Mr A Zhang.

The Ore Reserves statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2004 Edition). The Ore Reserves have been compiled by Mr Iain Cooper, who is a member of the AusIMM and a full-time employee of Golder Associates Pty Ltd. Mr Cooper has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr J Farrell, who is a member of the AusIMM and a full-time employee of Golder Associates Pty Ltd, produced the Mineral Resource estimates based on the data and geological interpretations provided by Brockman. Mr Farrell has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results' – the JORC Code.

Mr A Zhang, who is a member of the AusIMM and a full-time employee of Brockman, provided the geological interpretations and the drill hole data used for the Mineral Resource estimation. Mr Zhang has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results' – the JORC Code.

4.5.1 Ore Reserve Notes

- The Mineral Resource model for Marillana was developed by Brockman and Golder in January 2010. The stated Mineral Resource is inclusive of the Ore Reserve.
- The DID cut-off grade (COG) used was 38% Fe.
- The CID COG used was 52% Fe.
- The Fe price used to determine the COG was AUD0.8117/dmtu.
- The Marillana model was regularised to a parent block size of 20 m x 20 m. The regularisation introduced a combined ore loss/ dilution of 7.4%.
- The Ore Reserves are reported within the pit designs which are based on open pit optimisations. The optimisations were carried out on Measured & Indicated resources only. The overall slope angle used was 37°.
- Metallurgical recoveries for the DID were based on test work and are based on the beneficiation of the DID ore. The CID ore is a DSO ore that will be crushed and blended with the DID product.
- The Fe price used in the optimisation was AUD1.082/dmtu. Allowances were made for transport charges and royalties, where appropriate.
- Prices and exchange rates were based on average broker consensus.
- Measured Resources were converted into Proved Ore Reserves, and Indicated Resources were converted into Probable Ore Reserves. There is a small amount of Inferred contained within the pit designs.
- The Ore Reserve Estimate was compiled by Iain Cooper of Golder, who is a member of The AusIMM.

4.6 Operating costs

SRK has examined the Microsoft Excel Model “BRM Model adjusted for Mine Plan and FEED 2011.xlsx” as supplied by Brockman. Brockman has stated that the mining costs in this model were developed from first principles by a reputable mining contractor.

With respect to this model, SRK notes the following:

- The contractor has quoted an average cost for overburden removal. The overburden is expected to be free-dig with only light blasting required in places. SRK believes the quoted price to be within industry standards.
- The contractor has quoted an average price for DID mining. Considering the longer hauls to the Process plant required, SRK believes that this price is reasonable.
- The contractor has quoted for CID mining. The cost of CID mining is higher than DID mining, as a smaller fleet is required to selectively mine the CID. SRK believes this price to be reasonable.
- The model supplied incorporates these quoted costs. SRK believes the operating costs quoted in the Brockman model are reasonable and in line with industry standards.

4.7 Capital costs

Brockman has supplied a Capital Schedule for the development of Marillana. Limited mining capital is required for production, as a contractor is being used to develop the mine.

- There will be a contractor mobilisation charge.
- There is a requirement for a capitalised pre-strip charge prior to production, which is for earthworks for plant construction. The model reflects an amount consistent with past studies.
- There is a requirement for mine, dewatering and site facilities which has been incorporated into the model.
- As there has been a change in mining method between the Golder DFS and the Optiro study, the capital schedule for the mining would have changed between the two studies. There are detailed capital estimates for the Golder DFS which are no longer relevant. The Optiro study is not yet completed, and SRK has therefore not been able to conduct a detailed investigation of capital costs. However, the capital costs quoted appear to be of an appropriate order of magnitude for the project. The model supplied incorporates these quoted costs. SRK believes the capital costs quoted in the Brockman model are reasonable and in line with industry standards.

5 Geotechnical Engineering

The main aspects of the Marillana Project that require geotechnical assessment include the stability of the open pit slopes, and excavatability and trafficability within the pits. In addition, the stability of waste dump slopes and those of other storage facilities or embankments, the foundations for the plant and other surface infrastructure elements at the mine site and any site influences for port and rail development were also reviewed.

The main elements of the geotechnical review and summarised below.

5.1 Pit slope design and development

SRK believes it would be optimal to increase the information available and evaluations conducted for the pit slopes. However, the conditions in the pit walls may be variable and a set of slope designs that are intended to be robust enough be generally applicable, have been provided.

Opportunities may exist for optimisation of the pit slope designs.

Taking the shallow nature of the pit and the generally low angles for the slopes into account, the geotechnical design recommendations do not appear to present a fatal flaw; however, the project may benefit from additional evaluation.

Excavatability (diggability) and trafficability assessments have been carried out using recognised methods. The conclusions seem reasonable. Although variability in conditions may mean that the conclusions are not of the highest confidence, it seems that recommendations have been made with conservatism in mind.

5.2 Mine site and project infrastructure

The mine site infrastructure investigations seem adequate and the conclusions seem reasonable for a general site characterisation, and will serve to provide general design information, especially for light structures. However, it is important to note that detailed further investigation and study will be required, most notably for investigation of ground conditions beneath specific major structures.

Desktop studies have been carried out for the proposed port and rail developments. These provide conceptual data, and serve to identify the main development considerations and risks. In due course, detailed investigation and studies will need to be undertaken prior to finalisation of designs.

The potential difficulties associated with establishment of the port means that detailed geotechnical input will be very important to the design outcomes of this key element of the project. The lack of detailed study at this time must therefore be seen in a negative light, presenting a situation of uncertainty – which must be considered a risk to the overall project.

6 Hydrology & Hydrogeology

The review of water management which encompasses hydrology, hydrogeology and project water supply has been carried out with reference to the range of documents made available, with particular emphasis on the following:

- Brockman Resources, Marillana Project Feasibility Studies Report, September 2010
- Brockman Resources, Marillana Project, Public Environmental Review, Environmental Protection Agency Assessment No. 1781, May 2010
- Memorandum - Value Engineering Study Water Management Assessment, Aquaterra Document Number 009a, 17 September 2010.

The main elements of the hydrology and hydrogeological review are summarised here.

The water management plan for the project from construction through to post-closure must address a range of challenging factors.

The wet season is characterised by intense cyclonic and convectional rainfall events and extends from December to April. Annual rainfall is typically ~300 mm and is highly variable. Annual evaporation exceeds rainfall by ~3000 mm.

The project is located on the edge of a flood plain of a significant river system at the base of the Hamersley Ranges. As a consequence, it is located within a flood prone area.

The Fortescue Marsh lies ~15 km to the north of the site on an alluvial sequence that extends from lower slopes of the Hamersley Ranges. Groundwater quality expressed in terms of total dissolved solids deteriorates with depth and also declines northwards away from the mine towards the Fortescue Marsh.

Operational dewatering will be required and presents opportunities for supply. However, any advantage to supply is subject to scheduling and demand requirements as the project develops.

Brockman has engaged consultants to address water management issues appropriately, with development of plans at various stages of completion. SRK considers that the areas identified and addressed through these planning tasks are consistent with the requirements of water management for a mining project of this nature.

6.1 Summary – Observations / recommendations

- The tasks and structure adopted for water planning and development are in line with the requirements of water management for a mining project of this nature
- Best practice approaches are in place with the surface water and groundwater management plans that have been developed to address operational issues, and to define responses to any adverse events detected from ongoing monitoring
- Flood protection and diversion drain design standards are consistent with mining projects
- For smaller catchments, an appraisal of critical storm duration should be considered for design flood estimation for site drainage and diversions
- Groundwater modelling has been carried out on the basis of relatively limited data
- The model is key to optimising MAR, closure prediction and for assessing potential environmental impacts

- It is essential that field work identified to improve hydrogeological understandings and the groundwater model's reliability is completed as planned, including:
  - Completion of injection trials (at the earliest opportunity if they have not been completed already) to inform proposals for MAR at the mine
  - Groundwater studies in the Tertiary aquifer to confirm yields and locate sources for clean water supply and long-term make-up supply
- The design and management of the MAR system may have potentially significant impacts on water supply, capital cost and mine schedule – field trials and accurate modelling prediction are essential to minimise any associated design and planning risks.

7 Metallurgy

The metallurgical aspects of the Marillana Project that were reviewed relate to the DID processing plant and stockpile, including scrubbing and wet screening, secondary crushing and dense media separation. CID processing is also considered. Considerable metallurgical testwork has been completed by Brockman. A summary of the results of SRK's review follows.

7.1 Mineral processing

The Marillana ore body consists of a range of DID mineralisation zones, plus localised CIDs. The BFS proposes T&E mining methodology for the life of mine for the removal of overburden, plus the processing of both DID and CID ore. SRK considers this suitable, as T&E is expected to increase the flexibility for in-pit grade control. DID ROM grade control is expected to be important to ensure that the process plant operates close to design throughput, with optimum recovery and product grade.

Six testwork phases have been completed. Phases 1-3 were for PFS and earlier study levels, with phases 4-6 completed during the DFS. SRK considers the testwork procedures and methodology is well documented and executed. However, SRK considers that the impact of fluctuating grade at the pilot scale has not been fully assessed, so while adequate scale-up factors have been considered for the full-scale process plant operating at design average feed grade, the effect of fluctuating feed grade to the full scale process plant remains an area of process risk. The process plant flowsheet defined during the DFS is based on the results of the metallurgical testing programs. SRK regards the flowsheet selection and design as being sound, with the results from the testwork programs suitably applied to the process plant design.

While a T&E mining strategy is likely to facilitate grade control, SRK still considers significant grade fluctuations to be likely in the short term. In SRK's opinion, the main risk to recovery is the unquantified effect that short-term feed grade variability could have on the DMS plant operation. In addition, dense medium losses have not been measured for the Marillana ore. SRK feels that while 500 g/t medium loss is conservative for a DMS plant operating as designed, if the DMS feed grade varies more than expected, there is the potential to overload screens and possibly lose higher than expected amounts of dense medium. This would impact the operating cost, as dense medium accounts for 20% of the DFS operating cost estimate for DID processing.

There was insufficient supporting documentation supplied to SRK to justify changes made to the financial model between the DFS and BFS. There is no reason to doubt the validity of the changes, to the capital cost, operating cost and recovery.

SRK recommends two sensitivities be run in the financial model:

1 DID reagents & consumables cost is increased from AUD0.67/dmt feed to AUD1.35/dmt feed, based on the DFS operating cost assumptions with dense medium loss assumed to be 700 g/t instead of 500 g/t.

2 DID recovery decreased by 2 to 4% to account for recovery efficiency drop in the event of fluctuations in DMS plant feed grade.

8 Rail Infrastructure

A review of the capacity of potential rail options has been undertaken as a desktop study based on resources available from the study data room. Reference is also made to publicly available material and other in-house information.

Key documents from the study data room used to assess rail capacity include:

- Brockman Resources Marillana Project Feasibility Studies Report Executive Summary
- Calibre Rail Brockman Resources Marillana Project Prefeasibility Study Report, Marillana Load out Siding CARP10026-REP-G-001
- Brockman Resources Marillana Project Financial Analysis Report 2010.

8.1 Rail transport alternatives

A number of rail transport alternatives are relevant for the Marillana Iron Ore Project as follows:

- Commercial rail haulage arrangement with BHPB
- Commercial rail haulage arrangement with Hancock Roy Hill Special Railway Licence (SRL)
- Commercial rail haulage arrangement with The Pilbara Infrastructure Pty Ltd (TPI)
- Regulated rail access arrangement with TPI
- Commercial rail haulage arrangement with an Independent rail developer/provider like Queensland Rail (QR)
- Building own rail line.

No formal executed agreement for rail for the Marillana Project exists at the time of this report.

Timing of various alternatives will be important to project economics. As BHPB's existing rail system travels through the Marillana Project tenement and as such a BHPB rail solution for the project could potentially deliver a rail solution ahead of the development timeframe for the Marillana Project.

The Marillana Project would require a rail spur to access the TPI main line. This alternative requires a Marillana rail spur of approximately 85 km in length.

An SRL, QR or own rail alternative would require a longer lead time to secure approvals and develop.

Based on the information reviewed and discussions with management, the assumptions in the model for rail appear reasonable and are of an order of magnitude that would be considered in line with industry standards.

Table 8-1: Summary of rail options

Principal Rail Corridor	Access	Estimated Timing	Infrastructure requirements
BHPBIO rail transport	Access has not been refused outright, but may not be granted in a timeframe suitable for the Marillana project.	Currently Operational - unknown additional capacity	Mine load out infrastructure only
The Pilbara Infrastructure Pty Ltd (TPI) rail transport corridor (FMG rail corridor)	TPI's intention is to allow rail access to third parties on a timely basis with fair terms	Currently Operational - unconfirmed additional capacity	Option 1 - 95 km spur line through the Chichester Range (285 km to port) Option 2 85km spur line through the east of the Chichester Range (265 km to port)
Hancock Roy Hill SRL	Access provisions for third party haulage	Q1 2015, possibly Q4 2014	Limited information available – Substantially longer mine spur lines required
Independent QR or own line	Multiuser access potentially based on an exclusivity clause	Q3 2015	Unknown

8.2 TPI rail corridor

8.2.1 Overview

In its current configuration, the TPI railway is a single 256 km-long track from Port Hedland to FMG's Cloudbreak mine line with passing loops. The railway achieved an annualised throughput of 35 Mtpa within 12 months of start-up and has a capacity of 55 Mtpa with the current rolling stock fleet. FMG states that the rail corridor is expandable to 155 Mtpa with additional sidings and rail duplication.

At current tonnage levels, the rail corridor accommodates 40 t axle loads, allowing 240 wagon trains to carry 32,950 t of ore – approximately 20 hours for a full cycle to the Cloudbreak mine. Each train has two head end locomotives as well as two banking locomotives that assist the train for the first 75 km before detaching and returning to the mine.

Figure 8-1 shows the TPI corridor relative to the location of North West Infrastructure (NWI) shareholders considering access to the railway.

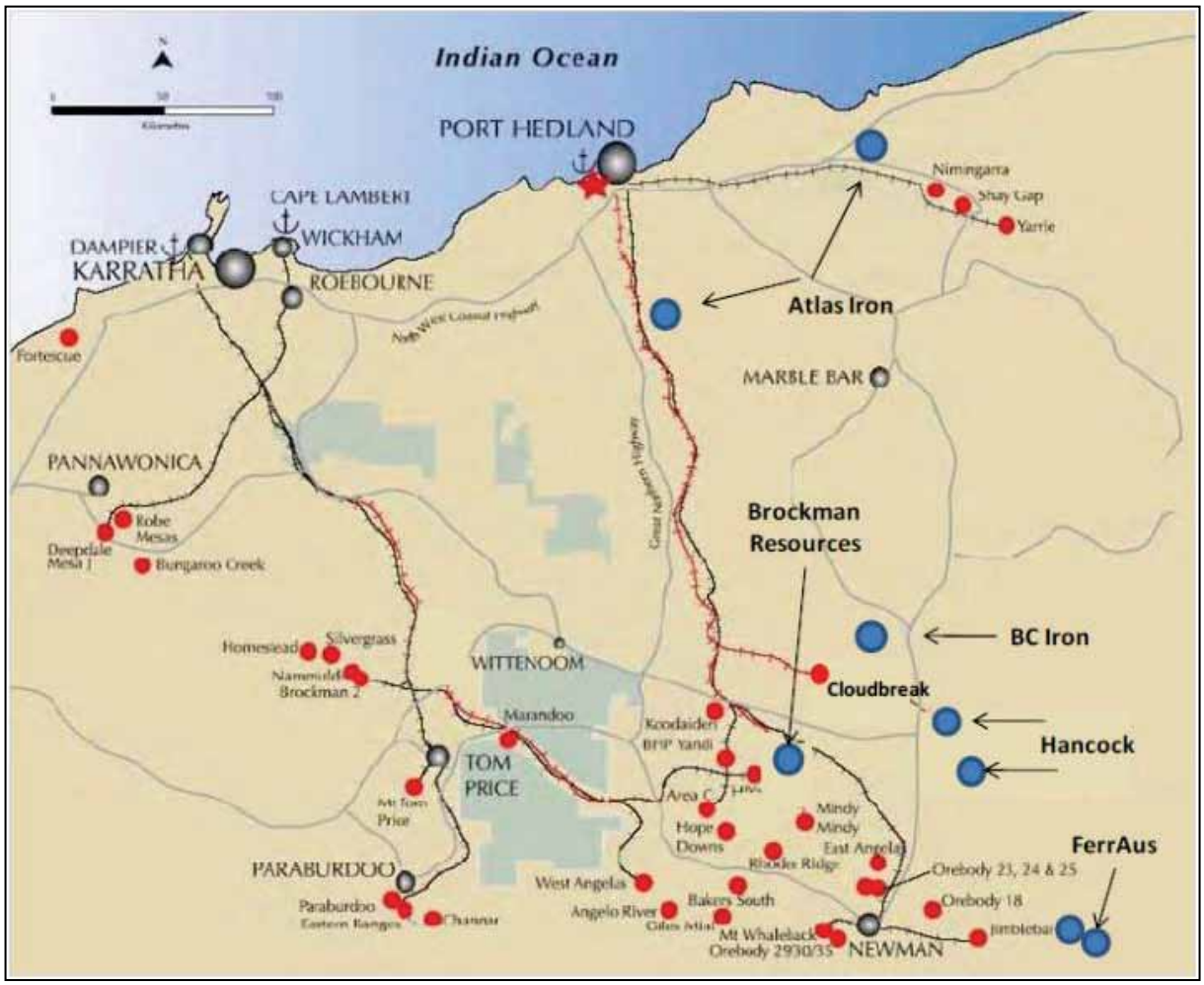


Figure 8-1: Location of emerging iron ore projects in the east Pilbara

Note: Source - North West Infrastructure - ERA Submission – Overpayment Rules & Costing Principles

8.3 Marillana rail spur and load out

8.3.1 Overview

BRL has commissioned Calibre Rail to undertake a number of studies on the connectivity options for the Marillana Iron Ore project to railway third parties railway line. Calibre Rail has developed, analysed and costed a number of options for connection.

8.3.2 Capacity considerations

The review of the capacity of a Marillana rail spur was based on the Preliminary Feasibility Study report undertaken by Calibre Rail to investigate railway alignment options from the load-out at the mine to the junction with the third party rail corridor. A preliminary railway operations assessment was undertaken as part of the study. At a throughput of 17 Mtpa and 32,000 t trains, 1 to 2 trains are expected per day, assuming even railings to the mine. For these operations, siding road provisions at the connection with a third party railway and at the mine are likely to be sufficient, although rail operations require further detailed investigation.

The assessment provided an estimated full-cycle time of 22 hours for Marillana trains, but did not consider interaction with third party trains on the third party main line rail corridor. Consideration for other trains on the third party main line rail corridor may increase delays and ultimately, opex

forecasts. In the PFS, the assumption that, *"BRL trains can normally enter the network when scheduled, without excessive delays"* was provided. Further assessment of the interaction of Brockman (referred to as BRL above) and third party operations is proposed for future studies and will allow for improved estimates of cycle times.

9 Review of Port Arrangements

A review of the port arrangements has been undertaken as a desk study based on resources available from the study data room. Key documents from the study data room used to assess rail capacity include:

- Brockman Resources Marillana Iron Ore Project Feasibility Studies Report Executive Summary
- SKM NWIOA Pre-Feasibility Study for New Iron Ore Export Port Facility – Port Hedland Pre-feasibility Study Report (six volumes)

These sources have been supplemented by other material particularly from web-based sources such as the Port Hedland Port Authority (PHPA's) website and others for benchmarking purposes. Additionally, other in-house databases have been used.

9.1 Introduction

Brockman is a shareholder of North West Infrastructure (NWI) which has been allocated 50 Mtpa capacity at Port Hedland. Capital for the NWI port has not been modelled. Rather it is assumed third party investment in the port facility results in an operating cost applied inclusive of a capital recovery charge. As an alternative to this, Brockman has pursued a commercial rail, port and marketing arrangement with TPI. No executed agreement exists at the time of this report.

9.2 The Port Project

9.2.1 Basic configuration

The documents reviewed indicate; in-loading capacity limit for the port facility will be the receipt of each member's product at the rail car dumper. The material unloaded at the car dumper will be consolidated into shipping consignment stockpiles in the facilities stockyard with an area suitable for 2 x 220,000 tonne being allocated to each of the three members of the NWI.

The material will be reclaimed from the stockyard, transported by overland conveyors to the ship loader at the NWI's berths in South West Creek and loaded on the ship. The project will develop two new berths in South West Creek including the berth and departure channel dredging requirements plus the supporting infrastructure required for the operation of the port facilities.

9.3 Rail Infrastructure at the stockyard

Regardless of which alignment is chosen, the following infrastructure has been identified as required:

- Side track to accommodate one loaded train waiting to enter the train unloading loop and for one empty, departing train waiting to enter the spur line
- Single train unloading loop, arrangement with one train length before and after the dual rotary car dumper; and
- Spatial allocation for three additional, future spur line side tracks and unloading loops are indicated.

This is adequate and fit for purpose.

9.4 Capacity considerations

Unloaders are assumed to operate at a rate of 11,000 tonnes per our (tph) unloading one train in around one-and-a-half hours. The proposed infrastructure should be capable of meeting the proposed throughput targets with the assumed unloading rate and rail infrastructure allowed for at the port.

Based on the nominal modular capacities of the major mechanical equipment items a step change increase in capacity, and associated capital cost, occurs at around 40 to 45 Mtpa. To increase capacity to the capped allocation of 50 Mtpa requires the following additional major modular equipment items:

- An additional wagon unload cell
- An additional stacker and reclaimer line in the stockyard
- A duplicate overland conveyor from the stockyard to the ship loader wharf
- A second ship loader.

9.5 Port Capacity Allocation

Several studies have been commissioned to examine estimated capacity through the port.

Reports supported a practical throughput for the departure shipping channel of around 380 Mtpa for Class "A" tidally assisted vessels and a practical throughput of around 520 Mtpa for all classes combined).

It was noted that use of larger tugs could potentially increase the number of ships. Since 2009, the Port development plan has been amended to construct 4 berths in South West Creek. The two downstream ones, (SP1, SP2) have been allocated to Hancock and the upstream ones (SP3, SP4) to NWI.

Based on the documentation available, the PHPA allocation of port capacity to various users at the port facility will have an export allocation of 50 Mtpa with a Class "B" shipping priority rating.

9.6 Estimated operating costs

It is noted that the Operating cost estimates are based on the owner's maintenance personnel only attending to routine maintenance and maintenance planning responsibilities. The maintenance strategy is based on major maintenance and preventative maintenance being undertaken on a planned campaign shutdown basis using contractors.

This is relatively standard operating practice. This strategy is consistent with the expansion programme particularly relating to attempting to upgrade or install components which cannot be done in a production phase, e.g. installing the second wagon unloader could not be done when trains are operating.

Data reviewed indicated an assessment of variable costs, fixed costs to arrive at an operating cost per tonne. The port operating costs used in the financial model, appear reasonable compared with other benchmarks and considering PHPA hires out its ship loader at $2.56 per tonne[1].

[1] (PHPA http://www.phpa.wa.gov.au/port_charges.asp)

9.7 Demurrage

A survey of the PHPA cargo statistics for 2011 has been summarised in Table 9-1. The purpose is to gain an appreciation of ship size, number of arrivals and assist in forming a view regarding potential demurrage and estimate the parcel size of each vessel based on historical information.

Table 9-1: Summary of iron ore ships at Port Hedland 2011

Month	Days	Ships	Export Tonnes	DWT	Average DWT Per ship	Average Ships/day
Jan	31	97	15,332,927	17,000,962	175,268	3.13
Feb	28	82	12,850,539	14,264,957	173,963	2.93
Mar	31	106	17,783,249	19,009,203	179,332	3.42
Apr	30	94	15,881,055	17,014,963	181,010	3.13
May	31	111	18,214,535	19,567,762	176,286	3.58
Jun	30	111	18,550,788	20,023,598	180,393	3.70
Jul	31	106	17,533,033	18,837,412	177,711	3.42
Aug	31	120	20,221,330	21,971,735	183,098	3.87
Sep	30	119	2,009,397	21,171,317	177,910	3.97
Total	273	946	138,376,853	168,861,909	1,604,971	31
Average	30	105	15,375,206	18,762,434	178,330	3

Note: Source – http://www.phpa.wa.gov.au

From Table 9-1, the average Parcel size can be calculated by dividing Export Tonnes by the total number of ships that visited the port in that period. This comes out to be 146,276 tonnes. This is a large cape size category ship for which a demurrage rate equivalent to the charter rate of $30,000 per day is assumed.

Demurrage costs per year depend on the number of days the vessels have to wait. This is not known or estimated in the reviewed documents therefore a range of waiting days for each vessel and respective demurrage has been estimated in Table 9-2, assuming a three-year ramp-up to the 50 Mtpa allocation.

Table 9-2: Demurrage estimation

Demurrage Calculation	Units	Operation Year 1	Operation Year 2	Operation Year 3
Iron ore throughput	Million tonnes	18	42	50
Ship Cargo Size	tonnes	146,276	146,276	146,276
Number of Vessels	Number per annum	123.1	287.1	341.8
Charter Rate Cape Size	USD per day	$30,000	$30,000	$30,000
1 day waiting per vessel	$ million per year	$3.69	$8.61	$10.25
2 day waiting per vessel	$ million per year	$7.38	$17.23	$20.51
3 day waiting per vessel	$ million per year	$11.07	$25.84	$30.76
4 day waiting per vessel	$ million per year	$14.77	$34.46	$41.02
5 day waiting per vessel	$ million per year	$18.46	$43.07	$51.27

Note: Source – AECOM analysis as per assumptions

9.8 Other Port charges

The PHPA has a number of charges which it levies for use of the port. Following on from the shipping survey for all types of ships that visit the Port Hedland, a hypothetical average ship has been calculated. The purpose of this is to validate inputs into the financial model on a per tonne basis. Based on the January 2011 – September 2011 data, the average ship is described in Table 9-3.

Table 9-3: Hypothetical ship size – all cargoes

Cargo Tonnes	135,303
GRT	78,591
DWT	150,965
Hours Alongside*	25

Note: Source – http://www.phpa.wa.gov.au; AECOM analysis

* Assuming 6000tph loader, continuous with half hour alongside at start and finish and rounded up to the nearest whole hour.

This ship would of course be close to the specification for a Class B ship.

The Port costs are shown in Table 9-4.

Table 9-4: Estimated Port charges

Port Charge	Cost Per Call ($)	Cost Per Tonne ($)
Wharfage	177,247	1.31
Berthage	6,221	0.05
Security charge	3,144	0.02
Pilotage	12,206	0.09
Tonnage	9,863	0.07
Vessel surcharge	6,429	0.05
Total	215,110	1.59

Note: Source – http://www.phpa.wa.gov.au; AECOM analysis

Based on this data, and the simplistic estimates of capex and opex plus port charges, the total port and handling costs used in the financial model appears to be verified.

9.9 Estimated capital costs

The NWI has conducted a PFS and is advancing a definitive engineering study into the development of two berths in South West Creek to export its Port Hedland port capacity allocation. The facility will need to cater for multiple parties and their various mine ramp ups. NWI studies are considering a phased development approach to meet this requirement. Port development is typically associated with large capital investment for step changes in capacity. A challenge for the NWI will be to manage the capital investment in light of the 50 Mtpa capacity allocation limit.

Capital for the NWI port has not been modelled. Rather it is assumed third party investment in the port facility results in an operating cost applied inclusive of a capital recovery charge. As an alternative to this, Brockman has pursued a commercial rail, port and marketing arrangement with TPI. No executed agreement exists at the time of this report. Review of the capital recovery component in operating charge estimates appears reasonable.

9.10 Summary

Based on the material reviewed, and using comparative benchmarks, the berth design and equipment specification, the first phase of port development should be capable of supporting at least 30 Mtpa and potentially much higher. The second phase of port development to fully utilise the port capacity allocation should add significant capacity, but unless PHPA allocations can be improved, much of this additional capacity will be under-utilised in the event the port allocation remains at 50 Mtpa.

Costs as outlined in the model are in the vicinity of those calculated in the review process using a series of benchmarks based on other ports.

10 Environmental & Social Impacts

10.1 Introduction

In conducting its review of environmental permitting and management aspects of the proposed Brockman Marillana Project, SRK reviewed the following documentation:

- Marillana Iron Ore Project Public Environmental Review (PER) Final Submission to EPA May 2010, and associated Appendices, prepared by Ecologica and others
- Marillana Iron Ore Definitive Feasibility Study
- Conceptual closure plan prepared by Ecologica
- Closure plan and costing prepared by Golder Associates
- Report and recommendations on the proposed Marillana Iron Ore Project by the Environmental Protection Authority, WA, Report 1376
- A report on the environmental risk assessment and risk registry.

SRK has not evaluated Native Title matters as part of its review of environmental factors.

10.2 Biophysical context

Groundwater in the project area typically occurs at a depth of more than 18 m. Groundwater quality is typically non-saline and of good quality.

The flora surveys did not identify any Declared Rare Flora; however, one Priority Flora, *Goodenia nuda* (P3) was recorded in low numbers in one location within the project area. Whilst no priority or declared weed species were found in the project area, ten general or environmental weeds were recorded.

Fauna surveys identified 23 species of mammal, 82 species of bird, and 43 species of reptile within the survey area. These include the Australian Bustard and the Rainbow Bee-eater, which are considered to be conservation significant species. The Australian Bustard is a nomadic species which appears to be relatively common in the project area and may utilise the sandy spinifex grassland. The Rainbow Bee-eater is common in the Pilbara and was found mostly along the Weeli Wolli Creek line.

Six other conservation significant species may occur in the project area, four of which are bird species. The Fork-tailed Swift and the Peregrine Falcon are likely to overfly or hunt in the project area whereas not observed in the project area, breeding habitat for the Grey Falcon exists within the tenement. Although the Night Parrot is considered unlikely to occur within the project area, the species is thought to inhabit the fringing grassland of the Fortescue Marsh. The remaining species, comprised of the Pilbara Olive Python and the Northern Short-tailed Mouse, also have the potential to occur within the project area.

Four species of stygofauna were present in and around the tenement. One species was found both inside and outside the tenement area, and one only outside the tenement. The remaining two species were found only inside the tenement and were each represented by only one specimen; neither were identified to species level.

Six species of troglofauna were identified, as well as one tentative troglofauna species. Capture rates for troglofauna were lower than expected; however, a species accumulation curve suggests that the majority of expected species were detected.

10.3 Regulatory

In accordance with the Environmental Protection Act 1986 (WA), a Public Environmental Report (PER) which describes the Project and its likely effects on the environment has been prepared.

A statement that the proposal may be implemented was published in February 2011. The authorisation would lapse after five years if the if the proposal is not substantially commenced within that time period. The authorisation requires a compliance assessment plan and requires compliance reporting prior to commencement of earthworks. The authorisation is further subject to a number of conditions recommended by the EPA that relate to the following:

- Avoidance of impacts to the Marillana Sand Dune PEC
- Avoidance of clearing within 30 m of the bank of Weeli Wolli Creek
- Monitoring of riparian vegetation along Weeli Wolli Creek and management of any impacts to the vegetation as a result of groundwater drawdown
- Prevention of the introduction or spread of weeds within the project area
- Prevention of impacts to the Fortescue Marsh as a result of groundwater drawdown
- Management of surface water flows in the project area
- Maintenance of groundwater and surface water quality, and specifically meeting ANZECC guidelines in the receiving environment
- Management of acid and metalliferous drainage
- Rehabilitation
- Closure and decommissioning.

Other regulatory mechanisms relevant to the proposal are:

- Explosive and Dangerous Goods Act 1961 – dangerous goods licence
- Dangerous Goods Safety Act 2004 – licence for the storage, handling and transport of dangerous goods
- Rights in Water and Irrigation Act 1914 – licence for abstraction (dewatering)
- Part V of the Environmental Protection Act 1986 – various Works Approvals and an operating licence would be required for construction and operation of the project
- Environmental Protection (Noise) Regulations 1997 – for construction and operational noise
- Mining Act 1978 – mining proposal is required to be approved by the Department of Mines and Petroleum.

SRK understands that these are being addressed in ongoing applications.

10.4 Conclusions

SRK's principal findings from a review of environmental aspects of the proposed suggest that there are no fatal flaws within the proposal. However, SRK considers that the main environmental aspect of the project which constitutes risks to the project is the incompleteness and inconclusiveness of some the studies conducted to date. This relates in particular to the geochemistry of the waste and the assessment of the potential impacts on surface and ground water quality. Whilst the low sulphur content does suggest that acid generation may not occur; considering the magnitude of the proposed project, the acid generation testing was completed on very few samples. The samples that were tested also indicated that the neutralisation capacity of the materials is low, and it is possible that low levels of acidity could be generated locally.

This could lead to elevated metals leaching from the materials. The testing further indicated that arsenic antimony and selenium were elevated above global background abundances. The study concluded that none of these elements were considered mobile or bioavailable, with no direct evidence that this is the case. Neither static leach extraction nor kinetic testing had been undertaken to support this conclusion. Selenium and arsenic both may leach at near neutral pH. SRK also notes that the risk of neutral drainage was not identified within the environmental risk register.

Other environmental matters which were identified as part of this review include:

- There is a lack of baseline data for surface water and groundwater quality, particularly related to the occurrence of dissolved trace element concentrations. The condition in the authorisation meet ANZECC water quality guidelines would require a good baseline reference for the existing water quality in the Weeli Wolli Creek and within the local aquifers.
- The potential for nutrient release from blast residues (where applicable) does not appear to have been considered.
- The risk of occurrence of asbestiform minerals has not been assessed. This will need to be addressed in environmental and safety plans submitted to the DMP.
- Closure costing unit rates appear to be inconsistent, as reported in the Closure Plan prepared by Golder Associates. For example, a unit rate of AUD0.66/m^3 is quoted for the load, haul and placement of topsoil for the construction of the final cap on the waste rock dumps. SRK would expect this to be in the order of AUD3-4/m^3. The closure costs may therefore have been underestimated.
- The closure report indicates that consolidation may take more than a decade. However the time period for post closure monitoring is given as five years. Re-establishing drainage channels across backfilled pits would be subject to differential settlement and would need to be monitored until after consolidation in the backfill has decreased to acceptable rates.

11 Exploration Valuation

Brockman's exploration assets and resources not currently included in the DFS range from greenfields exploration areas to unclassified mineralisation adjacent to the Marillana project. Deloitte instructed SRK to provide a valuation of the exploration assets of Brockman including Exploration Targets for the Duck Creek and West Hamersley projects and other projects such as Ophthalmia, Mt Stuart and Mt Florance projects that are at an early stage of exploration.

While the VALMIN Code states that decisions as to which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considers a number of methods. The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The effective date of the valuation is 23 November 2011.

An overview of a number of methods traditionally used to value exploration properties includes:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms Method (expenditure-based)
- Geoscience Ratings Methods (e.g. Kilburn – area-based)
- Comparable Market Value Method (real estate-based)
- Rule of Thumb Method (e.g. AUD/Resource or production unit, % of an in situ value)
- In addition, SRK uses the geological risk method to value early stage exploration assets.

For Brockman's Exploration Targets, SRK relied on the comparable market value method to derive a value as there was considerable market activity in the sector. These resources transactions were applied, with appropriate discounting to account for the stage of exploration to the Exploration Targets that have been stated by Brockman at the Duck Creek and West Hamersley Projects.

In addition, information relating to projects that do not contain Mineral Resources at the time of the transaction was compiled and these transactions were considered with respect to generating a value for the very early stage exploration tenure, for the Ophthalmia, Mt Stuart and Mt Florance projects.

11.1 Valuation of the Duck Creek Project

The Duck Creek Project comprises four granted exploration licences (E47/1725, 1936, 1937 and 2446) covering a total area of approximately 12,000 hectares.

Surface rock-chip sampling has highlighted Exploration Targets with a combined potential for 30-50 Mt of iron ore grading 56-59% Fe (Section 2.3.2). Mineralisation forms discrete mesas of CIDs, nine of these mesas were identified. Brockman subsequently undertook initial reconnaissance RC drill testing of 45 holes which confirmed mineralisation at shallow depths as well as characterising the levels of contaminants (phosphorous, silica, alumina) that are considered comparable to other West Pilbara CID resources (Brockman, ASX release dated 2 February 2011).

SRK reviewed the Duck Creek Project based on information provided in the public domain by Brockman. While there is no certainty that future exploration will result in the definition of a Mineral Resource, current exploration provides evidence that mineralisation may be present in such zones. In addition, there is uncertainty with respect to the continuity of thickness and grade that may be found with further drilling. These risk factors must be reflected in the valuation.

In order to value the exploration potential at Duck Creek, SRK utilised the comparative transaction relating to resource stage projects.

The resulting exploration target value was then modified by two factors to obtain a value for the current exploration potential:

- The probability that the target returns positive exploration results
- The cost associated with reaching a stage where a resource can be reported

Six recent comparable transactions involving pre-development iron ore resources in Western Australia were examined. These occurred over the last two years and related to DID and CIDs located in the Pilbara region. Transactions relating to magnetite deposits and iron resource projects located in the Yilgarn Craton were not included in the analysis, as these are not considered comparable.

One transaction included a control premium (BHPB takeover of United Minerals Corporation) which was discounted by 30% to account for this. Two transactions included a royalty as part of the consideration, but only one of these (Koodaideri) stated the royalty percentage, and this was factored into the transaction value. The other royalty (Winmar) could not be incorporated, and so this represents a minimum value for this transaction.

The majority of the transactions relate to projects having an Inferred Mineral Resource only. One project (Pilbara Railway Deposit) included Indicated and Inferred Resource categories, but the value determined for this was consistent with other transactions, and this was therefore included within the weighted average calculation.

While there was a considerable range of values, a weighted average AUD1.11/t of contained iron was calculated for deposits with a grade of greater than 50% for hematite (Table 11-1). This is consistent with comparable transaction research SRK has previously compiled.

Table 11-1: Comparable transactions, hematite DID and channel iron resource projects, Pilbara region, Western Australia

Project Name	Transaction date	Parties	Resources	Transaction Value (100%)	Implied Value contained Fe (AUD/t)
Koodaideri South	Sep-11	Iron Ore Holdings – Hamersley Iron	160.5 Mt @ 58.5% = 93,810,000 t Fe (Inferred)	AUD192.3M (estimated)	AUD2.05
Railway Deposit	Oct-10	United Minerals - BHPB	158.0 Mt @ 58% = 91,690,000 t Fe (Indicated and Inferred)	AUD134.2M (estimated)	AUD1.46
Wonmunna	Oct-10	Talisman Mining – E-Com Multi	78.3 Mt @ 56% = 43,850,000 t Fe (Inferred)	AUD38.35M	AUD0.87
Winmar	Oct-10	Cazaly Resources – St Istvan Gold	143.4 Mt @ 52.6% = 75,430,000 t Fe (Inferred)	AUD8.2M	AUD0.21
Rocklea	Oct-10	AusQuest – Dragon Energy	63.1 Mt @53.4% = 33,680,000 t Fe (Inferred)	AUD7.0M	AUD0.21
Winmar	May-11	Cazaly-Winmat	143.4 Mt @ 52.6% = 75,430,000 t Fe (Inferred)	AUD35.0M	AUD0.95
				Weighted Average	**AUD1.11**

(Input data © Copyright by Metals Economics Group 2011. All rights reserved; Estimated implies reduced for other projects, cash, receivables and control premium as applicable).

Given that some drilling has been completed at Duck Creek, SRK has applied a 50% probability that the potential quantum of mineralisation stated above for the Duck Creek area may eventually be realised and converted to an Inferred Resource. SRK has assumed an exploration budget of approximately AUD500,000 would be appropriate to drill out the Exploration Target area.

To determine the valuation range for Exploration Targets a variation of +/- 40% was applied to calculate the Low and High Values. The valuation of the Duck Creek Exploration Target is provided in Table 11-2.

Table 11-2: Valuation of Duck Creek Exploration Target

Project	Mineralisation type	Low Value (AUD)	Preferred Value (AUD)	High Value (AUD)
Duck Creek	Exploration Target	7.4M	12.3M	17.2M

11.2 Valuation of West Hamersley Project

The West Hamersley Project consists of a single granted Exploration Licence (E47/1603) extending over 5708 hectares and two pending Exploration Licence applications covering a further 5,371 hectares.

Reconnaissance rock-chip sampling identified six zones of hematite mineralisation which provided a focus for RC drill testing. Brockman undertook a programme of 36 shallow RC holes which confirmed mineralisation at shallow depths; however, the continuity of mineralisation could not be well defined due to scree cover obscuring the mineralisation in some areas. Brockman has stated an Exploration Target (Section 2.3.4) of 20-30 Mt of iron ore grading 58-61% Fe resources (Brockman, ASX release dated 2 February 2011).

SRK reviewed the West Hamersley Project and exploration that Brockman is undertaking in the Pilbara, based on information available in the public domain. While there is no certainty that future exploration will result in the definition of a Mineral Resource, current exploration provides evidence that mineralisation may be present in such zones. In addition, there is uncertainty with respect to the continuity of thickness and grade that may be found with further drilling. These risk factors must be reflected in the valuation.

In order to value the exploration potential at West Hamersley, SRK utilised the comparative transaction relating to resource stage projects as described previously. The resulting exploration target value was then modified by two factors to obtain a value for the current exploration potential:

- The probability that the target returns positive exploration results
- The cost associated with reaching a stage where a resource can be reported.

Given the early stage nature of the Exploration Target at West Hamersley, compared for example to the Marillana and Duck Creek Exploration Targets described above, SRK has applied a 30% probability that the potential quantum of mineralisation stated above for the West Hamersley area may eventually be realised and converted to an Inferred Resource. SRK has assumed an exploration budget of approximately AUD500,000 would be appropriate to drill out the Exploration Target area.

To determine the valuation range for Exploration Targets, a variation of ± 50% was applied to calculate the Low and High Values to reflect the higher uncertainty relating to the earlier stage of exploration. The valuation of the West Hamersley Exploration Target is provided in Table 11-3.

Table 11-3: Valuation of West Hamersley Exploration Target

Project	Mineralisation type	Low Value (AUD)	Preferred Value (AUD)	High Value (AUD)
West Hamersley	Exploration Target	2.3M	4.5M	6.7M

11.3 Valuation of Ophthalmia Project

The Ophthalmia Project comprises two granted Exploration Licences (E47/1598, 1599) covering 7496 hectares as well as three Exploration Licence Applications (E47/2621 – 2623) for a further 10,400 hectares.

Previous exploration completed by Brockman has included a short RC drilling programme, but to date an Exploration Target has not been determined for the Ophthalmia Project.

In order to value the exploration potential at the Ophthalmia Project, SRK utilised the comparative transaction relating to exploration stage projects. Eleven potentially comparable transactions relating to tenements at an early stage of exploration were identified. These were of a "farm-in" or "earn-in" nature, where a certain percentage of ownership across multiple parties is achieved through the exploration expenditure. In these Joint Venture (JV) transactions, there is a shared risk, in that if early expenditure does not generate useful information, the "optionee" can limit its risk by opting out of further expenditure. Typically, these agreements run over several years (~3 to 6 years), and expenditure commitments usually exceed the minimum statutory expenditure requirement to retain the properties.

The determination of a value for the earn-ins involves an assessment of how likely the earn-in is to proceed to completion. In the case of reconnaissance precious or base metal exploration assets where exploration is at a very early stage involving the testing of geological concepts, the likelihood of the joint venture being completed is low, typically 5%. This assessment comes from observing the transactions in subscription databases and interviews by SRK with exploration managers. The low figure also reflects the overall rate of exploration success on early stage projects, commonly considered about 1%.

However, in the case of the iron projects under consideration, the likelihood of the earn-in going to completion is much higher as the presence of mineralisation has been demonstrated and the risk is more related to certain grade and metallurgical factors being realised. Based on a number of previous studies, SRK estimates that the likelihood of the earn-ins proceeding to completion is 70%. Cash considerations and binding expenditure commitments are added to the earn-in value and are not discounted for probability. The non-binding expenditure is discounted. Other types of transactions include purchase of the tenements that do not require any discounting.

Table 11-4 summarises the iron ore earn in transactions in Western Australia since February 2009.

Table 11-4: Comparable transactions, iron exploration, Western Australia

Project Name, Optionors	Transaction date	Optionees	100% Value (AUD)	Area (km^2)	AUD/km^2
Tom Price, AusQuest	Oct-10	Dragon Energy	0.5M	31	16,129
Bullamine, Reedy Lagoon Corp	Oct-10	Cliffs Natural Resources	5.7M	3484	1,645
Mt Bevan, Hawthorn Resources	Aug-10	Legacy Iron Ore	10.4M	177	58,984
Unaly South, Meteoric Resources	May-10	Black Ridge Mining	1.5M	15	102,857
Yalgoo, Venus Metals	Feb-10	HD Mining and Investment	11.2M	234	47,863
Evanston, Global Iron	Jan-10	Cliffs Natural Resources	0.8M	306	2,581
Victory Bore, Mutual Holdings	Oct-09	Quest Minerals	0.5M	82	6,610
Magnetite Range, Mawson West	Jun-09	Accent Resources	1.2M	172	6,831
Jigalong, Hannans Reward	Jun-09	Warwick Resources/Atlas Iron	5.3 M	2235	2,348
Canegrass, Maxiums Resources	May-09	Flinders Mines	1.4M	685	2,000
Miaree, Red River Resources	Feb-09	Iron Mountain Mining	5.0M	307	16,402

This transactional data was applied to determine a value per square kilometre tenement area, where sufficient data was available. The eleven transactions provided a median value of AUD6,831/km^2 of tenement (excluding the lowest and highest values for Bullamine and Unaly South respectively, because they are considered anomalous).

To derive a preferred value for the Ophthalmia Project, which covers 10,400 hectares or 104 km^2, SRK has assumed the eventual grant of tenements currently under application. This results in a valuation for Ophthalmia of AUD0.7M. Ranges are calculated using a 55% range around the preferred values, which is a 5% increase in the ranges used for the Exploration Target valuation models, reflecting a slightly greater uncertainty in the exploration area valuations.

Using the above inputs, SRK has estimated the value of the Ophthalmia Project to have a preferred value of AUD0.7M, with a low value of AUD0.3M to a high value of AUD1.1M.

11.4 Valuation of the Mt Stuart Project

The Mt Stuart Project consists of three granted Exploration Licences (E47/1845, 1850, 2215) for 8895 hectares and one pending Exploration Licence Application (E47/2214) of 3477 hectares. The combined total area under licence is 12,372 hectares.

Previous mapping completed by the Geological Survey of Western Australia (GSWA) has identified outcropping CID mineralisation and initial reconnaissance sampling returned elevated Fe grades. The thickness of CID mineralisation is estimated by Brockman to be 10 to 20 m thick.

Using the same exploration transactional data with a median value of AUD6,831/km^2 of tenement, SRK valued the exploration ground covering approximately 124 km^2 and assuming the eventual grant of tenements currently under application. This results in a valuation for Mt Stuart of AUD0.8M.

Ranges are calculated using a 55% range around the preferred values, which is a 5% increase in the ranges used for the Exploration Target valuation models, reflecting a slightly greater uncertainty in the exploration area valuations.

Using the above inputs, SRK has estimated the value of the Mt Stuart Project to have a preferred value of AUD0.8M, with a low value of AUD0.4M to a high value of AUD1.3M.

11.5 Valuation of the Mt Florance Project

The Mt Florance Project comprises one granted Exploration Licence (E47/1738) covering 8898 hectares, corresponding to 20 km strike length of Marra Mamba Iron Formation (under cover).

Previous mapping completed by the GSWA has identified outcropping CID mineralisation and initial reconnaissance sampling returned elevated Fe grades. The thickness of CID mineralisation is estimated by Brockman to be 10 to 20 m thick.

In order to value the exploration potential at Mt Florance, SRK utilised the comparative transaction relating to exploration stage projects, as used to value the Ophthalmia and Mt Stuart Projects.

Using the median value of AUD6,831 per square kilometre of tenement, SRK valued the exploration ground covering approximately 89 km^2. This results in a valuation for Mt Florance of AUD0.6M. Ranges are calculated using a 55% range around the preferred values, which is a 5% increase in the ranges used for the Exploration Target valuation models, reflecting a slightly greater uncertainty in the exploration area valuations.

Using the above inputs, SRK has estimated the value of the Mt Florance Project to have a preferred value of AUD0.6M, with a low value of AUD0.3M to a high value of AUD0.9M.

11.6 Exploration Valuation summary

Brockman's exploration assets and resources not currently included in the DFS range from greenfield exploration areas to resources adjacent to the Marillana Project. MREs have been completed at Marillana, and Exploration Targets stated for the Marillana, Duck Creek and West Hamersley projects. Other projects such as Ophthalmia, Mt Stuart and Mt Florance Projects are at an early stage of exploration.

For Brockman's Resources and Exploration Targets, SRK relied on the comparable market value method to derive a value as there was considerable market activity in the sector. In valuing Brockman's resources, SRK has undertaken an analysis of comparable iron ore resources transactions. These resources transactions were applied to estimate a value for the Inferred Mineral Resource estimate for Marillana. The transactions were also applied, with appropriate discounting to account for the stage of exploration to the Exploration Targets stated for the Marillana, Duck Creek and West Hamersley projects.

In addition, information was compiled relating to projects that do not contain Mineral Resources at the time of the transaction, and these transactions were considered with respect to generating a value for the very early stage exploration tenure, for the Ophthalmia, Mt Stuart and Mt Florance projects.

A summary of the valuation of Brockman's exploration assets is provided in Table 11-5.

Table 11-5: Valuation of Inferred Mineral Resources, Exploration Targets and Exploration Tenements of Brockman Resources Limited effective at 23 November 2011

Project	Mineralisation type	Low Value (AUD M)	Preferred Value (AUD M)	High Value (AUD M)
Duck Creek	Exploration Target	7.4	12.3	17.2
West Hamersley	Exploration Target	2.3	4.5	6.7
Ophthalmia	Tenements	0.3	0.7	1.1
Mt Stuart	Tenements	0.4	0.8	1.3
Mt Florance	Tenements	0.3	0.6	0.9
Total Value		**10.7**	**18.9**	**27.2**

12 Conclusions

SRK has completed an Independent Technical Assessment Report on the mineral assets of Brockman, particularly the Marillana Project. This report includes a valuation of Brockman's other iron ore exploration assets, and is required by Deloitte as input into an IER. SRK understands that these reports were commissioned by Brockman as part of a proposed transaction with Wah Nam.

Brockman's most advanced project is the Marillana Project located in the Pilbara region of Western Australia. SRK reviewed the Geology, Mineral Resources, Ore Reserves and Mining aspects of the Marillana Project as key inputs into the financial model being developed by Deloitte. In addition, SRK considered Geotechnical Engineering, Hydrology and Hydrogeology technical inputs, Metallurgical considerations as well as Environmental and Social Impact studies that have been completed at Marillana. Three potential development scenarios were reviewed for the critical port and rail infrastructure aspects.

From its high-level review of the Marillana MRE, SRK concludes that the resource has been estimated and classified using methodologies appropriate for the style of mineralisation. SRK did not identify any fatal flaws during its review.

With respect to the mining aspects, SRK did not identify any fatal flaws during its review. The stated Mineral Resource is inclusive of the Ore Reserve which is reported within the pit designs which are based on open pit optimisations. Measured Resources were converted into Proved Ore Reserves, and Indicated Resources were converted into Probable Ore Reserves. There is a small amount of Inferred contained within the pit designs. There is a change in mining method between the Golder mining studies for the DFS and the Optiro BFS (draft). There are detailed capital estimates for the Golder mining studies for the DFS which are no longer relevant. The Optiro study is not yet completed; SRK has therefore not been able to undertake a detailed investigation of the current capital cost structure. However, the capital costs quoted by Brockman appear to be of the appropriate order of magnitude for this type of project.

In terms of geotechnical inputs into the Marillana development plan, SRK considers that the geotechnical design recommendations do not appear to present a fatal flaw. Opportunities may exist for optimisation of the pit slope designs. Previous excavatability and trafficability assessments have been carried out using recognised methods and their conclusions are considered reasonable. More detailed design inputs will need to be provided once the nature and location of the waste disposal has been finalised and the slope heights known. Further study will be required for investigation of ground conditions beneath specific major mine-site infrastructure at the plant site, once the detailed plans and positions of these have been finalised.

Brockman has engaged consultants to address water management issues appropriately, with development of plans at various stages of completion. SRK considers that the areas identified and addressed through the water management tasks are appropriate for a mining project of this nature.

SRK considers the metallurgical testwork procedures and methodology to be well-documented and executed. However, the impact of fluctuating grade at the pilot scale has not been fully assessed, so the effect of fluctuating feed grade to the full-scale process plant remains an area of process risk. SRK notes that there was insufficient finalised supporting documentation to justify changes made to the financial model between the DFS and BFS, which made it difficult to establish whether changes to the capital cost, operating cost and recovery are justified. However, based on discussion with management SRK believe the costs and recoveries quoted are of an appropriate order of magnitude and in line with industry standards.

SRK recommends the following two sensitivities be run on the financial model:

- An increase in DID reagents and consumables cost from AUD0.67/dmt feed to AUD1.35/dmt feed, based on the DFS operating cost assumptions with dense medium loss assumed to be 700 g/t instead of 500 g/t
- A decrease in DID recovery by 5-10% (ie 2% – 4%) to account for recovery efficiency drop in the event of fluctuations in DMS plant feed grade
- SRK added a 10% contingency to the Closure cost of A$129M.

A number of rail transport alternatives are relevant for the Marillana Iron Ore Project. Securing an agreement and timing of delivery of that infrastructure will be an important consideration to the financial assessment.

Studies on a rail spur to a third party rail line have been advanced. Further analysis is required to define the infrastructure investment required to support the tonnage of additional users on the railway and associated costing. However, SRK believe the costs quoted are of an appropriate order of magnitude and in line with industry standards.

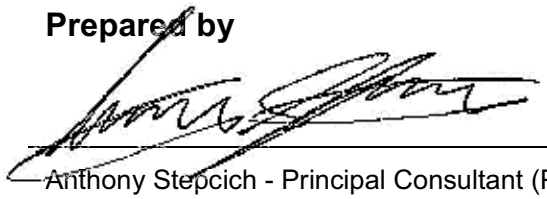
Based on the information reviewed and discussions with management, the assumptions in the model for the Port are in an order of magnitude that would be considered reasonable and appear in line with industry standards.

SRK's principal findings from a review of environmental aspects of the proposed suggest that there are no fatal flaws within the proposal. However, SRK considers that the main environmental aspect of the project which constitutes risks to the project is the incompleteness and inconclusiveness of some the studies conducted to date. This relates in particular to the geochemistry of the waste and the assessment of the potential impacts on surface and ground water quality.

In addition to the Marillana Project, Brockman also controls five earlier stage exploration assets in the Pilbara. The Duck Creek, West Hamersley and Ophthalmia projects have commenced exploration, each with initial exploration results requiring additional drill testing. The Mt Florance and Mt Stuart projects are early stage exploration assets. The valuation assigned to these assets reflects this differing mineralisation potential and high risk of future exploration success.

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

Prepared by



Anthony Stepcich - Principal Consultant (Project Evaluations)

Reviewed by

Deborah Lord - Principal Consultant (Geology)

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

13 References

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SRK Report Distribution Record

Project Number: BRO001

Date Issued: 12 December 2011

Name	Company
Nicki Ivory	Deloitte Corporate Finance Pty Limited
Nicole Vignaroli	Deloitte Corporate Finance Pty Limited

Rev No.	Date	Revised By	Revision Details
0	29 Nov 2011	A Stepcich	Draft Distributed to client: QA/QC pending
1	6 Dec 2011	D Lord	Second draft report
2	8 Dec 2011	A Stepcich	Third draft report
3	9 Dec 2011	D Lord	Fourth draft report
4	12 Dec 2011	A Stepcich	Final report presented to client
5	12 Dec 2011	A Stepcich	Amended Final Report presented to client

Appendix 7: Sources of information

In preparing this report we have had access to the following principal sources of information:

- draft Target's Statement prepared by Brockman
- Bidder's Statement prepared by Wah Nam
- draft Subscription Agreement
- draft Underwriting Agreement
- the Bid Implementation Agreement dated 11 December 2011
- audited financial statements and annual reports for Brockman for FY2010 and FY2011
- financial model for the Marillana Project prepared by Brockman
- other internal management information provided by Brockman, including the information provided in the electronic data room
- independent technical review of the development and exploration assets of Brockman prepared by SRK
- various publicly available media and government releases relating to the Mineral Resource Rent Tax
- various publicly available media and government releases relating to the Carbon Pollution Reduction Scheme and the Climate Change Plan
- annual reports for comparable companies
- company websites for Brockman, Wah Nam and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thomson Research, Capital IQ, Thomson Reuters, SDC Platinum and Mergermarket
- IBIS company and industry reports
- other publicly available information, media releases and brokers reports on Brockman, Wah Nam, comparable companies and the iron ore mining industry.

In addition, we have had discussions and correspondence with certain directors and executives of Brockman, including: Ross Norgard and Colin Paterson, Independent Directors of Brockman; and Derek Humphry, Chief Financial Officer of Brockman; in relation to the above information and to current operations and prospects.

Appendix 8: Qualifications, declarations and consents

The independent expert's report has been prepared at the request of the Independent Directors of Brockman and is to be included in the Target's Statement to be given to shareholders in accordance with Section 640. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Target's Statement in their assessment of the Takeover Offer outlined in the report and should not be used for any other purpose. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Takeover Offer. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

The report represents solely the expression by Deloitte of its opinion as to whether the Takeover Offer is fair and reasonable in relation to Section 640. Deloitte consents to this report being included in the Target's Statement.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the completeness of the information provided by Brockman and its officers, employees, agents or advisors which Deloitte believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Brockman management for confirmation of factual accuracy.

In recognition that Deloitte may rely on information provided by Brockman and its officers, employees, agents or advisors, Brockman has agreed that it will not make any claim against Deloitte to recover any loss or damage which Brockman may suffer as a result of that reliance and that it will indemnify Deloitte against any liability that arises out of either Deloitte's reliance on the information provided by Brockman and its officers, employees, agents or advisors or the failure by Brockman and its officers, employees, agents or advisors to provide Deloitte with any material information relating to the Takeover Offer.

Deloitte also relies on the technical expert's report prepared by SRK Consulting (Australia) Pty Limited. Deloitte has received consent from SRK Consulting (Australia) Pty Limited for reliance in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of Brockman personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

In relation to the prospective financial information, actual results may be different from the prospective financial information of Brockman referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Nicki Ivory, B.Com (Hons), CA, CFA, Johan Duivenvoorde B.Com, CA, Nicole Vignaroli, M App. Fin. Inv., B.Bus (B&F), BA, F Fin, Anthony Ranauro, B.Com, F.Fin, Alexandra White, BCom, CA and Charles Rundle, BCom, CA. Nicki and Johan are Directors of Deloitte. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 240 St Georges Terrace, Perth 6000 acknowledges that:

- Brockman proposes to issue a disclosure document in respect of the Takeover Offer between Brockman and the holders of Brockman shares (the Target's Statement)
- the Target's Statement will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Target's Statement (draft Target's Statement) for review
- it is named in the Target's Statement as the 'independent expert' and the Target's Statement includes its independent expert's report in Annexure A of the Target Statement.

On the basis that the Target's Statement is consistent in all material respects with the draft Target's Statement received, Deloitte consents to it being named in the Target's Statement in the form and context in which it is so named, to the inclusion of its independent expert's report in Section 7 of the Target's Statement and to all references to its independent expert's report in the form and context in which they are included, whether the Target's Statement is issued in hard copy or electronic format or both.

Deloitte has not authorised or caused the issue of the Target's Statement and takes no responsibility for any part of the Target's Statement, other than any references to its name and the independent expert's report as included in Section 7 of the Target's Statement.

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8. Information relating to Brockman's Directors

Information relating to Brockman's directors

8.1 INTERESTS AND DEALINGS IN BROCKMAN SECURITIES

(a) **Interests in Brockman Shares and Brockman Options**

As at the date of this Target's Statement, the directors of Brockman had the following relevant interests in Brockman Shares and Brockman Options:

Director	Number of Brockman Shares	Number of Brockman Options
Peter Luk	–	–
Ross Norgard	13,503,000	–
Warren Beckwith	–	–
Colin Paterson	2,933,247	–
Richard Wright	–	–
Robert Brierley	–	–
Howard Chung Yue Chu	–	–
Michael Spratt	–	–

(b) **Dealings in Brockman Shares and Brockman Options**

No director of Brockman has acquired or disposed of a relevant interest in any Brockman Shares or Brockman Options in the 4 month period ending on the date immediately before the date of this Target's Statement.

(c) **Interests in Wah Nam securities**

As at the date immediately before the date of this Target's Statement, no Independent Director had a relevant interest in any Wah Nam or Wah Nam Australia securities.

The interests of the directors of Brockman in Wah Nam or Wah Nam Australia securities are set out in the following table:

Director	Number of Wah Nam Shares	Number of Wah Nam options
Peter Luk	361,300,276	39,000,000
Ross Norgard	–	–
Warren Beckwith	–	13,500,000
Colin Paterson	–	–
Richard Wright	–	–
Robert Brierley	–	–
Howard Chung Yue Chu	–	–
Michael Spratt	–	–

(d) **Dealings in Wah Nam securities**

No director of Brockman other than Peter Luk has acquired or disposed of a relevant interest in any Wah Nam or Wah Nam Australia securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

Peter Luk, either directly or indirectly, has made the following acquisitions of relevant interests in Wah Nam in the 4 month period ending on the date immediately before the date of this Target's Statement:

- 2,660,000 Wah Nam Shares on 22 September 2011;
- 1,236,000 Wah Nam Shares on 23 September 2011;
- 4,492,000 Wah Nam Shares on 26 September 2011;
- 3,164,000 Wah Nam Shares on 27 September 2011;
- 56,000 Wah Nam Shares on 28 September 2011; and
- 2,476,000 Wah Nam Shares on 30 September 2011.

8.2 BENEFITS AND AGREEMENTS

(a) **Benefits in connection with retirement from office**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the Board, managerial office or a related body corporate of Brockman.

(b) **Agreements connected with or conditional on the Offer**

There are no agreements made between any Independent Director of Brockman and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Brockman Shares or Brockman Options.

(c) **Benefits from Wah Nam**

None of the directors of Brockman has agreed to receive, or is entitled to receive, any benefit from Wah Nam or Wah Nam Australia which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Brockman Shares or Brockman Options.

(d) **Interests of directors of Brockman in contracts with Wah Nam**

Mr Luk Kin Peter Joseph and Mr Chu Chung Yue Howard are employees of Wah Nam and have employment agreements with Wah Nam.

Mr Warren Beckwith provides consultancy services to Wah Nam pursuant to a consultancy agreement he has entered into with Wah Nam.

Mr Richard Wright and Mr Robert Brierley provide consultancy services to Wah Nam pursuant to adviser agreements with Wah Nam.

Except as set out above, none of the directors of Brockman has any interest in any contract entered into by Wah Nam or Wah Nam Australia.

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9. Additional information

Additional information

9.1 EFFECT OF THE OFFER ON BROCKMAN'S MATERIAL CONTRACTS

To the best of Brockman's knowledge, none of the material contracts to which Brockman is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Brockman.

9.2 MATERIAL LITIGATION

Brockman does not believe that it is involved in any litigation or dispute which is material in the context of Brockman and its Subsidiaries taken as a whole.

9.3 ISSUED CAPITAL

As at the date of this Target's Statement, Brockman's issued capital consisted of:

- 144,803,151 Brockman Shares;
- 250,000 unlisted options with an exercise price of $1.25, due to expire on 20 April 2013;
- 600,000 unlisted options with an exercise price of $1.30, due to expire on 11 November 2013;
- 600,000 unlisted options with an exercise price of $3.21, due to expire on 15 June 2014;
- 1,500,000 unlisted options with an exercise price of $3.21, due to expire on 16 March 2012;
- 1,500,000 unlisted options with an exercise price of $3.00, due to expire on 31 August 2014; and
- 450,000 unlisted options with an exercise price of $5.85, due to expire on 16 January 2015.

9.4 SUBSTANTIAL HOLDERS

As at the date of this Target's Statement, based on the substantial shareholding notices provided to Brockman, the substantial shareholders of Brockman are:

- Wah Nam, which holds 80,113,433 Brockman Shares, being 55.33% of the total Brockman Shares on issue; and
- Ross Norgard, who holds 13,503,000 Brockman Shares, being 9.33% of the total Brockman Shares on issue.

9.5 EFFECT OF OFFER ON BROCKMAN'S EMPLOYEE INCENTIVE SCHEMES AND THE BROCKMAN OPTIONS ISSUED UNDER THOSE SCHEMES

(a) **Brockman Options on issue**

To provide long term incentives to key management personnel, Brockman has issued Brockman Options to eligible persons under the Brockman Resources Limited Employee Option Plan, dated 26 August 2008 (as amended from time to time) and adopted by Brockman Shareholders at the annual general meeting held on 5 November 2008 (the Plan). The ASX Listing Rules require the Plan to be approved by Brockman Shareholders every 3 years. The Plan was refreshed at Brockman's annual general meeting which was held on 29 November 2011.

Brockman has 950,000 unlisted Brockman Options on issue under the Plan. Those unlisted Brockman Options and their vesting dates are as follows:

Quantity	Exercise Price	Expiry Date	Vesting Date
500,000	$3.21	15 June 2014	Fully vested
450,000	$5.85	16 January 2015	100,000 to vest on 17 January 2012, 150,000 to vest on 17 January 2013 and 200,000 to vest on 17 January 2014

Under the terms of the Plan, options which have been granted but are not yet vested automatically vest upon the launch of the Offer. Thos options may be exercised during the Offer Period and the shares issued upon exercise can be accepted into the Offer.

In addition to the Brockman Options set out above, Brockman has 3,950,000 unlisted Brockman Options on issue which were not issued under the Plan. Those unlisted Brockman Options and their vesting dates are as follows:

Quantity	Exercise Price	Expiry Date	Vesting Date
100,000	$3.21	15 June 2014	Fully vested
1,500,000	$3.21	16 March 2012	Fully vested
600,000	$1.30	11 November 2013	Fully vested
250,000	$1.25	20 April 2013	Fully vested
1,500,000	$3.00	31 August 2014	Fully vested

(b) **Effect of Offer on Brockman Options on issue**

Wah Nam has agreed to make offers to acquire all of the Brockman Options with an exercise price of A$1.25 and A$1.30 and pursuant to clause 21 of the Plan, the Board intends to approve these transfers. A summary of the offer to be made to A$1.25 and A$1.30 Brockman Option holders is set out in section 12.5 of the Bidder's Statement.

Brockman has agreed to use all reasonable endeavours to enter into agreements with the holders of Brockman Options to cancel all of the Brockman Options with an exercise price of A$3.00, A$3.21 and A$5.85 by the end of the Offer Period.

9.6 BROCKMAN SHARES ACQUIRED PURSUANT TO BROCKMAN EMPLOYEE SHAREHOLDER LOAN SCHEME

Brockman currently has an employee shareholder loan scheme (Loan Agreement) in place to facilitate employees exercising Brockman Options they receive under the Plan. To allow the Brockman Shares held pursuant to the Loan Agreement (Loan Shares) to be accepted into the Offer, the following steps will be undertaken by Brockman:

(a) the Board will approve an amendment to the Plan and each Loan Agreement to allow the Consideration Shares to be used as security for the shareholder loans;

(b) any employee who wished to accept the Offer must, as a condition for Brockman agreeing to process that acceptance, enter into a revised Loan Agreement (on the terms approved by the Board). This will be completed by way of letter agreement;

(c) Brockman will release the holding lock on the Loan Shares and will execute (acting as attorney under the power granted under the Loan Agreement) the acceptance of the Offer on behalf of the loan holder; and

(d) Brockman will deal with the loan holder's consideration under the Offer as follows:

(i) if cash proceeds exceed the outstanding shareholder employee loan, the loan will be entirely repaid, with the excess cash being transferred, and unencumbered Consideration Shares issued, to the loan holder; or

(ii) if cash proceeds are less than the outstanding shareholder employee loan, the shareholder loan will be reduced by the amount of the cash proceeds and the Consideration Shares will be issued to the loan holder, but will be security for repayment of the outstanding balance (with those shares subject to a trading lock).

9.7 THE BID IMPLEMENTATION AGREEMENT

On 12 December 2011, Brockman and Wah Nam entered into a bid implementation agreement (the BIA).

The BIA sets out each party's obligations in connection with the conduct of the Offer. A summary of the key terms of the BIA is set out below and in section 12.1 of the Bidder's Statement.

A copy of the BIA was released to the ASX on 12 December 2011 and is available for download from Brockman's website www.brockman.com.au and the ASX website www.asx.com.au (ASX: BRM).

(a) **Exclusivity**

From 12 December 2011 until the later of:

- the last date of the Offer Period; or
- the date the BIA is terminated,

Brockman must observe the following exclusivity provisions.

(i) No Shop

Brockman must not directly or indirectly solicit or invite any competing proposal or expression of interest or offer which may lead to a competing proposal, or initiate discussions with any third party which may reasonably be expected to lead to a competing proposal.

(ii) No talk

Subject to 9.7(a)(iv) below, Brockman must not participate in any discussions or negotiations in relation to a competing proposal or which may reasonably be expected to lead to a competing proposal. Further, Brockman must not provide any information to a third party for the purposes of enabling that party to make a competing proposal.

(iii) No commitments in respect of competing proposals

Subject to 9.7(a)(iv) below, Brockman must not enter into any agreement, arrangement or understanding in relation to a competing proposal requiring Brockman to abandon, or otherwise fail to proceed with, the Offer.

(iv) Exceptions

The exclusivity provisions described in sections 9.7(a)(ii) and 9.7(a)(iii) above do not apply to the extent that they restrict the Independent Directors from taking or refusing to take any action with respect to a competing proposal, provided that the Independent Directors have determined that:

- the competing proposal could reasonably be expected to lead to a superior proposal; and

- after receiving legal advice from its external advisers, failing to respond to the competing proposal would constitute or would be likely to constitute a breach of the Independent Directors' fiduciary or statutory obligations.

(v) Obligation to notify

Brockman must notify Wah Nam of:

- any approach by a third party which may reasonably be expected to lead to a competing proposal; or
- any request for information relating to Brockman by a third party,

unless the competing proposal has been determined by the Independent Directors to fall within the exception described in the second bullet point of section 9.7(a)(iv) above.

(b) **Reimbursement of costs**

Wah Nam must pay a fee up to a maximum amount of A$1,000,000 (including GST) for Brockman's reasonable legal costs and costs relating to the Independent Expert's Report incurred and paid in relation to the Offer in the event that:

(i) the Conditions described in sections 6.3(a) to 6.3(d) of this Target's Statement have not been satisfied or waived by the end of the Offer Period; or

(ii) Brockman terminates the BIA for one of the reasons described in section 9.7(e)(i) below.

(c) **Representations and warranties**

The BIA contains representations and warranties by Brockman and Wah Nam that are typical for an agreement of its nature, including general corporate warranties.

(d) **Treatment of Brockman Options**

Subject to the Offer becoming unconditional and Wah Nam holding a relevant interest of 90% or more in Brockman, Wah Nam must offer to acquire each Brockman Options with an exercise price of A$1.25 and A$1.30 in exchange for:

(i) the issue of 18 new Wah Nam Shares to the holder of the Brockman Option; and

(ii) payment to the holder of the Brockman Option, in cash, the difference between A$1.50 and the exercise price of the Brockman Option acquired.

The timing of the allotment of the Wah Nam Shares and the payment of the cash consideration described in sections 9.7(d)(i) and 9.7(d)(ii) above, must be on the same terms as the payment of the Offer consideration set out in sections 13.1 and 13.8 of the Bidder's Statement.

(e) **Termination**

(i) Brockman may terminate the BIA if:

- the meeting of the Wah Nam shareholders to approve the Offer is not held and concluded within 60 days after the Announcement Date;
- the placement of Wah Nam Shares and the Convertible Bond is not completed in accordance with its terms within 60 days after the Announcement Date; or

- Wah Nam commits a material breach of the BIA, and that material breach is not remedied within the prescribed period.

(ii) Wah Nam may terminate the BIA if:

- Brockman commits a material breach of the BIA, and that material breach is not remedied within the prescribed period; or
- an Independent Director fails to recommend the Bid or makes any public statement or takes any action that contradicts his recommendation.

(iii) Either Brockman or Wah Nam may terminate the BIA if:

- the last day of the Offer Period passes and the Offer has not been freed from each of the Conditions;
- Wah Nam withdraws the Offer for any reason; or
- the Independent Directors recommend a competing proposal in accordance with section 9.7(a)(iv) above.

In any event, the BIA automatically terminates at 4:00pm on the last day of the Offer Period.

9.8 CONFIDENTIALITY AGREEMENT

On 2 December 2011, Brockman and Wah Nam entered into a confidentiality agreement. The confidentiality agreement contains terms that are typical for an agreement of its nature, except that Wah Nam has agreed to give Brockman a reasonable opportunity to review Wah Nam's application to the Treasurer for approval of the Offer under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*.

9.9 CONSENTS

Freehills has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Brockman's Australian legal advisers in the form and context in which it is so named. Freehills has not advised on the laws of any foreign jurisdiction, and has not provided tax advice in relation to any jurisdiction. Freehills has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, and takes no responsibility for any part of this Target's Statement other than any reference to its name.

UBS AG, Australia Branch, has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Brockman's corporate advisers in the form and context in which it is so named. UBS has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, and takes no responsibility for any part of this Target's Statement other than any reference to its name.

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Wah Nam and Wah Nam Australia with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Wah Nam and Wah Nam Australia. Pursuant to the ASIC Class Order, the consent of Wah Nam and Wah Nam Australia is not required for the inclusion of such statements in this Target's Statement. Any Brockman Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Brockman Shareholder line on 1300 554 240 (for calls made from within Australia) or +61 3 9415 4337 (for calls made from outside Australia).

Additional information

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from IRESS without its consent.

9.10 ASIC DECLARATIONS AND ASX LISTING RULE WAIVERS

Brockman has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer. Nor has Brockman been granted any waivers from the ASX in relation to the Offer.

9.11 JORC CODE REPORTING OF BROCKMAN'S MINERAL RESOURCES AND ORE RESERVES

(a) **Information relating to exploration results, Mineral Resources or Ore Reserves**

The information in this Target's Statement that relates to exploration results, Mineral Resources or Ore Reserves is based on information compiled by Mr I Cooper, Mr J Farrell and Mr A Zhang.

The Ore Reserves statement has been compiled in accordance with the guidelines defined in the JORC Code. The Ore Reserves have been compiled by Iain Cooper of Golder Associates Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Cooper has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration that he is undertaking to qualify as a 'Competent Person' as defined in the JORC Code. Mr Cooper consents to the inclusion of the matters based on this information in this Target's Statement by Brockman, in the form and context in which it appears.

Mr J Farrell, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Golder Associates Pty Ltd, produced the Mineral Resource estimates based on the data and geological interpretations provided by Brockman. Mr Farrell has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a 'Competent Person' as defined in the JORC Code. Mr Farrell consents to the inclusion in this Target's Statement of the matters based on his information in the form and context that the information appears.

Mr A Zhang, who is a member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Brockman, provided the geological interpretations and the drill hole data used for the Mineral Resource estimation. Mr Zhang has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a 'Competent Person' as defined in the JORC Code. Mr Zhang consents to the inclusion in this Target's Statement of the matters based on his information in the form and context that the information appears.

(b) **Exploration targets**

Any discussion in relation to the potential quantity and grade of Exploration targets is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource for these tenements and it is uncertain if further exploration will result in determination of a Mineral Resource for the West Pilbara tenements or other prospects on Brockman's landholding outside of the currently defined JORC Code compliant Mineral Resources at Brockman's Marillana Project.

Additional information

9.12 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all the information that Brockman Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to the Board.

The Independent Directors are of the opinion that the information that Brockman Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Brockman's releases to the ASX, and in the documents lodged by Brockman with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Independent Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Independent Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent Directors have had regard to:

- the nature of the Brockman Shares;
- the matters that Brockman Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Brockman Shareholders' professional advisers; and
- the time available to Brockman to prepare this Target's Statement.

10. Glossary and interpretation

Glossary and interpretation

9.1 GLOSSARY

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
A$	Australian dollar.
AEST	Australian Eastern Standard Time.
Announcement Date	the date that the Offer was announced by Wah Nam Australia to the market, being 12 December 2011.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in the Corporations Act.
ASX	the ASX Limited, ACN 008 624 691 or, where the context requires, the financial market operated by it on which Brockman Shares and Wah Nam Shares are quoted.
ASX Listing Rules	the official listing rules of the ASX.
BFS	bankable feasibility study.
BIA	the Bid Implementation Agreement dated 12 December 2011 between Brockman and Wah Nam.
Bidder's Statement	the bidder's statement of Wah Nam Australia dated 13 December 2011.
Bloomberg	the Bloomberg professional service data product owned and distributed by Bloomberg Finance LP.
Board	the board of directors of Brockman.
Brockman or Company	Brockman Resources Limited, ABN 73 009 372 150.
Brockman Group	Brockman and its Subsidiaries.
Brockman Iron Formation	a 620m thick unit of iron and gangue minerals within the Hamersley Group.
Brockman Options	an option to acquire an unissued Brockman Share.
Brockman Shares	fully paid ordinary shares in Brockman.
Brockman Shareholder	a holder of Brockman Shares.
Business Day	a day that is both a business day within the meaning given in the ASX Listing Rules and a day (other than a Saturday) that banks in Perth, Western Australia and Hong Kong are open for business.
CGT	capital gains tax.
CID	channel iron deposit.
Conditions	the conditions of the Offer, as described in section 13.9 of the Bidder's Statement and section 6.3 of this Target's Statement.
Consideration Shares	the Wah Nam Shares issued to Brockman Shareholders as consideration for their Brockman Shares under the Offer.
Convertible Bond	the convertible bond issued by Wah Nam under the Subscription Agreement between Wah Nam and the Subscriber.
Corporations Act	the Corporations Act 2001 (Cth) (as modified or varied by ASIC).
Deloitte	Deloitte Corporate Finance Pty Limited, ACN 003 833 127; AFSL 241457.
DFS	definitive feasibility study.
DSO	direct ship ore.
Fe	iron.
FEED	front-end engineering and design.

Glossary and interpretation

Term	Meaning
FMG	Fortescue Metals Group Limited, ABN 57 002 594 872.
Hamersley Group	a 2,500 million years old group of late Archaean and early Proterozoic rock formations located in the Pilbara region of Western Australia.
HK$	Hong Kong dollar.
HKEx	Hong Kong Exchanges and Clearing Limited or, where the context requires, the financial market operated by it on which Wah Nam Shares are quoted.
HKEx Listing Rules	the official listing rules of the HKEx.
Independent Directors	the directors of Brockman who are not nominees of, nor suggested to Brockman by, Wah Nam, being (at the time of this Target's Statement) Ross Norgard, Colin Paterson and Michael Spratt.
Independent Expert	Deloitte.
Independent Expert's Report	the report produced by the Independent Expert set out in section 7 of this Target's Statement.
JORC Code	the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
Loan Agreement	the Brockman employee loan scheme agreement entered into in accordance with the Plan.
Loan Shares	the Brockman Shares held pursuant to the Loan Agreement.
Marketable Parcel	has the meaning given in the official operating rules of the ASX which, among other things, includes a parcel of shares which have a value of greater than A$500.
Marra Mamba Iron Formation	a 230m thick unit of iron and gangue minerals within the Hamersley Group.
Marillana Project	Brockman's 100% owned iron ore project, located at Marillana, approximately 100km North-West of Newman in the Pilbara region of Western Australia, as described in detail in section 5.1(a) of this Target's Statement.
Mineral Resource	has the meaning given in the JORC Code.
Mtpa	million tonnes per annum.
Notice of Status of Conditions	Wah Nam Australia's notice disclosing the status of the Conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
NWI	the North West Infrastructure.
Offer or Wah Nam's Offer	the offer by Wah Nam Australia for Brockman Shares, which offer is contained in section 13 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 13.3 of the Bidder's Statement.
Ore Reserve	has the meaning given in the JORC Code.
Placement Shares	any Wah Nam Shares to be issued under the Underwriting Agreement.
Plan	the Brockman Resources Limited Employee Option Plan, dated 26 August 2008 (as amended from time to time).
Rights	has the meaning given to it in section 4.8 of the Bidder's Statement.
Subscriber	Ocean Line Holdings Ltd, a company incorporated under the laws of Hong Kong.
Subscription Agreement	the subscription agreement between Wah Nam and the Subscriber dated on or about the Announcement Date.
Subscription Shares	any Wah Nam Shares to be issued under a Subscription Agreement.

Glossary and interpretation

Term	Meaning
Subsidiary	has the meaning given to it in the Corporations Act.
Trading Day	the daily period that the HKEx is open for trading.
Target's Statement	this document (including any attachments), being the statement of Brockman under Part 6.5 Division 3 of the Corporations Act.
Treasurer	the Treasurer of the Commonwealth of Australia.
Underwriter	REORIENT Financial Markets Limited, a company incorporated under the laws of Hong Kong.
Underwriting Agreement	the underwriting agreement between Wah Nam and the Underwriter dated on or about the Announcement Date.
US$	United States dollar.
VWAP	volume weighted average price.
Wah Nam	Wah Nam International Holdings Limited, ARBN 143 211 867, a company incorporated in Bermuda and listed on both the ASX (ASX: WNI) and the HKEx (HKEx: 0159).
Wah Nam Australia	Wah Nam International Australia Pty Ltd, ACN 134 696 727.
Wah Nam Group	Wah Nam and each of its Subsidiaries.
Wah Nam Shares	fully paid ordinary shares in Wah Nam.
WST	Australian Western Standard Time.

10.2 INTERPRETATION

In this Target's Statement:

(i) other words and phrases have the same meaning (if any) given to them in the Corporations Act;

(ii) words of any gender include all genders;

(iii) words importing the singular include the plural and vice versa;

(iv) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(v) a reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant;

(vi) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

(vii) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;

(viii) unless explicitly expressed otherwise, a reference to time is a reference to WST; and

(ix) unless otherwise stated, a reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

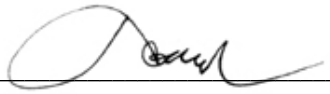
11. Authorisation

Authorisation

This Target's Statement has been approved by a resolution passed by the Independent Directors of Brockman. Each of the Independent Directors voted in favour of that resolution.

Signed for and on behalf of Brockman:

date: 15/12/2011

sign here: 

print name: **Ross Norgard**

position: **Non-Executive Joint Deputy Chairman**

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