BROCKMAN

BROCKMAN MINING LIMITED
布萊克萬礦業有限公司*

(incorporated in Bermuda with limited liability)

(SEHK Stock Code: 159)

(ASX Stock Code: BCK)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The Board of Directors (the "Board") of Brockman Mining Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2022, together with the comparative figures for the corresponding period in 2021. The unaudited consolidated interim results have been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December	
		2022	2021
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Other income		**48**	—
Administrative expenses	*5*	**(8,072)**	(14,617)
Exploration and evaluation expenses	*5*	**(26,443)**	(8,163)
Operating loss		**(34,467)**	(22,780)
Finance income		**68**	9
Finance costs		**(2,717)**	(3,174)
Finance costs, net	*6*	**(2,649)**	(3,165)
Share of loss of joint ventures		**(56)**	(61)
Loss before income tax		**(37,172)**	(26,006)
Income tax benefit	*7*	**8,535**	3,108
Loss for the period		**(28,637)**	(22,898)

** For identification purpose only*

	Note	Six months ended 31 December	
		2022	2021
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Exchange differences arising from translation of foreign operations		**(9,812)**	(13,038)
Other comprehensive loss for the period		**(9,812)**	(13,038)
Total comprehensive loss for the period		**(38,449)**	(35,936)
Loss for the period attributable to:			
Equity holders of the Company		**(28,637)**	(22,898)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(38,449)**	(35,936)
Loss per share attributable to the equity holders of the Company during the period		***HK cents***	*HK cents*
Basic loss per share	*8*	**(0.31)**	(0.25)
Diluted loss per share	*8*	**(0.31)**	(0.25)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 HK$'000 (Unaudited)	30 June 2022 HK$'000 (Audited)
Non-current assets			
Mining exploration properties	*9*	**722,128**	733,677
Property, plant and equipment		**163**	177
Right-of-use assets		**460**	801
Interest in joint ventures		**625**	651
Other non-current assets		**121**	123
		723,497	735,429
Current assets			
Other receivables, deposits and prepayments		**1,802**	999
Cash and cash equivalents		**17,366**	28,797
		19,168	29,796
Total assets		**742,665**	765,225
Equity and liabilities			
Share capital	*12*	**928,023**	928,023
Reserves		**3,811,141**	3,820,953
Accumulated losses		**(4,187,476)**	(4,158,839)
Total equity attributable to the equity holders of the Company		**551,688**	590,137
Non-current liabilities			
Deferred income tax liability		**96,622**	106,949
Borrowings	*11*	**53,475**	51,309
Lease liabilities		**588**	563
		150,685	158,821
Current liabilities			
Trade and other payables	*10*	**39,227**	14,504
Lease liabilities		**213**	619
Provisions		**852**	1,144
		40,292	16,267
Total liabilities		**190,977**	175,088
Total equity and liabilities		**742,665**	765,225

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 31 December 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. This interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2022.

(a) Going concern basis

For the period ended 31 December 2022, the Group recorded a net loss before tax of HK$37,172,000 (six months ended 31 December 2021: HK$26,006,000) and had operating cash outflows of HK$10,621,000 (six months ended 31 December 2021: HK$11,643,000). The Group also had net current liabilities of HK$21,124,000 at 31 December 2022 (refer to Note 10) (30 June 2022: net current assets of HK$13,529,000). The Group did not record any revenue during the period and the loss before tax for the period was primarily attributable to the exploration and evaluation (including the Group's share of the joint operation expenses) of the Group's iron ore exploration projects and corporate overhead costs. As at 31 December 2022, the Group's cash and cash equivalents amounted to HK$17,366,000 (30 June 2022: HK$28,797,000).

On 22 April 2021, Brockman Iron Pty Ltd (a wholly-owned subsidiary of the Company) ("Brockman Iron") and Polaris Metals Pty Ltd ("Polaris") established the joint operation. Following the establishment of the joint operation, Polaris (or its related party) agreed to provide the joint operation with funding by way of a project loan sufficient to allow the joint operation to fund the forecast capital costs for development. The joint operators have agreed to initial development works that will be funded by Polaris with the cost estimated to be circa A$36,000,000 (~HK$202,082,000). The project loan agreement is expected to be executed in the second half of FY2023.

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

The Group has taken a number of measures to improve its liquidity position, including, but not limited to, the following:

(i) Extending the repayment date of the existing loans (and interest thereon) of HK$17,457,000 from the substantial shareholder to 31 October 2024. These loans bear interest at 12% per annum.

(ii) On 19 September 2018, the Group secured a standby loan facility from its substantial shareholder amounting to HK$10,000,000. If drawn down, the loan will be unsecured, bear interest at 12% per annum and be repayable on 31 October 2024. As at 31 December 2022, the facility of HK$10,000,000 is undrawn.

(iii) Subsequent to the six months ended 31 December 2022, additional funding arrangements have been secured from its substantial shareholder, refer to Note 14.

The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of approval of these condensed consolidated financial statements. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these condensed consolidated financial statements.

The directors believe that the Group can continue to access debt and equity funding to meet medium term working capital requirements and has a history of securing such funding as required in the past to support their belief. In the event that funding of an amount necessary to meet the future budgeted operational and investing activities of the Group is unavailable, the directors would undertake steps to curtail these operating and investment activities. Accordingly, the directors of the Company consider that it is appropriate to prepare the Group's condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, there remains material uncertainty as to whether the Group can raise sufficient funding as outlined above which may cast significant doubt about the Group's ability to continue as a going concern and, therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these condensed consolidated financial statements.

These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of the Group's assets or to the amounts and classification of liabilities which might be necessary should the Group not continue as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2022, except as described in this condensed consolidated financial information.

(a) Changes in accounting policy and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards effective as of 1 July 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective but, intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued *IFRS 17 Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace *IFRS 4 Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaption for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFSR 17. This standard is not applicable to the Group.

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

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

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

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

Definition of Accounting Estimates — Amendments to IAS 8

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

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

The amendments are not expected to have a material impact on the Group's financial statements.

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

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

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

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax Related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of these amendments.

3. REVENUE

There was no revenue during the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reports provided to Chief Operating Decision Makers, being the executive directors of the Company who are responsible for allocating resources and assessing performance of the operating segments. The executive directors consider the performance of the Group from a business perspective.

The Group's reportable operating segment is as follows:

Mineral tenements in Australia — tenement acquisition, exploration and expenditure towards future development of the iron ore projects in Western Australia.

Others primarily relate to the provision of corporate services for investment holding companies. These activities are excluded from the reportable operating segments and are presented to reconcile to the totals included in the Group's condensed consolidated statement of comprehensive income and condensed consolidated balance sheet.

Executive directors assess and review the performance of the operating segments based on segment results which is calculated as loss before income tax less share of profit/(losses) of joint ventures.

Segment assets reported to executive directors of the Company are measured in a manner consistent with that in the condensed consolidated balance sheet.

The following is an analysis of the Group's revenue and results by business segment:

	Mineral tenements in Australia *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the six months ended 31 December 2022 (Unaudited):			
Segments results	**(30,653)**	**(6,463)**	**(37,116)**
Share of loss of joint ventures			**(56)**
Loss before income tax			**(37,172)**
Other information:			
Depreciation of property, plant, equipment, and right-of-use assets	**(165)**	**(179)**	**(344)**
Exploration and evaluation expenses	**(26,443)**	**—**	**(26,443)**
Income tax benefit	**8,535**	**—**	**8,535**
For the six months ended 31 December 2021 (Unaudited):			
Segments results	(13,017)	(12,928)	(25,945)
Share of loss of joint ventures			(61)
Loss before income tax			(26,006)
Other information:			
Depreciation of property, plant, equipment, and right-of-use assets	(176)	(178)	(354)
Exploration and evaluation expenses	(8,163)	—	(8,163)
Income tax benefit	3,108	—	3,108
Share based payment expense	—	(6,396)	(6,396)

The following is an analysis of the Group's total assets by business segment as at 31 December 2022:

	Mineral tenements in Australia	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2022 (Unaudited):			
Segment assets	**740,073**	**2,592**	**742,665**
Total segment assets include:			
Interest in joint ventures	625	—	625
Property, plant and equipment	161	2	163
Right-of-use assets	460	—	460
As at 30 June 2022 (Audited):			
Segment assets	**758,848**	**6,377**	**765,225**
Total segment assets include:			
Interests in joint ventures	651	—	651
Property, plant & equipment	174	3	177
Right-of-use assets	623	178	801

5. LOSS BEFORE TAX

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

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**15**	14
Depreciation of right-of-use assets	**329**	340
Staff costs (including directors' emoluments)	**5,479**	5,995
Auditor's remuneration:		
— Audit services	**541**	531
— Non-audit services	**263**	—
Equity-settled share option expense	—	6,396
Exploration and evaluation expenses (excluding staff costs and rental expenses)	**25,813**	7,456

6. FINANCE COSTS, NET

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	**68**	9
Finance costs		
Interest on borrowings	**(2,684)**	(3,108)
Interest on lease liabilities	**(33)**	(66)
	(2,717)	(3,174)
Finance costs, net	**(2,649)**	(3,165)

7. INCOME TAX BENEFIT

No provision for Hong Kong Profits Tax or overseas income tax has been made in these condensed consolidated financial statements as the Group has no assessable profit for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

The income tax on the Group's loss before income tax for the six months ended 31 December 2022 (six months ended 31 December 2021: HK$3,108,000) differs from the theoretical amount that would arise using the enacted tax rate of the consolidated entities as follows:

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax	**(37,172)**	(26,006)
Tax calculated at the applicable domestic tax rate of respective companies	**(10,279)**	(7,802)
Expenses not deductible for tax purposes	**788**	4,694
Tax losses for which no deferred income tax asset was recognised	**956**	—
Income tax benefit	**(8,535)**	(3,108)

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares on issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 31 December	
	2022	2021
	(Unaudited)	(Unaudited)
Loss for the period attributable to the equity holders of the Company *(HK$'000)*	**(28,637)**	(22,898)
Weighted average number of ordinary shares for the purpose of calculating the basic loss per share *(thousands)*	**9,280,232**	9,279,232
Effects of dilution from:		
— share of options *(thousands)*	**103,000**	105,500
Weighted average number of ordinary shares adjusted for the effect of dilution *(thousands)*	**9,486,732(*)**	9,332,416(*)
Loss per share attributable to the equity holders of the Company:		
Basic *(HK cents)*	**(0.31)**	(0.25)
Diluted *(HK cents)*	**(0.31)(*)**	(0.25)(*)

Note (*): Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the loss for the six months ended 31 December 2022 of HK$28,637,000 (six months ended 31 December 2021: HK$22,898,000) and the weighted average number of ordinary shares 9,280,232,000 in issue during the six months ended 31 December 2022 (six months ended 31 December 2021: 9,279,232,000).

9. MINING EXPLORATION PROPERTIES

	Mining exploration properties in Australia
	HK$'000
Balance as at 1 July 2021 (Audited)	784,933
Other	6,051
Exchange differences	(57,307)
Balance as at 30 June 2022 (Audited)	**733,677**
Exchange differences	(11,549)
Balance as at 31 December 2022 (Unaudited)	**722,128**

At 31 December 2022 the Group held capitalised mining exploration properties in Australia of HK$722,128,000 (30 June 2022: HK$733,677,000) representing 97% (30 June 2022: 96%) of the Group's total assets.

The determination as to whether there are any indicators to require a mining exploration property to be assessed for impairment involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and where there is sufficient information for a decision to be made that the area of interest is not commercially viable. The Group performed an assessment of the impairment indicators at 31 December 2022 in accordance with IFRS 6, taking into account the following factors:

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

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

3. Substantial further expenditure is forecast for Marillana at 31 December 2022 and beyond, to continue to advance development of Marillana.

4. Under the FJV Agreement, MinRes is to provide the infrastructure solution to transport ore from the Marillana project to port stockyard at Port Hedland and loading on to ships for export. The MinRes-Hancock joint operation agreement will facilitate this solution for Marillana.

5. In recent years, the iron ore price has increased to levels not seen since 2014 and at 31 December 2022 the price was still above A$194 per tonne or US$132 per dry metric tonne (at an exchange rate of US$0.68).

6. At 31 December 2022, the Group's market capitalisation was HK$1,466,276,676 (30 June 2022: HK$2,505,662,000) well in excess of the net assets HK$551,688,000 (30 June 2022: HK$590,137,000).

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

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

10. TRADE AND OTHER PAYABLES

Trade and other payables include the Group's share of the joint operation expenditure of HK$38,373,000 (30 June 2022: HK$13,552,000), payable to MinRes refer to note 1(a). All other trade and other payables of the Group principally represent amounts outstanding to suppliers. The normal credit period is between 30 days and 90 days.

11. BORROWINGS

	As at	
	31 December 2022	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current		
Loans from a substantial shareholder	**17,457**	16,792
Loans from Polaris	**36,018**	34,517
	53,475	51,309

As at 31 December 2022, the borrowings from a substantial shareholder are unsecured, they bear an interest at 12% (30 June 2022: 12%) per annum and are repayable on 31 October 2024 (30 June 2022: 31 October 2023).

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

12. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised		
As at 31 December 2022 and 30 June 2022	**20,000,000**	2,000,000
Issued and fully paid		
As at 31 December 2022 and 30 June 2022	**9,280,232**	928,023

13. INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

14. EVENTS OCCURRING AFTER BALANCE SHEET DATE

(a) On the 23 February 2023, the substantial shareholder agreed to replace the existing loan and interest of HK$17,457,000 (refer to note 11) with a new loan for US$3,300,000 (approximately HK$25,740,000). The new loan is unsecured, at an interest rate of 17% per annum and is repayable on 31 October 2024.

(b) On the 23 February 2023, the directors of the Company secured agreement for an increased standby loan facility from its substantial shareholder amounting to US$1,800,000 (approximately HK$14,040,000) (previous standby loan facility HK$10,000,000 undrawn). If drawn down, the loan will be unsecured, bear interest at 17% per annum and be repayable on 31 October 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Marillana project has advanced significantly in relation to both on ground technical studies as well as progression of the infrastructure solution for the project.

Since July 2022, substantial field work has been underway at Marillana. Notably among those field works are: (1) development of a water borefield for testing and modelling of the dewatering and water management design; and (2) commencement of a program of close spaced drilling to inform the optimum spacing for infill resource drilling, which is planned to be undertaken for the areas within the early years of the mine life. At the end of the interim period, 4 pumping bores, 24 water monitoring bores and 51 resource drill holes had been completed.

Work also continued on the metallurgical testwork program, which included the successful completion of the first pilot plant run. Analysis of the results from the pilot plant is currently in progress.

The Mineral Resources ("MinRes") – Hancock Joint Operation continues to advance the engineering studies required to support the final investment decision on the rail and port infrastructure which will facilitate the export of the Marillana ore. MinRes is additionally advancing studies and preparation (including miscellaneous licence applications, environmental studies and permitting) for the haul road corridor from Marillana to a rail loading facility on the Roy Hill railway.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax from continuing operations of approximately HK$28.6 million (2021: HK$22.9 million). The increase in the loss after tax was partially due to the increase in exploration and evaluation expenses incurred, including recognition of the Group's share of the joint operation's expenses of HK$24.7 million (2021: HK$5.9 million) in exploration and evaluation expenses. This was partially offset by an income tax credit of HK$8.5 million (2021: HK$3.1 million). This income tax credit was mainly as a result of the recognition of a deferred tax asset in respect of the Group's Australian tax losses for the current period.

During the six months ended 31 December 2022, the Group's basic loss per share for the period was HK$0.31 cents (2021: HK$0.25 cents) and the cash outflows from operating activities were HK$10.6 million (2021: HK$11.6 million).

As at 31 December 2022, the Group's net asset value amounted to HK$551.7 million (30 June 2022: HK$590.1 million) and cash at bank was HK$17.4 million (30 June 2022: HK$28.7 million).

OUTLOOK

Continuing advancement of the Marillana and Ophthalmia Projects overarching studies and approvals, leading to construction and ultimately production.

MINERAL TENEMENTS

Iron Ore Operations – Western Australia

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

The net operating loss before income tax credit for the period for this segment and attributable to the Group was HK$30.6 million (2021: HK$13.0 million). Total expenditure associated with mineral exploration and evaluation for the period ended 31 December 2022 amounted to HK$26.4 million (2021: HK$8.1 million).

Total expenditure associated with mineral exploration and evaluation by each of the projects in Western Australia for the financial period is summarised as follows:

	Six months ended 31 December	
	2022	2021
Project	***HK$'000***	*HK$'000*
Marillana [(1)]	**24,157**	6,151
Ophthalmia [(2)]	**984**	1,219
Regional Exploration	**1,302**	793
	26,443	8,163

(1) Includes HK$23.8 million of joint operation expenditure in the 2022 half-year (2021: HK$5.9 million)

(2) Includes HK$0.9 million of joint operation expenditure in the 2022 half-year (2021: Nil).

No development expenditures have been incurred in the financial information during the six months ended 31 December 2022 and 31 December 2021.

There was no capital expenditure for any of the projects in Western Australia during the six months ended 31 December 2022 and 31 December 2021.

Mine exploration properties

The Group assessed whether any indicators of impairment existed in relation to the Group's mine exploration properties with reference to both external and internal sources of information. As at 31 December 2022, the Group assessed and concluded that there were no impairment indicators present, refer to note 9 of the condensed consolidated financial statements.

Marillana Iron Ore Project

The 50% owned Marillana Iron Ore Project is Brockman's flagship project located in the Hamersley Iron Province within the Pilbara region of Western Australia, approximately 100 km north-west of the township of Newman. The Project is located within granted mining lease M47/1414.

The Project area covers 82 km^2 bordering the Hamersley Range, where extensive areas of supergene iron ore mineralisation, the source of hematite detrital mineralisation at Marillana, have developed within the dissected Brockman Iron Formation that caps the Range.

Marillana Joint Operation

Formation and scope

On 26 July 2018, Brockman Iron and Polaris entered into a Farm-in Joint Venture ("FJV") Agreement (see announcements dated 27 July 2018 on the HKEX and ASX platforms) pursuant to which and subject to the terms and conditions therein, Polaris may farm-in and earn a 50% interest in Marillana by satisfying certain Farm-in obligations.

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

Initial development works

The initial development works per the Indicative Development Proposal from MinRes (as described in the 2021 Annual Report) are progressing. The Joint Operation continues to advance the metallurgical testwork program to support the final flow sheet and process design. The first pilot plant run was successfully completed with approximately 6 tonnes of ore processed and analysis of the results is currently in progress. Samples of the final product and tailings from the pilot plant will undergo further testwork to support product marketing work and tailings management design and approvals. Additional ore blends will be tested through the first half of CY2023 to simulate the performance of the process plant over the life of mine and results of the testwork will be incorporated into further optimisations of the mine plan.

Development of the water borefield (pumping and monitoring bores) for testing and modelling of the dewatering and water management design continued through the period. For the interim period, 4 pumping bores and 24 monitoring bores have been established with pump-testing due to commence during the first half of CY2023. The full programme remains on track for completion before the end of FY2023.

A programme of close spaced reverse circulation ("RC") drilling commenced during the period to inform the optimum drill spacing for planned Mineral Resource infill drilling. Approximately 200 holes for 11,000m of RC drilling is planned across two areas of the deposit. As at 31 December 2022, 51 drill holes for 2,920m had been drilled, the programme is due to be completed during the first half of CY2023. The results of the drill study will be applied to infill resource drilling that is planned to be undertaken for those areas within the early years of the mine life.

Environmental surveys and development of management plans continued during the interim period to update and refresh the baseline data and support development of the project. This work included flora and fauna surveys, waste rock and soils analysis and noise and greenhouse gas modelling. Continued monitoring of ecological communities, weeds and regional hydrological baseline data was also carried out.

Infrastructure

On 29 November 2021, MinRes entered into an agreement with Hancock and Roy Hill in which MinRes and Hancock will jointly investigate the development of new iron ore export facility at the Port of Port Hedland's Stanley Point Berth 3 ("SB3") in South West Creek ("SWC Port"). Roy Hill will provide services to both MinRes and Hancock for development and operation of their projects (which includes Marillana), including rail haulage.

The development of the SWC Port will be subject to:

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

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

On 1 February 2022, the Government of Western Australia announced that it had granted a port capacity allocation to the MinRes-Hancock Joint Operation, at Stanley Point at Berth 3 in South West Creek. MinRes has advised that based on this allocation, Marillana has available port capacity to meet the Joint Operation production requirements. The new iron ore export facility at SP3 remains subject to various approvals and agreements to develop and operate, along with the positive final investment decision by MinRes and Hancock. The MinRes – Hancock JV continues to advance the engineering studies required to support the final investment decision.

Under the FJV Agreement, MinRes is to provide the infrastructure solution to transport the ore from the Marillana project to a port stockyard at Port Hedland and loading on to ships for export. The MinRes-Hancock Joint Venture Agreement will facilitate this solution for Marillana.

MinRes is additionally advancing studies and preparation (including miscellaneous licence applications, environmental studies and permitting) for the haul road corridor from Marillana to a rail loading facility on the Roy Hill railway.

Development funding

The Joint Operators will respectively fund their capital cost commitments for the development of Marillana with loans from MinRes. The initial loan to the Joint Operation is expected to amount to A$676 million for the development of the Marillana Iron Ore Project. Brockman Iron shall repay its share of the debt financing from profits following commencement of operations at Marillana.

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

Management committee

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

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

Manager

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

Loan Agreement

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

Ophthalmia Iron Ore Project

The 50% owned Ophthalmia Iron Ore Project located north of Newman in the East Pilbara of Western Australia, is the most significant iron ore project for the Company outside of its flagship Marillana project. The total Mineral Resources at Ophthalmia now stand at 341 Mt grading 59.3% Fe.

Development

As part of the amended Agreement with MinRes in 2021 (refer to the Marillana Joint Operation section above), Brockman and Polaris have agreed to include Ophthalmia in the farm-in interest, such that Polaris will earn a 50% interest in the Ophthalmia project upon completion of its farm-in obligations.

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

A programme of work continues at Ophthalmia, including mine planning studies, transport corridor studies, environmental surveys and approvals planning. Polaris and Brockman have agreed to reduce the programme whilst MinRes finalises arrangements for the new iron ore export facility at SP3 to allow the parties to prioritise development of the Marillana project.

West Pilbara Project

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

Environmental, Social and Governance

As a responsible entity, the Group has endeavoured to comply with local laws and regulations in relation to environmental protection. At a corporate level, the Group encourages staff to save energy, minimise the use of natural resources and paper products.

We operate an effective and sustainable iron ore business, work actively through all areas of the business to minimise the actual and potential environmental impact of the Group's activities, respect the rights of the traditional owners and value the indigenous cultural heritage associated with its operations. Furthermore, with no mining operations carried out during the interim period, disturbance to the environment is expected to be minimal. We will continue to ensure that in the future, we are accountable for our environmental footprint.

The Board retains the overall responsibility for the Group's Environmental, Social and Governance management and is committed to operating in a manner that contributes to the sustainable development through efficient, balanced, long-term management, while showing due consideration for the well-being of people; protection of the environment and the need to work closely with the local communities and stakeholders.

The Company's 2022 ESG Report is available on the Company's website www.brockmanmining.com.

Environmental review

The Company is committed to the principles of being a good corporate and environmental citizen, and takes careful consideration of environmental, social responsibility and sustainability issues. The Group's operations are subject to environmental regulations under statutory legislation in relation to its activities. Ensuring environmental compliance is integral to the Group's operations, the Group implements environmental management systems and practices, from which we assess and identify potential environmental risks; whilst conducting; monitoring; and reporting performance results to mitigate the impact of our operations on the environment. The Group believes that it has adequate systems in place for the management of the requirements under those regulations and is not aware of any breach of such requirements as they apply to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its short-term funding requirements with equity funding and borrowings. The Group's ability to advance its iron ore project developments is reliant, among other things, on access to appropriate and timely funding.

At 31 December 2022, the Group had net assets of HK$551,688,000 (30 June 2022: HK$590,137,000); and a closing market capitalisation of HK$1,466,276,000 (30 June 2022: HK$2,505,662,000).

At 31 December 2022, the Group had HK$17,366,000 in cash and cash equivalents (30 June 2022: HK$28,797,000).

The current ratio as at 31 December 2022 is 0.48 (30 June 2022: 1.83). The gearing ratio of the Group (long-term debt over equity and long-term debt) is measured at 0.08 (30 June 2022: 0.08).

During the period, the Group did not engage in the use of any financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 31 December 2022 (30 June 2022: Nil).

CAPITAL STRUCTURE

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

As at the date of this announcement, the Company had 9,280,232,131 (2021: 9,279,232,131) shares on issue.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022 and 30 June 2022, the Group has a Deed of Cross Security for the loans advanced by Polaris to Brockman Iron pursuant to the terms of the Marillana Farm-in Joint Venture Agreement, (refer to Note 11).

As at 31 December 2022, the Group did not have any material contingent liabilities or financial guarantees, (30 June 2022: Nil).

RISK DISCLOSURE

MARKET AND FINANCIAL RISKS

The Group is exposed to various types of market and financial risks.

(a) Commodities price risk

The fair value of the Group's mining exploration properties in Australia is exposed to fluctuations in expected future iron ore price.

We have not used any commodity derivative instruments or futures for speculation or hedging purposes. Management will review market conditions from time to time and determine the best strategy to deal with the fluctuations in the iron ore price as required.

(b) Liquidity and funding risk

The Group is exposed to liquidity risk through its financial liabilities and its obligations to make payment on its financial liabilities as and when they fall due. The Group maintains a balance in its approach to funding using debt and/or equity raisings.

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

(c) Risk of the project will not be materialised

This risk is largely driven by various factors such as commodity prices, government regulations, regulation related to prices, taxes, royalties, land tenure, viable infrastructure solutions, capital raising ability etc. The Board will therefore closely monitor the development of the project.

(d) Exchange rate risk

The Group is exposed to exchange rate risk primarily in relation to our mineral tenements that are denominated in Australian dollars. Depreciation in the Australian dollar may adversely affect our net asset value and earnings when the value of such assets is converted to Hong Kong dollars. During the six months ended 31 December 2022, no financial instrument was used for hedging purposes.

As at 31 December 2022 and 2021, the Group was not exposed to any significant exchange rate risk.

(e) Social and political risk

The Group is exposed to other risks that include, but are not limited to, cyber-attack and natural disasters, that could have varying degrees of impact on the Group. Where available and appropriate to do so, the Board will seek to minimise exposure using insurance, while actively monitoring the Group's ongoing exposure.

(f) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flow from a financial instrument will fluctuate because of changes in market interest rates. The Group's policy is to manage its exposure to interest rate risk by holding cash in short term, fixed and variable rate deposits with reputable high credit quality financial institutions. The Group analyses its interest rate exposure and consideration is given to potential renewals of existing positions, alternative financing and/or the mix of fixed or variable interest rates.

STAFF AND REMUNERATION

As at 31 December 2022, the Group employed 14 employees (30 June 2022: 15), of which 5 were in Australia (includes 2 non-executive directors) (30 June 2022: 5) and 9 in Hong Kong (includes 3 non-executive directors) (30 June 2022: 10).

Remuneration policy

The Group's compensation strategy is to promote a pay-for-performance culture to reward employee performance that will maximise shareholder value in the long term. The Group from time to time reviews remuneration packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's strategy. The remuneration policy and packages, including share options for the Group's employees, senior management and directors are maintained at market levels and are reviewed periodically by management and the Remuneration and Performance Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (six months ended 31 December 2021: Nil).

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is listed on both the ASX and SEHK. The Company's is committed to maintain a high standard of corporate governance practices.

During the six months ended 31 December 2022, the Company has complied with code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), except for the following:

(i) Code Provision C.2.1, states that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The position of Chief Executive Officer at the Group level has been vacant during the period. Nonetheless, Mr. Colin Paterson, an executive director of the Company, also serves as the Chief Executive Officer of Brockman Mining Australia Pty Ltd (a wholly-owned subsidiary of the Company), and is responsible for the oversight of the core iron ore business operation; and

(ii) Code Provision C.1.6, states that non-executive Directors should attend general meetings. During the period, due to Directors' other commitments and schedule conflicts, not all of the non-executive Directors attended all of the general meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Specific enquiry has been made with all directors of the Company, the directors have confirmed that they have complied with the Model Code throughout the six months ended 31 December 2022.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of directors' information of the Company is set out below:

Mr. Liu Zhengui retired as non-executive director of the Company on 13 December 2022.

Save as disclosed above, upon specific enquiry made by the Company and following confirmations from directors, there are no other changes in the information of the directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

As at 31 December 2022, the audit committee comprises of three independent non-executive directors Messrs. Yap Fat Suan, Henry, Choi Yue Chun, Eugene and David Rolf Welch (the "Audit Committee"). Mr. Yap Fat Suan, Henry was the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Audit Committee has reviewed the Group's interim results for the six months ended 31 December 2022, including the accounting principles and practices adopted by the Group.

REVIEW CONCLUSION

The auditor of the Group will issue a review conclusion with an emphasis of matter on the condensed consolidated financial information of the Group for the period under review. An extract of the review report is set out in the section headed "EXTRACT OF REVIEW REPORT" below.

EXTRACT OF REVIEW REPORT

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the interim financial information (note 1(a) on page 4 and 5 of this Announcement), which describes the principal conditions that raise doubt about the group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By Order of the Board
Brockman Mining Limited
Kwai Sze Hoi
Chairman

Hong Kong, 27 February 2023

As at the date of this announcement, the Board comprises Mr. Kwai Sze Hoi (Chairman) and Mr. Ross Stewart Norgard as non-executive Directors; Mr. Chan Kam Kwan, Jason (Company Secretary), Mr. Kwai Kwun, Lawrence and Mr. Colin Paterson as executive Directors; Mr. Yap Fat Suan, Henry, Mr. Choi Yue Chun, Eugene and Mr. David Rolf Welch as independent non-executive Directors.