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BROCKMAN
BROCKMAN MINING LIMITED
布萊克萬礦業有限公司*
(incorporated in Bermuda with limited liability)
(SEHK Stock Code: 159)
(ASX Stock Code: BCK)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

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 2017, together with the comparative figures for the corresponding period in 2016. The unaudited consolidated interim results have been reviewed by the Company’s Audit Committee and the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

BROCKMAN MINING LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 December 2017 HK\$’000 (Unaudited)	2016 HK\$’000 (Unaudited)
	Note		
Revenue	3	—	—
Cost of sales	5	—	—
Gross profit		—	—
Other income		79	—
Other (losses)/gain	6	(29)	611
Selling and administrative expenses	5	(7,122)	(17,017)
Exploration and evaluation expenses	5	(7,034)	(7,715)
Impairment of mining properties	10	—	—
Operating loss		(14,106)	(24,121)
Finance income		12	20
Finance costs		(2,658)	(1,549)
Finance costs, net	7	(2,646)	(1,529)
Share of loss of joint ventures		(201)	(519)
Loss before income tax		(16,953)	(26,169)
Income tax expense	8	—	—
Loss for the period		(16,953)	(26,169)

* For identification purpose only

		Six months ended 31 December	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences arising from translation of foreign operations		1,841	(6,929)
Other comprehensive loss for the period		1,841	(6,929)
Total comprehensive loss for the period		(15,112)	(33,098)
Loss for the period attributable to:			
Equity holders of the Company		(16,953)	(26,169)
Total comprehensive loss attributable to:			
Equity holders of the Company		(15,112)	(33,098)
Loss per share attributable to the equity holders of the Company during the period			
		HK cents	HK cents
Basic loss per share	9	(0.20)	(0.31)
Diluted loss per share	9	(0.20)	(0.31)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		31 December	30 June
		2017	2017
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Mining properties	10	842,909	829,031
Property, plant and equipment		3,594	3,673
Interest in joint ventures		371	430
Other non-current assets		288	283
		<u>847,162</u>	<u>833,417</u>
Current assets			
Other receivables, deposits and prepayments		1,469	1,218
Cash and cash equivalents		8,613	23,995
		<u>10,082</u>	<u>25,213</u>
Total assets		<u>857,244</u>	<u>858,630</u>
Equity			
Share capital	14	838,198	838,198
Reserves		<u>(389,347)</u>	<u>(374,235)</u>
Total equity attributable to the equity holders of the Company		<u>448,851</u>	<u>463,963</u>

		As at	
		31 December	30 June
		2017	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Other payables		—	31,333
Amount due to a related party		—	1,392
Deferred income tax liability		250,949	246,817
Borrowings	<i>12</i>	51,282	52,812
Provisions	<i>13</i>	546	844
		<u>302,777</u>	<u>333,198</u>
Current liabilities			
Trade payables	<i>11</i>	10,772	10,722
Other payables and accrued charges	<i>13</i>	82,812	50,561
Amounts due to related parties		2,440	186
Borrowings	<i>12,13</i>	9,592	—
		<u>105,616</u>	<u>61,469</u>
Total liabilities		<u>408,393</u>	<u>394,667</u>
Total equity and liabilities		<u>857,244</u>	<u>858,630</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2017 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(a) Going concern basis

For the period ended 31 December 2017, the Group recorded a net loss attributable to equity holders of the Company of HK\$16,953,000 and had operating cash outflows of HK\$20,380,000. The Group did not record any revenue during the period and the loss for the period was primarily attributable to the exploration and studies costs for the mine in Australia and the administrative expenses incurred by operation in Hong Kong and Australia. As at 31 December 2017, the Group’s current liabilities exceeded its current assets by HK\$95,534,000, and cash and cash equivalents of the Group amounted to HK\$8,613,000.

On 1 September 2016, the Group announced that in light of the sustained copper price weakness and the potential increase in capital expenditure to meet the new local requirements for environmental protection in the PRC, the directors resolved that it will no longer finance the continuing development of its copper mine in the PRC.

The Group will continue to focus its resources on developing its core iron ore mining projects in Western Australia (the “Marillana Project”). On 17 November 2017, the Group has executed a term sheet with a potential investor, BBI Group Pty Ltd (“BBIG”) whereby subject to entering into the farm-in agreement and the JV agreement (“Transaction Documents”), BBIG will undertake to prepare a definitive feasibility study (“DFS”) (including a funding plan) in respect of the construction and development of the Marillana Project following which if determined to be feasible, the parties would establish a joint venture to carry out the development of the Marillana Project. The Group would require significant amounts of financing under the proposed arrangement for the future development of the Marillana Project which are currently yet to be secured.

All the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and development of the Marillana Project and its available sources of financing to assess whether the Group will have sufficient funds to fulfill its financial obligations to continue as a going concern. The Group has taken the following measures to improve the Group's financial position and alleviate its liquidity pressure, which include, but not limited to, the following:

- (i) On 20 September 2016, the Group obtained a loan from its substantial shareholder amounted to US\$5,130,000 (equivalent to HK\$40,000,000) ("US\$ Loan") which is unsecured, bears interest at 12% per annum. The repayment date has previously been extended a number of times and the latest extension on 31 December 2017 has extended the repayment date to 30 April 2019. On 15 December 2017, the Group obtained another loan from the substantial shareholder amounted to HK\$5,000,000 ("HK\$ Loan") which is unsecured, bears interest at 12% per annum and repayable on 30 April 2019;
- (ii) On 6 December 2017, the Company entered into the two subscription agreements with independent third parties pursuant to which the Company will issue an aggregate of 130,000,000 new ordinary shares at an aggregate consideration of HK\$13,000,000 to be settled by cash. On the same date, the Group entered into another subscription agreement (together the "Share Placement") with the substantial shareholder pursuant to which the Company will issue 650,000,000 new ordinary shares at an aggregate consideration of HK\$65,000,000, which will be partly settled by cash of HK\$19,000,000 and by setting-off the outstanding loan of US\$5,130,000 (equivalent to HK\$40,000,000) and the relevant accrued interests amounted to approximately HK\$6,000,000. The shares subscriptions are subject to shareholders' approval and the Company expects the shares subscriptions will be completed by March 2018;
- (iii) On 21 September 2016, an individual shareholder has undertaken to grant a loan of up to HK\$60,000,000 to the Group, which was subsequently increased to HK\$120,000,000 on 21 February 2018, of which HK\$85,000,000 can only be drawn down for purpose of financing the payment to settle liabilities in respect of the mine in the PRC when necessary. The remaining portion of the loan facility of HK\$35,000,000 will be automatically cancelled upon the completion of the Share Placement. Such loan, once drawn down, will be unsecured, bear interest at 15% per annum. The last draw down date and repayment date has been extended a number of times and the latest revision on 21 February 2017 has extended the last drawdown date and repayment date to 30 April 2019;
- (iv) Having executed the term sheet with BBIG for Marillana Project, the Group is finalising the terms of farm-in agreement and joint venture agreement with BBIG and it is expected to be completed in April 2018. Under the proposed arrangement if finalised, BBIG will undertake to prepare the DFS within 3 years ("DFS Period") and the cost of which up to an aggregate amount of AUD10,000,000 will be funded by BBIG and any further costs, subject to the Group's approval, exceeding such threshold will be borne by the Group and BBIG as to 50% each. The directors believe that the DFS could be completed with AUD10,000,000 and considers the proposed arrangement will not require additional financing during the DFS Period. Upon the completion of the DFS, and the Group receiving satisfactory Financial Investment Decision ("FID") proposal and confirmation of its intention to fund 75% of the equity component and completion support for the Marillana Project from BBIG, the Group will then decide whether it will commit to fund 25% of the equity component and

completion support of the Marillana Project. Until such time, the Group does not have any commitment of capital expenditure for the Marillana Project and no expenditure in respect of such development will be committed by the Group before the relevant financing is secured.

At the same time, the directors will continue to maintain the minimum exploration and evaluation activities in the same mine, by incurring estimated expenditure of approximately HK\$5,060,000 per annum, required to maintain the current right of tenure to tenements in Western Australia; and

- (v) Implementation of other cost-saving measures with the objective of keeping the administrative and daily operational expenditures to a minimum in all locations.

The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2017. They are of the opinion that, taking into account the above-mentioned plans and 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 31 December 2017. Accordingly, the directors of the Company consider that it is appropriate to prepare the Group's consolidated interim financial information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to obtain the necessary funding and achieve the plans and measures as described in (iii) to (v) above. The Group's ability to continue as a going concern would depend upon (i) successful completion of the Share Placement; (ii) successful draw down of the loan of HK\$120,000,000 from the individual shareholder as and when needed; (iii) successful finalisation of the agreements with BBIG and satisfactory completion of the DFS within AUD10,000,000 as committed by BBIG and (iv) successful implementation of the operational plans and measures to control costs.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Group's condensed consolidated interim financial information.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2017, as described in those annual financial statements. New standards and amendments to standards effective for the financial year ending 30 June 2017 do not have material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

(a) New and amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Annual Improvements Project IFRS 1 and IAS 28	Annual Improvements 2014-2016 Cycle (amendments)	1 January 2018
IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 (Amendment)	Clarification to IFRS15	1 January 2018
IFRIC22	Foreign Currency Transactions and Advance Considerations	1 January 2018
IFRIC23	Uncertainty Over Income Tax Treatments	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of these is expected to have a significant effect on the consolidated interim financial information of the Group, except for the following set out below:

IFRS 9 Financial instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The Group has yet to undertake a detailed assessment of the classification and measurement of its financial assets, but management considers that except for cash and cash equivalents, there is limited financial assets. The amendment is not expected to have significant impact on the Group's financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

There is a change in hedge accounting rules that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any such hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, and it may result in an earlier recognition of credit losses. As at 31 December 2017, the Group has insignificant balance of financial assets classified at amortised cost, management did not expect the adoption would have any impact to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15 Revenue from contracts with customers

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. A further clarification to IFRS 15 was issued in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance. For the six months period ended 31 December 2017, the Group does not recognise any revenue, management did not expect the adoption would have any impact at the Group's result and financial position, however, management will further assess the contractual arrangement with respect to future production and effects of applying the new standard on the Group's financial statements.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group does not intend to adopt the standard before its effective date.

IFRS 16 Leases

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK\$77,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

There are no other IFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. REVENUE

Revenue represents the amounts received and receivable for sales of mineral ore products. There is no revenue during the six months ended 31 December 2017 (six months ended 31 December 2016: nil).

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to 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 segments are as follows:

Mineral tenements in Australia	—	tenement acquisition, exploration and towards future development of iron ore project in Western Australia
Mining operations in the PRC	—	exploitation, processing and sales of copper ore concentrates in the PRC

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 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	Mining operation in the PRC HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 31 December 2017 (Unaudited):				
Segment revenue from external customers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment results	<u>(7,910)</u>	<u>542</u>	<u>(9,384)</u>	<u>(16,752)</u>
Share of loss of joint ventures				<u>(201)</u>
Loss before income tax				<u>(16,953)</u>
Other information:				
Depreciation of property, plant and equipment	(86)	—	(5)	(91)
Reversal of over-provision of social security expenses	—	715	—	715
Exploration and evaluation expenses	<u>(7,034)</u>	<u>—</u>	<u>—</u>	<u>(7,034)</u>
For the six months ended 31 December 2016 (Unaudited):				
Segment revenue from external customers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment results	<u>(19,319)</u>	<u>1,596</u>	<u>(7,927)</u>	<u>(25,650)</u>
Share of loss of joint ventures				<u>(519)</u>
Loss before income tax				<u>(26,169)</u>
Other information:				
Depreciation of property, plant and equipment	(175)	—	(22)	(197)
Reversal of over-provision of social security expenses	—	1,934	—	1,934
Exploration and evaluation expenses	<u>(7,715)</u>	<u>—</u>	<u>—</u>	<u>(7,715)</u>

The following is an analysis of the Group's assets by business segment as at 31 December 2017:

	Mineral tenements in Australia HK\$'000	Mining operation in the PRC HK\$'000	Others HK\$'000	Total HK\$'000
As at 31 December 2017 (Unaudited):				
Segment assets	849,915	120	7,209	857,244
Total segment assets include:				
Interests in joint ventures	371	—	—	371
As at 30 June 2017 (Audited):				
Segment assets	836,018	26	22,586	858,630
Total segment assets include:				
Interests in joint ventures	430	—	—	430
Additions to property, plant and equipment	3,263	—	—	3,263

5. EXPENSES BY NATURE

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	91	197
Operating lease rentals	1,078	920
Reversal of over-provision of social security expenses, net	(715)	(1,934)
Staff costs (including directors' emoluments)	10,867	10,655
Exploration and evaluation expenses (excluding staff costs and rental expense)	4,369	4,101

Staff costs include:

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Wages, salaries and welfares	10,391	9,930
Retirement benefit scheme contributions	476	666
Share-based compensation	—	59
	10,867	10,655

6. OTHER (LOSSES)/GAIN

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	(29)	—
Write-back of long outstanding payable	—	611
	<u>(29)</u>	<u>611</u>

7. FINANCE COSTS, NET

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	12	20
Finance costs		
Interests on borrowings (<i>Note 12</i>)	<u>(2,658)</u>	<u>(1,549)</u>
Finance costs, net	<u>(2,646)</u>	<u>(1,529)</u>

8. INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. No provision for income tax expense has been made as there is no assessable profit for the six months period ended 31 December 2017 (six months ended 31 December 2016: nil).

9. 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 in 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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the equity holders of the Company (HK\$'000)	<u>(16,953)</u>	<u>(26,169)</u>
Weighted average number of ordinary shares for the purpose for calculating the basic loss per share (<i>thousands</i>)	<u>8,381,982</u>	<u>8,381,982</u>
Loss per share attributable to the equity holders of the Company		
Basic (<i>HK cents</i>)	(0.20)	(0.31)
Diluted (<i>HK cents</i>)	<u>(0.20)</u>	<u>(0.31)</u>

Diluted loss per share is the same as basic loss per share for the six months ended 31 December 2017 and 2016 because the effect of the assumed exercise of share options of the Company during these periods was anti-dilutive.

10. MINING PROPERTIES

	Mining properties in Australia HK\$'000
Balance as at 1 July 2016 (Audited)	797,807
Exchange differences	<u>(26,563)</u>
Balance as at 31 December 2016 (Unaudited)	<u>771,244</u>
Balance as at 1 July 2017 (Audited)	829,031
Exchange differences	<u>13,878</u>
Balance as at 31 December 2017 (Unaudited)	<u>842,909</u>

Mining properties in Australia

The mining properties in Australia represent the carrying value of mining and exploration projects in Australia (including the Marillana iron ore project) acquired by the Group.

As at 31 December 2017, the Group assessed whether events or changes in circumstances indicate a potential material change to the recoverable value of the mining properties since 30 June 2017. The Group performed an assessment of impairment indicators, taking into account the suspension of Project Maverick.

Based on this assessment, management concluded that the suspension of Project Maverick is considered to be impairment indicator and therefore an impairment assessment has been performed by the directors. As at 31 December 2017, the recoverable amount of the mining properties in Australia was determined by applying the fair value less cost of disposal approach. The fair value of the mine properties in Australia was valued by an independent valuer. The fair value estimates are considered to be level 3 fair value measurements; they are derived from valuation techniques which include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach expected to be taken by market participants.

Based on the above impairment assessment, the Group concluded that the recoverable amount of the mining properties in Australia was higher than its carrying amount as at 31 December 2017, there was no impairment to the mine properties in Australia and the associated deferred tax liability.

11. TRADE PAYABLES

Trade payables of the Group principally represent amounts outstanding to suppliers. The normal credit period is between 30 days and 90 days. In certain circumstances, the credit period has been extended to over 90 days. As at 30 June 2017 and 31 December 2017, all trade payables are due over 90 days.

12. BORROWINGS

	As at	
	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Current		
Loan from a third party (<i>Note 13</i>)	9,592	—
Non-current		
Loans from a substantial shareholder	51,282	43,782
Loan from a third party	—	9,030
	60,874	52,812

As at 31 December 2017, the loan from a third party is repayable on 31 December 2018. It is denominated in Renminbi and carries interest at prevailing market interest rates in the PRC. During the six months ended 31 December 2017, the weighted average effective interest rate per annum was 4.83% (six months ended 31 December 2016: 4.83%).

The borrowings from a substantial shareholder are repayable on 30 April 2019. Except for the borrowing of HK\$5,000,000 which is denominated in HK\$, the remaining balance is denominated in United States dollars. The borrowings are unsecured and bears interest at 12% per annum.

13. BORROWINGS, OTHER PAYABLES, ACCRUED CHARGES AND PROVISION

Of the borrowings, other payables, accrued charges and provision as at 31 December 2017, an aggregate amount of HK\$89,260,000 was owned by Luchun Xingtai Mining Company Limited (“Luchun”). On 1 September 2016, the Company has announced that the Group will no longer finance the continuing development of the copper mine held by Luchun.

14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised		
As at 30 June 2017 and 31 December 2017	20,000,000	2,000,000
Issued and fully paid		
As at 30 June 2017 and 31 December 2017	8,381,982	838,198

15. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

16. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 November 2017, the Group and BBIG executed a term sheet, whereby subject to entering into the Transaction Documents, BBIG will undertake to prepare a definitive feasibility study in respect of the construction and development of the Marillana project following which if determined to be feasible, the parties would establish the a joint venture to carry out the development of the Marillana project. The Transaction Documents were originally planned to be finalised within 3 months (by 17 February 2018), of the signing of the term sheet. On 15 February 2018, both parties have agreed to extend the time to finalise the Transaction Documents to 17 April 2018.

Upon the finalisation of the Transaction Documents, BBIG will undertake to prepare a definitive feasibility study (“DFS”) in respect of the construction and development of the Marillana project within 3 years (“DFS Period”). The costs of such project will be borne by BBIG up to an aggregate amount of AUD10,000,000. Any further costs, subject to the Group’s approval, exceeding such threshold will be shared equally between the Group and BBIG. During the DFS Period, the commitments of the Group and BBIG include: (i) the Group shall provide all access required by BBIG to the land on which the Marillana project is situated and to Marillana project’s records; (ii) BBIG will commit to provide the Group with regular reports as to the progress of the DFS; and (iii) BBIG will commit to a minimum spend of AUD3,000,000 after 18 months from the date when the satisfactory conduct of due diligence by BBIG and all and required regulatory, board, and shareholder approvals are obtained. The definitive feasibility study shall set out a work program for the development of the Marillana project and a proposed funding plan which includes: (a) external debt component; (b) equity component (to be contributed by the Group and BBIG); and (c) completion support (costs overrun and completion support to be committed by the Group and BBIG).

Within 2 years from the completion of the DFS, BBIG may notify the Group of its intention to make a financial investment decision (“FID Proposal”), representing a commitment to fund 75% of the equity component and completion support for the Marillana project (“BBIG Commitment”). The Group will then, within 30 days of receipt of the FID Proposal, advise whether it will commit to fund 25% of the equity component and completion support for the Marillana project (“BRM Commitment”), in which case the participating interests of the Group and BBIG in the joint venture between the Group and BBIG established in respect of this project (“Joint Venture”), shall be 50% each. If the Group does not fund the BRM Commitment, BBIG may elect to fund the BRM Commitment resulting in the participating interest between the Group and BBIG in the Joint Venture to be revised as 25% and 75% respectively. Prior to the FID Proposal, should BBIG withdraw from the transaction, the Group shall have the right to acquire a license to all the work that has been undertaken by BBIG by reimbursing BBIG 50% of the costs incurred on the definitive feasibility study.

Save for the above and events mentioned in Note 1(a), there is no significant event occurred subsequently after the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review And Financial Highlights

During the period under review, the Group is delighted to have come to a possible logistics solution for unlocking the value of the Marillana Project. In November, the Group has announced the execution of a term sheet with BBIG. BBIG is developing the Balla Balla Infrastructure project (“BBI Infrastructure”), a rail and port project, which when constructed will comprise an integrated port and rail infrastructure system that will provide a new gateway to the iron ore rich Pilbara region in Western Australia. Initial planned annual capacity of the rail and port is 50Mtpa with potential to scale up. BBIG Cooperation would require the whole Marillana production reaching 30-40 Mtpa, the prior interim production arrangement for Project Maverick and Project Agincourt would be ceased in order to facilitate the BBIG cooperation.

As previously disclosed, the development of Project Maverick and Project Agincourt was an interim solution to establish Brockman as a producer, and it only relates to a very small portion of the total mineralization at Marillana, with an initial 2.5 to 3.0 Mtpa. The Board considers that formalizing cooperation with BBIG will essentially allow Brockman to lock the development path for Marillana and ultimately unveiling the true value of the Marillana Project.

As at 31 December 2017, the Group’s net asset value amounted to HK\$448.9 million (30 June 2017: HK\$464.0 million) and cash and bank balances, totalled HK\$8.6 million (30 June 2017: HK\$24.0 million).

Loss attributable to equity holders of the Company amounted to HK\$17.0 million for the six months ended 31 December 2017 (2016: HK\$26.2 million). Operation related production costs and exploration expenses have decreased due to reduction in exploration activities and cost saving measures. There was no impairment made to our mining properties during the period (2016: nil).

Basic loss per share for the period was HK\$0.20 cents (2016: HK\$0.31 cents).

During the six months ended 31 December 2017, the Group had cash outflows used in operating activities of HK\$20.4 million. (2016: HK\$22.2 million)

OUTLOOK

Upon the formalization of Brockman's cooperation with BBIG will alter the Company's current production strategy. Instead of a 2-stage strategy for the development of its Marillana tenement through project initiatives dubbed: (i) Maverick, and (ii) Agincourt, Brockman together with BBIG now intend to progress Marillana as a single project. The development will refocus the Group's effort in fund raising activities for the coming years while waiting for the DFS to complete.

MINERAL TENEMENTS

Iron Ore Operations — Western Australia

This segment of the business is comprised of the 100% owned Marillana Iron Ore Project ("Marillana Project"), the Ophthalmia Iron Ore Project ("Ophthalmia") and other regional exploration projects.

The net operating loss before income tax expense for the period for this segment and attributable to the Group was HK\$7.9 million (2016: HK\$19.3 million). Total expenditure associated with mineral exploration and evaluation for the period ended 31 December 2017 amounted to HK\$7.0 million (2016: HK\$7.7 million).

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

	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Project		
Marillana	5,574	5,658
Ophthalmia	503	858
Regional Exploration	957	1,199
	<u>7,034</u>	<u>7,715</u>

The Group is yet to make a final investment decision toward commencing development of any of its iron ore projects in Western Australia. Accordingly, no development expenditures have been recognised in the financial information during the half year ended 31 December 2017 and six months period ended 31 December 2016.

Marillana Iron Ore Project

The 100% owned Marillana Iron Ore Project ('Marillana 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 Marillana Project is located within mining lease M47/1414.

The Marillana Project area covers 82 km² bordering the Hamersley Range, where extensive areas of supergene iron ore mineralisation have developed within the dissected Brockman Iron Formation that caps the Range.

Marillana Development

During the six months the Company and BBI Group Pty Ltd ('BBIG') executed a Term Sheet in relation to a Proposed Transaction whereby, subject to execution of the Transaction Documents, BBIG will undertake to prepare a definitive feasibility study ('DFS') in respect of the construction and development of the Marillana Project, following which if determined to be feasible, the parties would establish a Joint Venture to carry out the development of the Marillana Project.

The Proposed Transaction offers a means to unlocking the value of Brockman's iron ore assets, which relies on securing a rail and port infrastructure solution and funding. BBIG is developing the Balla Balla Infrastructure project ('BBI Infrastructure'), a rail and port project, which when constructed will comprise an integrated port and rail infrastructure system that will provide a new gateway to the iron ore-rich Pilbara region in Western Australia. The Proposed Transaction represents an opportunity for Brockman to partner with BBIG to develop the Marillana Project, which shall utilise the rail and port infrastructure under BBI infrastructure and at the same time secure funding to develop the Marillana Project.

About BBIG

BBIG is a subsidiary of the Todd Corporation Limited. It is co-owned by the Todd Corporation (as to approximately 90%) and Mr. Nicholas Curtis (as to approximately 10%). The Todd Corporation is one of New Zealand's leading companies with a range of interests including energy, minerals and property.

The Balla Balla port site is located approximately halfway between Dampier and Port Hedland in close proximity to road, gas and electrical infrastructure. The proposed infrastructure includes a 160 km single-track standard gauge heavy-haul railway, and a multi-user port facility capable of handling and loading transshipment shuttle vessels (TSVs). Initial planned annual capacity of the rail and port is a minimum of 50 million tonnes per annum (Mtpa) (wet) with the potential to scale upwards.

The BBI Infrastructure has full agreement and support from the traditional owners who hold Native Title over the BBI Infrastructure land. The proposed port facility involves no dredging and has a low environmental footprint. All primary BBI Infrastructure environmental approvals are in place. The Western Australian State Parliament recently ratified the State Agreement over the proposed railway (the Railway (BBI Rail Aus Pty Ltd) Agreement 2017) providing certainty to BBIG and its operational partners.

The Proposed Transaction

Under the Proposed Transaction, BBIG will undertake to prepare a DFS in respect of the construction and development of the Marillana Project within 3 years from satisfaction of the Conditions Precedent.

BBIG will fund the costs of preparing the DFS up to an aggregate amount of A\$10 million. Any further costs exceeding such threshold will be borne by the Company and BBIG at 50% each.

The DFS will be of a standard that would be sufficient to support a project financing by a major international bank and be based on the assumption that the Marillana Project will utilise the BBI Infrastructure.

In parallel with the DFS, BBIG will also carry out a study (entirely at their own cost) on a spur railway to connect the Marillana deposit to their proposed main line, including technical studies to identify the preferred railway alignment, approvals and heritage.

The Marillana DFS shall set out a work program for the implementation of the development of the Marillana Project, including details of the proposed funding plan for the estimated capital expenditure associated with the initial development of the Marillana Project, which shall comprise:

- (i) an external debt component to be provided by project financiers (“External Debt Component”);
- (ii) a participant funded component to be contributed by the Company and BBIG (“Equity Component”); and
- (iii) cost overrun facilities and/or such other completion support as may be required by the project financiers (and agreed by the Company and BBIG) to be committed by the Company and BBIG (“Completion Support”).

Within 2 years from the completion of the DFS, BBIG may notify the Company of its intention to make Financial Investment Decision (‘FID’) in relation to the development of the Marillana Project (‘FID Proposal’), which must satisfy the following criteria:

- (i) the proposal shall contain a financial model and details of contractual arrangements that demonstrate that, based on reasonable forward-looking assumptions, the Marillana Project will be capable of achieving an operating margin that is reasonable for a project of its nature;

- (ii) project financing arrangements in respect of the External Debt Component for the Marillana Project can be obtained by BBIG on behalf of the Joint Venture on reasonable commercial terms for a project of this nature; and
- (iii) BBIG can demonstrate that appropriate arrangements are in place to ensure that all key tenure, licences and approvals required to commence construction of the Marillana Project are capable of being obtained (including tenure, licences and approvals relating to the BBI Infrastructure).

By issuing the FID proposal, BBIG would have confirmed its commitment to fund 75% of the equity component and completion support for the Marillana Project (“BBIG Commitment”).

Reasons for the Proposed Transaction

The key to unlocking the value of the Group’s highly prospective iron ore mineral tenements relies on securing a rail and port infrastructure solution and funding. BBIG is developing the BBI Infrastructure comprising port and rail facilities in the Pilbara, Western Australia. The Proposed Transaction represents an opportunity for the Group to partner with BBIG to develop the Marillana Project, which shall utilise the rail and port infrastructure under the BBI Infrastructure and at the same time secure funding to develop the Marillana Project.

Conditions Precedent

The transaction documents are subject to the satisfaction or waiver of the following Conditions Precedent:

- (i) any required regulatory approvals, including FIRB;
- (ii) any board or shareholder approvals of the Company and BBIG (if necessary); and
- (iii) the conduct of due diligence by, and satisfactory to, BBIG in respect of the Marillana Project.

The Joint Venture Arrangement

The scope of the Joint Venture will be limited to the construction, ownership and operation of the Marillana Project and all associated activities set out in the JV Agreement and the other Transaction Documents.

A management committee will be established and will be responsible for the overall direction, coordination, and control of the Joint Venture. Appointment and voting rights to the management committee will be in proportion to the participating interests of the Company and BBIG. Except for certain specified matters (to be agreed and set out in detail in the JV Agreement) relating to customary minority protections which shall require a 80% majority vote for approval, all other matters considered by the management committee will require a 65% majority vote for approval.

An operator, which must be a Participant (or its affiliate) and is able to demonstrate that it has (or will have in the required time) sufficient technical, financial and operational capability to develop and operate the Marillana Project and related infrastructure, will be appointed and will be responsible for the day-to-day operational matters of the Joint Venture.

Project Maverick

Formalisation of Brockman's cooperation with BBIG will alter the Company's current production strategy. Instead of a 2-stage strategy for the development of its Marillana tenement through project initiatives dubbed: (i) Maverick, and (ii) Agincourt, Brockman together with BBIG now intend to develop Marillana as a single project.

The Term Sheet contains an exclusivity period of 5 months from its execution date during which Brockman shall not participate in negotiations or discussions with any other parties in connection with any other proposals pertaining to Marillana. As such, all negotiations for Project Maverick with funding prerequisites, including but not limited to the port Multi-User Agreement have now been suspended. Subject to the execution of Transaction Documents, all the associated activities for Project Maverick will cease.

Ophthalmia Iron Ore Project

The 100% owned Ophthalmia Iron Ore Project located north of Newman in the East Pilbara of Western Australia, is the most significant iron ore project for the Company outside of its flagship Marillana Project. Since the discovery of significant occurrences of bedded hematite mineralisation by field reconnaissance mapping and surface sampling in August 2011, major exploration drilling programmes have been completed and JORC 2012 compliant Mineral Resources have been estimated and reported for the Sirius, Coondiner, and Kalgan Creek deposits (see announcement dated 28 November 2014). The total Mineral Resources at Ophthalmia now stand at 341 Mt grading 59.3% Fe.

The Termsheet and subsequent Proposed Transaction with BBIG has a Pre-emptive Right entitling BBIG the right to match any proposal by a third party (including project financing bank) to develop or acquire any interest in respect of the Ophthalmia Iron Ore Project.

Other Projects

Irwin-Coglia Ni-Co and Ni-Cu Prospect — 40% Interest

The Group has a 40% interest in the Irwin-Coglia nickel-laterite project, located about 150 km south-east of Laverton in Western Australia. Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd, holds the remaining 60% interest. Both entities are the owners of the Murrin Murrin No-Co laterite mine and high-pressure acid leach treatment plant near Laverton. Currently the project is managed by Murrin Murrin Holdings Pty Ltd.

During the six months, Brockman resolved to consider opportunities for the divestment of the Irwin Hills — Coggia Well laterite Ni-Co deposit (owned 40% by Brockman and 60% by subsidiaries of Glencore). PCF Capital Group has been engaged to undertake the sale process.

Mining Properties in Australia

The mining properties in Australia represent the carrying value of mining and exploration projects in Australia (including the Marillana iron ore project) acquired by the Group.

As at 31 December 2017, the Group assessed whether events or changes in circumstances indicate a potential material change to the recoverable value of the mining properties since 30 June 2017. The Group performed an assessment of impairment indicators, taking into account the suspension of Project Maverick.

Based on this assessment, management concluded that the suspension of Project Maverick is considered to be impairment indicator and therefore an impairment assessment has been performed by the directors. As at 31 December 2017, the recoverable amount is determined by the fair value less cost of disposal.

Based on the above impairment assessment, the Group concluded there was no impairment to the mine properties in Australia and the associated deferred tax liability.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its short-term funding requirement 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.

To alleviate the liquidity pressure, the Group has drawn down an additional loan from its substantial shareholder amounted to HK\$5,000,000. During the period, the substantial shareholder agreed to extend the repayment date to 30 April 2019.

The current ratio as at 31 December 2017 is measured at 0.10 (30 June 2017: 0.41). The gearing ratio of the Group (long-term debts over equity and long-term debts) is measured at 0.10 (30 June 2017: 0.16).

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 2017.

CAPITAL STRUCTURE

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

As at the date of this report, the total number of issued shares outstanding for the Company amounted to 8,381,982,131 shares.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2017, no assets was pledged to secure any debts (30 June 2016: Nil).

Financial guarantees

As at 31 December 2017, the Company did not provide any financial guarantees (30 June 2017: Nil).

Contingent liabilities

There is no material contingent liability of the Group as at 31 December 2017.

MARKET RISK

The Group is exposed to various types of market risks, including fluctuations in iron ore price and exchange rates.

(a) Commodities price risk

Iron ore price:

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

We have not used any commodity derivative instruments or futures for speculation or hedging purposes. The management will review the market condition from time to time and determine the best strategy to deal with the fluctuations of iron ore price.

(b) Exchange rate risk

The Group is exposed to exchange rate risk primarily because our mineral tenements are denominated in Australian dollars. Depreciation in 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 period, no financial instrument was used for hedging purpose.

(c) Funding risk

The commencement of exploration and production of the iron ore projects depend on whether the Group can secure the necessary funding. The management is exploring all the feasible alternatives and is actively seeking investors and partners to procure the funding.

(d) Risk of the project will not be materialised

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

STAFF AND REMUNERATION

As at 31 December 2017, the Group employed 26 full time employees (30 June 2017: 34), of which 10 employees were in the PRC (30 June 2017: 14 employees), 4 employees were in Australia (30 June 2017: 8), and 12 in Hong Kong (of which includes 7 directors) (30 June 2017: 12).

The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide incentives to the employees.

The remuneration policy and packages, including share options of the Group's employees, senior management and directors are maintained at market level and are reviewed periodically by the management and the remuneration committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is listed on both the Australian Securities Exchange Limited ("ASX") and on the SEHK. The Company's corporate governance policies have been formulated to ensure that it is a responsible corporate citizen.

The Company complies with all aspects of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK, except for the deviation from Code Provision A.2.1, which requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. The position for the 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 at 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry to all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2017.

AUDIT COMMITTEE

As at 31 December 2017, the audit committee comprises of three independent non-executive directors namely Messrs. Yap Fat Suan, Henry, Uwe Henke Von Parpart and Choi Yue Chun, Eugene (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 CG Code. The Audit Committee has reviewed the Group's interim results for the six months ended 31 December 2017.

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

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”.

Emphasis of matter

We draw attention to Note 1(a) to the interim financial information, which states that the Group recorded a net loss attributable to equity holders of the Company of HK\$16,953,000 and had operating cash outflows of HK\$20,380,000 for the six-month period ended 31 December 2017. As at the same date, the Group’s current liabilities exceeded its current assets by HK\$95,534,000. These matters, along with other matters as described in Note 1(a), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter.

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

Hong Kong, 26 February 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Kwai Sze Hoi (Chairman), Mr. Liu Zhengui (Vice Chairman) and Mr. Ross Stewart Norgard as non-executive directors; Mr. Chan Kam Kwan, Jason (Company Secretary), Mr. Kwai Kwun Lawrence and Mr. Colin Paterson as executive directors; Mr. Yap Fat Suan, Henry, Mr. Uwe Henke Von Parpart and Mr. Choi Yue Chun, Eugene as independent non-executive directors.

GLOSSARY

“ASX”	ASX Limited ACN 008 624 691, or the financial products market, The Australian Securities Exchange, as the situation requires
“Board”	the Board of Directors
“Brockman” or “Company”	Brockman Mining Limited, ARBN 143 211 867, a company incorporated in Bermuda
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK
“Directors”	the directors of the Company
“FIRB”	the Foreign Investment Review Board of Australia
“Group”	Brockman Mining Limited, its associates and subsidiaries
“JORC”	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (4th Edition)
“Joint Venture”	the unincorporated joint venture to be established between the Company and BBIG, the operation of which will be governed by the JV Agreement
“JV Agreement”	the joint venture agreement to be entered into between the Company and BBIG governing the operation of the Joint Venture
“km”	kilometres
“Marillana Project”	The 100% owned Marillana iron ore project is Brockman’s flagship project located in the Hamersley Iron Province
“m”	metre
“Mt”	million tonnes
“Pre-empt Right”	the pre-emptive right to be granted by the Company (or its relevant related entities) to BBIG in respect of the Ophthalmia Project
“Proposed Transaction”	the proposed farm-in (including the granting of the Pre-empt Right) and subsequent establishment of the Joint Venture between the Company and BBIG (or their respective related parties) in respect of the Marillana Project as contemplated under the Term Sheet

“PRC”	Peoples Republic of China
“SEHK”	Hong Kong Exchanges and Clearing Company Limited or the financial products market or the Hong Kong Stock Exchange, as the situation requires
“Term Sheet”	the term sheet executed by the Company and BBIG on 17 November 2017 in relation to the Proposed Transaction
“Transaction Documents”	the definitive agreements to be entered into by the parties in relation to the Proposed Transaction including the farm-in agreement and the JV Agreement