

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# **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)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

The shares of Brockman Mining Limited (the “Company”) are dually listed on The Stock Exchange of Hong Kong Limited and on ASX Limited. This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The following is the text of an announcement released by the Company on ASX Limited on 16 May 2013.

By order of the board of directors of  
**Brockman Mining Limited**  
**Chan Kam Kwan, Jason**  
*Company Secretary*

Hong Kong, 16 May 2013

*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), Mr. Warren Talbot Beckwith and Mr. Ross Stewart Norgard as non-executive directors; Mr. Luk Kin Peter Joseph (Chief Executive Officer) and Mr. Chan Kam Kwan, Jason (Company Secretary) as executive directors; and Mr. Lau Kwok Kuen, Eddie, Mr. Uwe Henke Von Parpart, Mr. Yip Kwok Cheung, Danny and Mr. David Michael Spratt as independent non-executive directors.*

\* *For identification purpose only*

# BROCKMAN

BROCKMAN MINING LIMITED

布萊克萬礦業有限公司\*



Company  
Insight

the intelligent market update

**Brockman Mining Limited**

**Date of Lodgement: 16/5/13**

**Title: “Company Insight – Explains Rail Access Proposal & Growth”**

### Highlights of Interview

- Explains what Brockman is seeking under its Rail Access Proposal for Marillana Iron Ore Project (Brockman 100%).
- Why it has taken this approach.
- The other rail options Brockman is pursuing.
- Process & expected timelines for the Access Proposal.
- Collaborative approach across the mine, rail & port in developing Marillana.
- History of third parties gaining access to rail & why it should now be easier.
- Reminder of scope and quality of Marillana.
- Funding position, developing other projects and generating value for shareholders.

### Record of interview:

Brockman Mining Limited (SEHK stock code: 159 & ASX code: BCK, market capitalisation of ~\$418 million) holds several iron ore projects in Australia. A wholly owned subsidiary of Brockman has submitted an Access Proposal under the Western Australia Railways (Access) Code 2000 to gain access to part of the below-rail infrastructure owned by The Pilbara Infrastructure Pty Ltd (TPI), a subsidiary of Fortescue Metals Group (FMG). What are you seeking under the proposal?

#### **CEO of Australian Operations, Russell Tipper**

Essentially we're seeking rail capacity to haul up to 20 million tonnes per annum (Mtpa) of iron ore for 20 years from our Marillana Iron Ore Project (BCK 100%) in the East Pilbara using the existing TPI main railway line to the proposed Northwest Infrastructure facilities at Port Hedland which has a capacity allocation of up to 50 Mtpa and for which Brockman is a foundation shareholder.

We would need to connect the mine and the port to the TPI line with spur railway lines and run our own trains from the mine to the port and back. That would facilitate the development of Marillana.

#### **[companyinsight.net.au](http://companyinsight.net.au)**

Why have you taken this approach?

#### **CEO of Australian Operations, Russell Tipper**

We've been pursuing commercial negotiations with parties for some time without success. This access process has been enacted by the Western Australian State Government to enable junior miners to get access to existing infrastructure. Submitting a Rail Access Proposal is an attractive

option available to us given the structured negotiation process. TPI has agreed to provide rail access for third parties in its State Agreement.

**companyinsight.net.au**

Are there any precedents for similar proposals?

**CEO of Australian Operations, Russell Tipper**

We've been advised that no other access proposal has been submitted under the WA rail access regime. However this process is quite common in the Eastern States such as in the Bowen Basin in Queensland or the Hunter Valley in New South Wales. Aurizon and Australian Rail Track Corporation own large railways in those areas, where aspiring coal miners seek access to their railways on a regular basis. This process works quite well in those regions and we see no reason why it can't work as efficiently in Western Australia and the Pilbara specifically.

I'd like to make it clear that this state-based process is quite different to some of the protracted legal battles pursued under the Trade Practices Act, where Federal laws have been sought to be used to gain access to infrastructure. The state-based process that we are pursuing is not about litigation; it's about negotiating fair terms with the railway owner and having the benefit of an independent arbitrator to resolve any disputes which may occur.

**companyinsight.net.au**

What are the other options you are pursuing? Can you draw on your experience in the area?

**CEO of Australian Operations, Russell Tipper**

We have been involved in a study with Aurizon – formerly QR National – and Atlas Iron Limited examining an independent new rail development in the Pilbara, linking mines with the proposed Northwest Infrastructure facilities at Port Hedland. We're still involved in that study and we think it's a worthwhile exercise to continue with. The parties intend to move the study to a Pre-Feasibility Study for an integrated rail and port solution and we intend to pursue this option in parallel with our Rail Access Proposal.

We've also been in commercial negotiations with another rail provider, but haven't been able to reach any acceptable commercial outcome to date.

I've been involved in a number of iron ore projects in the Pilbara which encountered the barrier of coming up with infrastructure solutions to enable the development of the mines. Obviously iron ore is a bulk commodity requiring large infrastructure to transport it to customers – so it's not just about finding a good mineral resource. My experience is that commercial negotiations can be open-ended and drag on if the counterparty is not willing or is seeking exorbitant returns.

**companyinsight.net.au**

What is the process and expected timelines for this Access Proposal?

**CEO of Australian Operations, Russell Tipper**

The Access Code provides a prescribed process in which there is a preliminary phase where we have already sought information from the railway owner. Then there is a negotiation phase with TPI on the terms of access. Ultimately if the parties can't agree on those terms, they will be determined by an independent arbitrator appointed by the regulator, which in this case is the Western Australian Economic Regulation Authority (ERA).

It's difficult to say how long the process will take because it depends on which matters are referred to arbitration. But the positive is that the involvement of an 'independent umpire' means a more

timely process. We will also continue advancing our other options for Marillana and our other projects.

**companyinsight.net.au**

Brockman has commenced an Expressions of Interest process with Tier 1 above-rail operators who have confirmed their interest in supporting Brockman's rail access application. Can you define above-rail and below-rail? Who are some of the possible Tier 1 above-rail partners?

**CEO of Australian Operations, Russell Tipper**

The below-rail service we're seeking from TPI is essentially the ability to run our own rail operations using their existing track and all other infrastructure that's required to run a railway such as signalling. It requires us to provide all other items such as locomotives, wagons, fuel cars, maintenance and operations staff – this is the above-rail component. So there is a clear distinction between the existing TPI rail infrastructure (below-rail) and the activities conducted on that track (above-rail), which we would provide through an experienced contractor.

Various Tier 1 above-rail service providers, with excellent credentials from Australia and overseas, have expressed interest in providing above-rail services, but we are not yet in a position to name them. These companies have also expressed an interest in funding the spur lines which would connect to the TPI line and also the rolling stock.

**companyinsight.net.au**

Could you extend this collaborative approach to the mine and port?

**CEO of Australian Operations, Russell Tipper**

The Marillana mine is 100%-owned by Brockman. We're certainly looking at strategic investment partners to come in and help us fund the mine development. However, we won't be able to conclude those discussions until we have a firm rail solution.

We have already been very collaborative in our approach to a port solution. Some time ago we joined as a foundation shareholder in the North West Iron Ore Alliance with Atlas Iron and others, and this is now called the North West Infrastructure (NWI). NWI is proposing to develop a port capable of exporting 50 Mtpa of iron ore from the Inner Harbour at Port Hedland. NWI is currently negotiating lease agreements with the Port Hedland Port Authority.

**companyinsight.net.au**

Owners of private railways have previously not been very encouraging of third party competitors gaining access to their railways. Can a competitor potentially act as a 'spoiler' to your Rail Access Proposal?

**CEO of Australian Operations, Russell Tipper**

It has certainly been the history in the Pilbara that existing rail owners have resisted providing access or haulage services to third party iron ore producers. The old State agreements weren't prescriptive enough to have an adequate process to deal with these situations. The major difference with the TPI line is that TPI has agreed with the State Government to provide access to third parties. It will then become a matter for us to negotiate with TPI on access terms. Therefore other producers in the area don't have the opportunity to act as a spoiler.

**companyinsight.net.au**

Hasn't FMG previously spoken of the desire to use third party railways to transport its iron ore before it built its own railway? You've part answered this, but have you discussed possible commercial agreements with FMG or other railway owners? If so, what was the result of those discussions?

**CEO of Australian Operations, Russell Tipper**

Yes, FMG previously tried to get access to BHP Billiton's and also Rio Tinto's railways through the Trade Practices Act. This has been a very litigious process as I said before with no acceptable outcome secured. FMG went ahead with building its own railway whilst it pursued the Federal access process.

We have been in touch with all railway owners in the vicinity of Marillana and remain open to any commercial negotiations, but to date those providers are either not interested in pursuing discussions with us or haven't agreed to acceptable terms.

**companyinsight.net.au**

Wouldn't FMG have the right to the rail access you're seeking if it decides to expand beyond the current expansion plans of 155 Mtpa?

**CEO of Australian Operations, Russell Tipper**

The Access Code provides for the allocation of excess capacity at the time we make the application. Reservations of future capacity requirements are not allowed. FMG is expanding its capacity to 155 Mtpa at its mines, and TPI is expanding its rail capacity to the same level, but TPI only has a channel allocation at the port of 120 Mtpa. So it appears to us that there will be spare capacity on that railway line over and above that allocated capacity at Port Hedland.

**companyinsight.net.au**

Will the commercial terms of your Access Proposal be affected if FMG sells TPI - as has been announced as a possibility?

**CEO of Australian Operations, Russell Tipper**

The outcome of the sale process for TPI is unclear and I don't know how it might be structured. However, TPI is the signatory to the State Agreement and is obliged to abide by the terms that will be agreed through our Rail Access Proposal regardless of whether they're sold.

**companyinsight.net.au**

Can you describe the scope of the Marillana Iron Ore Project (BCK 100%)? To what degree have you advanced Marillana?

**CEO of Australian Operations, Russell Tipper**

We've completed a definitive engineering study on the mine. We know the ore body well and tests on the ore are currently being undertaken in laboratories in China. The results of those tests are looking promising. We have defined the project well and the product it will produce.

We've also completed definitive engineering studies on the port facilities through NWI and we already have a good understanding on how the port may be developed in totality, or in stages, to enable the foundation partners, or juniors seeking access, to export their iron ore.

**companyinsight.net.au**

How does Marillana compare with other iron ore projects around Australia taking into account key characteristics?



### **CEO of Australian Operations, Russell Tipper**

It compares very well against the mines of other aspiring iron ore producers. It has a one billion tonne Reserve, as previously announced to the ASX, and that will allow us to produce on a significant scale at 20 Mtpa over 20 years. That is a large iron ore project by any standard. We will produce a washed product containing little ultra-fines. This will be attractive to sinter plant operators. Its contaminants are offset by a 61% iron grade, which makes it stand out from its peers. It's a hematite ore which is important because it avoids the need for large amounts of power as are required for magnetite, to grind ore to release the gangue.

### **companyinsight.net.au**

What is your current funding position and what plans do you have for longer term funding? What might it cost for Brockman to completely solve the rail access situation if this current Rail Access Proposal is successful?

### **CEO of Australian Operations, Russell Tipper**

There has been strong interest from China for potential partners to take an equity stake in the Marillana mine. Using a funding structure similar to the Roy Hill JV, we are looking to introduce equity partners into the mine. As I mentioned, Tier 1 rail companies have expressed interest in funding the spur rail lines and rolling stock. Our funding requirement at the port will be determined by the port's initial capacity and then by how much of that is funded by Brockman and Atlas. We have also had strong interest from third parties who would like to build, own and operate the port.

It's difficult to estimate our capital requirement for the rail solution because we haven't completed the engineering work on the spur lines and we haven't got an access arrangement yet.

But from a rail tariff perspective under the WA Access regime, Brockman takes great comfort from the ERA oversight of the published TPI floor and ceiling prices.

### **companyinsight.net.au**

To what extent can you progress your projects other than Marillana? Is it realistic to expect getting them into production in a 'reasonable' timeframe? Would you consider selling any projects?

### **CEO of Australian Operations, Russell Tipper**

The next project in our pipeline is the Ophthalmia Project (BRK 100%) comprising four deposits around 80 kilometres to the south east of Marillana. As recently announced, we've defined a Resource of some 290 million tonnes. We plan to advance this project to a stage where we could produce and haul ore on the infrastructure we aim to establish for Marillana. The extra tonnage would enable us to better utilise that infrastructure. We could connect Ophthalmia to Marillana either by a rail spur line or by road.

Ophthalmia is a more straightforward project than Marillana in that all of the orebodies will produce Direct Shipping Ore i.e. without the need for washing. All we have to do is size the ore for market before transporting it. The development of Ophthalmia is not on the critical time path because the port will be the infrastructure that will take longest to build.

We're not looking to sell any of our projects, but we do recognise the need and benefits of having strategic equity investors in the projects to provide development funding.

### **companyinsight.net.au**

Can you summarise the outlook and the longer term attractions for investors?

## **CEO of Australian Operations, Russell Tipper**

The key to Brockman is monetising the Marillana project and that will then provide great flexibility for more growth. The next crucial step is to achieve a rail solution to connect what is a very good resource to the proposed port, where we already share an export allocation of up to 50 Mtpa.

We believe as we advance Marillana closer to production and then into production that we will see significant value generated for the Company and our other projects will provide the opportunity for further step changes in value for shareholders.

**companyinsight.net.au**

Thank you, Russell.

**Contact at Brockman Mining Limited: Michelle Manook +61 8 9389 3000.**

To read past Company Insights, or to receive future Company Insights by email, please visit [www.companvinsight.net.au](http://www.companvinsight.net.au)

DISCLAIMER: Gryphon Management Australia Pty Ltd trading as Company Insight has taken reasonable care in publishing the information contained in this Company Insight. It is information given in a summary form and does not purport to be complete. This is not advice. The information contained herein should not be used as the basis for making any investment decision. You are solely responsible for any use you choose to make of the information. You should seek independent professional advice before making any investment decisions. To the fullest extent permitted by applicable law, Company Insight is not responsible or liable for any consequences (including, without limitation, consequences caused by negligence) of any use whatsoever you make of the information, including without limitation any loss or damage (including any loss of profits or consequential loss) suffered by you or a third party as a result of the use.