



BROCKMAN BROCKMAN MINING LIMITED
布萊克萬礦業有限公司

Formerly known as Wah Nam International Holdings Limited
Incorporated in Bermuda with limited liability
SEHK Stock Code: 159
ASX Stock Code: BCK

ANNUAL REPORT



2012

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CORPORATE INFORMATION



BOARD OF DIRECTORS

Non Executive Directors

Kwai Sze Hoi (*Chairman*)
Liu Zhengui (*Vice Chairman*)
Warren Talbot Beckwith
Ross Stewart Norgard

Executive Directors

Luk Kin Peter Joseph (*Chief Executive Officer*)
Chan Kam Kwan, Jason
Chu Chung Yue, Howard

Independent Non-executive Directors

Lau Kwok Kuen, Eddie
Uwe Henke Von Parpart
Yip Kwok Cheung, Danny
David Michael Spratt

COMPANY SECRETARY

Chan Kam Kwan, Jason

AUDITOR

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Certified Public Accountants

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PERTH WA 6000

PRINCIPAL BANKER

Australia and New Zealand Banking Group
Limited ("ANZ")
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE

www.brockmanmining.com
www.irasia.com/listco/hk/brockmanmining

STOCK CODE

159
(Main Board of The Stock Exchange of
Hong Kong Limited)
BCK
(Australian Securities Exchange)

CHAIRMAN'S STATEMENT



Dear Shareholders,

I am pleased to present the 2012 Annual Report of Brockman Mining Limited (formerly known as Wah Nam International Holdings Limited) (the "Company") and its subsidiaries (collectively the "Group").

The past year represented a year of extraordinary achievement for the Group.

In June 2011, upon the successful acquisition of 55.3% equity interests and thereby a controlling interest in Brockman Resources Limited ("Brockman Resources", formerly an ASX listed company), we have launched the takeover offer to acquire the remaining interests in Brockman Resources in December 2011. Such offer was approved by the Australian Government's Foreign Investment Review Board (FIRB) in February 2012. On 15 August 2012, we have strategically succeeded in the takeover of 100% of interests in Brockman Resources.

The successful takeover represented a remarkable accomplishment in the expansion of our core mining business in the Australia. It also marked an important milestone to develop the Group into a world famous mining resources company.

Following the acquisition, we have added key members to the Board, and have strengthened and streamlined the management and executive team of the Group in both Hong Kong office as well as Brockman Resources' office in Australia to enhance effective operation of the Group. We have relocated our Hong Kong headquarter and changed our company

name to better convey a positive corporate image and help identify ourselves as a mining company, thus open a fresh chapter in the development history of the Group.

Recently, we have focused our efforts in expediting and implementing the infrastructure solutions for the Marillana project, and have achieved sound progress.

In respect of the railway options, we have entered into a strategic alliance agreement with QR Limited (a wholly-owned subsidiary of QR National Limited, the largest railway transportation company in Australia) and Atlas Iron Limited ("Atlas") on 20 August 2012. The three parties have committed to co-operate in assessing the feasibility of working out a comprehensive mine, railway and port solution to the East Pilbara region, Western Australia, where our Marillana project is located.

In September 2012, the Group has also received conditional environmental approval for the development of its Marillana project and associated rail spur from the Commonwealth Department of Sustainability, Environment, Water, Population and Communities ("DSEWPoC"), pursuant to the Environmental Protection and Biodiversity Act 1999.

In respect of the port, the Minister of Transport of Western Australia confirmed the ability for North West Infrastructure, a jointly controlled incorporated joint venture company ("NWI") (of which Brockman Resources is a founding member) to develop two berths for iron ore export in Port Hedland. We are currently working

CHAIRMAN'S STATEMENT *(continued)*

closely with NWI to finalize the South West Creek infrastructure Port Lease with the Port Hedland Port Authority ("PHPA").

In respect of the mines, we strive to work out a most economical yet favourable infrastructure solution following up with the Bankable Feasibility Study ("BFS").

Above all, we have been actively seeking for suitable strategic partners and investors to fill the capital requirements for the infrastructure and development of the project, and we aim at long-term cooperation with our strategic investors to enhance synergy for our investments.

We know that the coming twelve months will be both exciting and challenging for the Group. I am confident that the board of directors and the entire executive team of the Company will continuously demonstrate their professionalism and selfless dedication to capture opportunities, address challenges ahead and deliver excellence in their duties.

I would like to take this opportunity to express my heartfelt gratitude to all the staff of the Group for their contribution and unwavering dedication during the past year, and as well thank our shareholders and partners for their strong support.

Despite the uncertainties of the world economy, I strongly believe that in the mid- to long-term, the demand for mineral ore products and other resources around the world, especially China will remain robust. Leveraging on the unique advantages of the Marillana project, we look forward to bring lucrative returns to our shareholders.

Kwai Sze Hoi
Chairman

25 September 2012

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

For the eighteen months ended 30 June 2012, the Group recorded consolidated revenue of approximately HK\$200.8 million (2010 (12-month): HK\$132.0 million). The consolidated revenue consisted of HK\$28.6 million (2010 (12-month): HK\$17.4 million) from the sales of copper ore concentrates, HK\$153.6 million (2010 (12-month): HK\$99.9 million) from the provision of limousine rental services and HK\$18.6 million (2010 (12-month): HK\$14.7 million) from the provision of airport shuttle bus services. As at 30 June 2012, the Group's net asset value amounted to HK\$3,099.0 million (31 December 2010: HK\$2,349.9 million) whereas cash and bank balances amounted to HK\$336.4 million (31 December 2010: HK\$135.6 million).

Loss attributable to equity holders of the Company for the eighteen months ended 30 June 2012 was HK\$1,579.7 million (2010 (12-month): loss of HK\$210.6 million). Basic loss per share for the eighteen months ended 30 June 2012 is HK29.77 cents (2010 (12-month): loss of HK5.99 cents). The loss of the current period was mainly due to the impairment losses from the revaluation of mining properties in Australia and in the People's Republic of China ("PRC"). Impairment losses on the revaluation of mining properties in Australia and the PRC recorded during the eighteen months ended 30 June 2012 amounted to approximately HK\$2,391.9 million and HK\$114.0 million respectively.

CORPORATE ACTIVITIES

The Company has undertaken significant steps in acquisition of quality mining assets to enrich its resource base during the eighteen months ended 30 June 2012. Two takeover offers were concluded and the outcome is summarised as follows:

(1) Takeover offer for Brockman Resources and FerrAus Limited ("FerrAus")

The Company launched two takeover offers simultaneously to acquire both Brockman Resources and FerrAus through all-scrip bids on 10 November 2010. On 16 June 2011, the Company had successfully accumulated a total of 55.33% equity interest in Brockman Resources, thus it has become a subsidiary of the Company on that date. As a result of the takeover of Brockman Resources, a total of 1,432,980,840 ordinary shares were issued and allotted to Brockman Resources shareholders who had accepted the offer (representing approximately 32.99% of the equity interest of Brockman Resources).

The FerrAus offer lapsed on 15 July 2011. FerrAus announced the asset acquisition and placement transactions to Atlas Iron Limited ("Atlas"). As a result following the placement transactions to Atlas, the Company's relevant interests were diluted from 16.4% to 10.01%. A counter offer by

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Atlas followed after the asset acquisition and placement to Atlas. The Company has accepted the offer and disposed the Atlas consideration shares on market.

(2) Takeover offer for Brockman Resources

On 12 December 2011, the Company launched another takeover offer to acquire the remaining shares of Brockman Resources not already owned through a cash and scrip bid. On 29 May 2012, acceptance exceeded 90% and on 19 June 2012, following the close of the takeover offer, the compulsory acquisition process to acquire 100% of the remaining shares in Brockman Resources commenced. Consideration payments were issued in batches and a total of 1,179,714,924 shares and A\$97,529,577 cash were paid to shareholders holding the remaining of 44.67% equity interest in Brockman Resources and certain option holders under the terms of the bid. The compulsory acquisition process was completed on 15 August 2012.

Board Appointments

During the Reporting Period, the Company has appointed the following directors:

Mr. Chu Chung Yue Howard	<i>(appointed on 7 Nov 2011 as executive director)</i>
Mr. Liu Zhengui	<i>(appointed on 27 April 2012 as non-executive director and redesignated on 15 June 2012 as Vice Chairman)</i>
Mr. Kwai Sze Hoi	<i>(appointed on 15 June 2012 as non-executive director and Chairman)</i>
Mr. Warren Talbot Beckwith	<i>(appointed on 15 June 2012 as non-executive director)</i>

On 15 June 2012, Mr. Luk Kin Peter Joseph was redesignated as the Chief Executive Officer of the Company.

As at the date of this report, two more directors were appointed as follows:

Mr. Ross Stewart Norgard	<i>(appointed on 22 August 2012 as non-executive director)</i>
Mr. David Michael Spratt	<i>(appointed on 22 August 2012 as independent non-executive director)</i>

Biographical details of the directors are contained in page 29 to 31 of this report.

Subscription of Shares and Convertible Bonds

Pursuant to a subscription agreement entered into between the Company and Ocean Line Holdings Ltd. ("Ocean Line") on 12 December 2011, a total of 555,100,000 ordinary shares were issued at an issue price of HK\$0.60 per share and 5% convertible bond of principal amount of HK\$173,940,000 ("First CB") was issued on 10 January 2012.

Further to the above, a Bond Subscription Agreement and a Convertible Bond Subscription Agreement were entered into between the Company and Ocean Line on 6 March 2012, whereby Ocean Line agreed to subscribe for a bond of HK\$78,000,000 ("Bond") and another 5% convertible bond of the Company with principal amount of HK\$78,000,000 ("Second CB") upon the redemption of the Bond. On 19 April 2012, shareholders' approval for the subscription of the Second CB was obtained, the Second CB was issued and the Bond was redeemed in full on the same date.

IRON ORE OPERATIONS — WESTERN AUSTRALIA

Marillana Iron Ore Project (M47/1414, E47/1408) – 100% Interest

The Marillana Project (the Project) is located approximately 100 km north-west of Newman in the world-class Hamersley Iron Province of Western Australia's Pilbara region. The

Marillana tenements, M47/1414, E47/1408, are held by Brockman Iron Pty Limited, a wholly-owned subsidiary of Brockman Resources. The tenements cover a total area of 96 km² in the Fortescue Valley and border the Hamersley Range for a strike length of approximately 16 km, where extensive areas of supergene iron ore mineralisation are developed within the dissected Brockman Iron Formation that caps the Range.

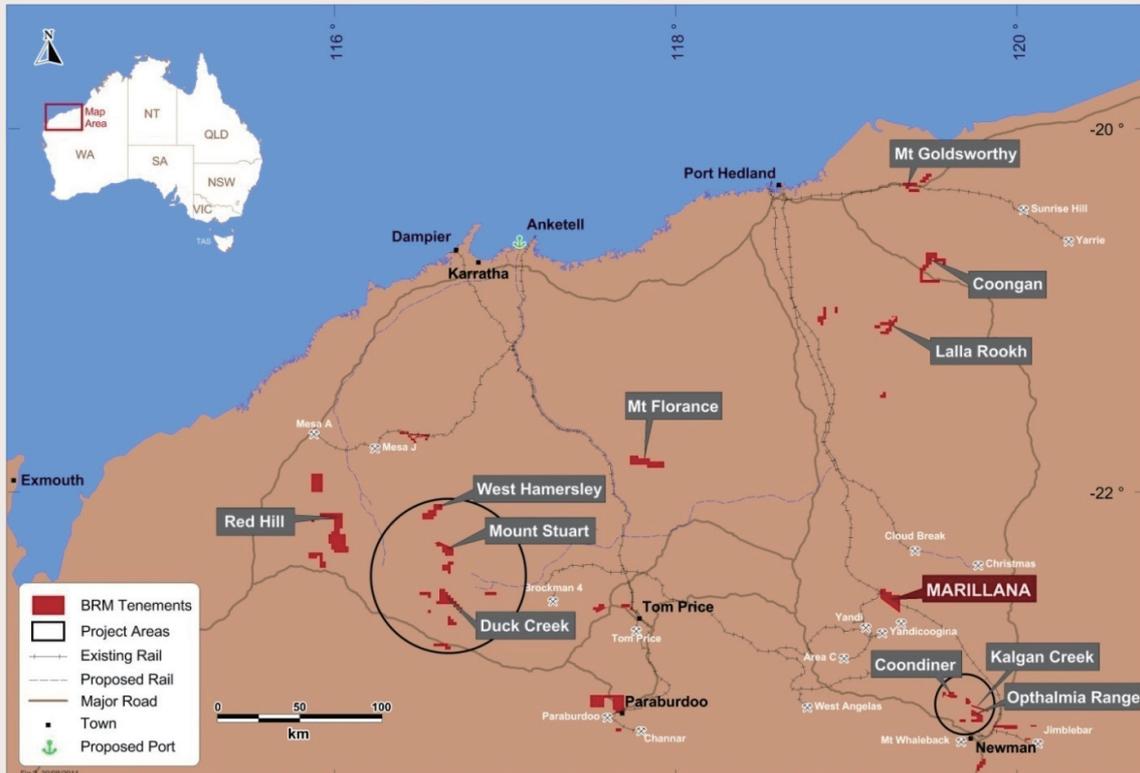


Figure 1: Marillana Project location plan

PROJECT DEVELOPMENT OVERVIEW

The development of the Marillana Project continued to progress throughout the year with an emphasis on securing a rail and port infrastructure solution for the Project. Brockman Resources has been working closely with its partners in North West Infrastructure (NWI) and QR National (QRN) in scoping and developing an integrated mine, rail and port logistics solution.

Following completion of the Front End Engineering and Design (FEED) phase of the project and a strategic review of the outcomes, Brockman Resources is well positioned to be able to rapidly move ahead with development of the Project once these infrastructure solutions have reached the same level of definition as the Project.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

A Project Delivery Strategy has been developed to define the principles for the design, management and construction of the Project. The strategy is for Brockman Resources to engage a Project Management Contractor to manage the delivery of a number of major, lump sum Engineering Procurement and Construction packages, plus a number of minor Build Own Operate/Transfer packages. This strategy is consistent with the Project's funding considerations and is in line with Brockman Resources' objective to diversify the major construction contracts, so that the Project's delivery risk is spread across multiple credit-worthy counterparties.

ENGINEERING

The Definitive Feasibility Study (DFS) on the Marillana Project was completed in September 2010. The completion of the DFS paved the way for Brockman Resources to progress the Front End Engineering & Design (FEED) phase of the Marillana Project. The FEED contract, for the design and construction of the Marillana Project (Stage 1), was awarded in December 2010 to UGL Resources Pty Ltd, a wholly-owned subsidiary of UGL Limited, one of Australia's leading providers of project delivery services in the mining and mineral processing industries.

The FEED produced a further study of the Marillana Process Plant and the ancillary mine site infrastructure, through the advancement of process engineering and plant design. The engineering design was developed utilising UGL's 3D intelligent design processes, which considered the optimisation of plant layout, modularisation, maintenance and operability considerations, and quantified bulk material quantities.

The FEED works were completed in September 2011 and the outcomes continued to validate the plant design, based on the product beneficiation process proposed in the DFS.

In October 2011, Lycopodium Minerals Pty Ltd, in conjunction with John Clout and Associates, undertook a strategic review of the plant and process design. The strategic review focused on the continuity of plant feed, the scrubbing process for varying ore types and revisions to the plant footprint to achieve lower capital costs. The strategic review, completed in April 2012, highlighted key areas of focus for the next phase of detailed engineering. This work will not commence until there is a definitive rail and port infrastructure solution in place.

A number of discrete optimisation studies have been carried out during the period, as a result of recommendations made in the FEED study and strategic review. These include:

- additional studies on improving the recovery of the natural -1 mm sized material, which is currently considered as waste;
- study of a de-gritting circuit to reduce fines reject storage (FRS) pumping costs and optimize FRS life;
- optimisation of plant and FRS layout to reduce pumping distances; and
- reduction of conveying distances for coarse rejects.

DEVELOPMENT SCHEDULE

The Company announced on 20 August 2012 that Brockman Resources entered into an Alliance Study Agreement with QR National and Atlas, to undertake joint evaluation of an integrated mine, rail and port logistics solution in the East Pilbara region. The Agreement allows for shared costs and resources to complete the pre-feasibility study ("PFS").

Recent infrastructure developments and discussions with Alliance partners indicate commencement of first production of the project in 2016, subject to the Alliance and other parties' cooperation towards establishing a viable rail and port solution, and the timely resolution of funding options currently being actively pursued by the Group.

RAIL AND PORT ACCESS AND INFRASTRUCTURE

Rail

The Project requires rail infrastructure to haul product to Port Hedland for export.

Subsequent to June 2012, Brockman Resources executed a tripartite Alliance Study Agreement with QRN and Atlas Iron Limited (Atlas) in relation to a jointly-funded Pre-Feasibility Study (PFS) of the development and operation of the EPIR network, linking Port Hedland to the Marillana Project and several other deposits held by Brockman Resources, Atlas and potentially other third parties. Brockman Resources is participating in discussions with QRN and Atlas regarding the terms of reference for the PFS and subsequent studies, if appropriate.

QRN is Australia's largest rail freight operator (by tonnes hauled), holding medium to long term contracts with global resource companies such as BHP Billiton, Rio Tinto, Xstrata, Vale and Alcoa. QRN has extensive experience with iron ore haulage, being Australia's largest hauler of iron ore for export outside of the Pilbara region.

Port

In September 2010 the Port Hedland Port Authority ("PHPA") outlined the basis on which the North West Infrastructure (NWI) could be granted a port lease upon certain approvals and conditions precedents being met. The NWI, is a jointly controlled incorporated joint venture between Brockman Resources, Atlas Iron and FerrAus.

In August 2012 the Western Australian State government confirmed its commitment stating that NWI is able to develop two berths for iron ore export in South West Creek with its facility able to remain in the Port Hedland inner harbour. The review of the inner harbour capacity did not increase or decrease previously assigned export allocations which in the case of North West Infrastructure is 50mtpa.

NWI has submitted a Preliminary Planning Review to the PHPA as the first stage of preparing a full development proposal, pending the finalisation of the Port Lease. In addition NWI has undertaken detailed engineering studies to support the development of the berths and associated infrastructure and continues to optimise the proposed development in line with the shareholders mining plans, which provides connection to the proposed East Pilbara Independent Railway.

Within the period State Ministerial environmental approvals for the dredging and reclamation of South West Creek and the multi-user landside port facility were received. Native Title Agreements with claimants were finalised. The required heritage approvals are proceeding via Section 18 of the Aboriginal Heritage Act.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*



Photograph courtesy of Port Hedland Port Authority

Figure 2: Location of proposed NWI berths in Port Hedland harbour

EXPLORATION AND RESOURCE DEVELOPMENT

Mining studies associated with the Marillana DFS resulted in the conversion of the Project Mineral Resources into Ore Reserves. Definitive mining studies by Perth-based Golder Associates Pty Ltd (Golder), as part of the DFS, demonstrated that the Marillana Project contains Proven and Probable detrital Ore Reserves¹ in excess of one billion tonnes within the optimal pit design, as shown in Table 1.

Table 1: Marillana Detrital Ore Reserves

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

Additionally, the Marillana Channel Iron Deposit (CID) Ore Reserves within the pit design are estimated to be in excess of 48 million tonnes (Mt), as shown in Table 2.

Table 2: Marillana CID Ore Reserves

Reserve classification	Mt	Fe (%)	CaFe* (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Probable	48.5	55.5	61.5	5.3	3.7	0.09	9.7
TOTAL	48.5	55.5	61.5	5.3	3.7	0.09	9.7

* CaFe represents calcined Fe and is calculated by Brockman Resources using the formula $CaFe = Fe\% / ((100 - LOI\%) / 100)$.

¹ Refer to Competent Persons Statement

Based on extensive beneficiation test work, the detrital Ore Reserves are expected to produce 378 Mt of final product, grading 60.5-61.5% Fe, with impurity levels comparable with other West Australian Direct Shipping Ore (DSO) hematite iron ore products.

The beneficiation test work demonstrated that the detrital ore could be upgraded by simple beneficiation techniques to produce a blended Marillana final product (fines) with the grade specification shown in Table 3.

Combined with the CID Ore Reserves, the Marillana Project is planned to produce in excess of 419Mt of final DSO equivalent product.

Table 3: Final Product Grades for Marillana Detrital Ore Reserves

Average plant feed grade	Final product grade ranges						
Fe (%)	Mass recovery (%)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	S (%)	P (%)	LOI (%)
42.4	36-39	60.5-61.5	6.0-6.5	2.5-3.0	<0.02	<0.08	2.0-3.0

In accordance with the requirements of the JORC Code, the Marillana Ore Reserves are based solely on the Measured and Indicated Mineral Resources at Marillana.

The total Mineral Resource at Marillana is 1.63 billion tonnes, comprising 173 Mt of Measured Mineral Resources, 1,238 Mt of Indicated Mineral Resources and 219 Mt of Inferred Mineral Resources (see Tables 4 and 5).

The 210 Mt of Inferred Mineral Resources is based on wide-spaced drilling to the north of the Indicated Mineral Resource boundary, which has demonstrated continuity of the

detrital mineralisation in this area. In addition to these Inferred Mineral Resources, Brockman Resources has identified further potential detrital mineralisation from isolated drill holes outside of, but adjacent to the current Resource boundary, totalling an estimated 150-250 Mt grading 39-43% Fe². Further drilling is required to demonstrate continuity of this mineralisation and to raise the classification of the Mineral Resources in these areas. Based on the existing high conversion rate of Mineral Resources to Ore Reserves, these areas, in combination with the existing Inferred Mineral Resources provide the potential for an additional 300-400 Mt of plant feed, if infill drilling confirms continuity of mineralisation.

Table 4: Beneficiation Feed Mineral Resource Summary (Cut-off grade: 38% Fe)

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

* Total tonnes may not add up due to rounding.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Table 5: Marillana Project CID Mineral Resource Summary (Cut-off grade: 52% Fe)

Resource classification	Mt	Fe (%)	CaFe* (%)	Al ₂ O ₃ (%)	SiO ₂ (%)	P (%)	LOI (%)
Indicated	84.2	55.8	61.9	3.6	5.0	0.097	9.8
Inferred	17.7	54.4	60.0	4.3	6.6	0.080	9.3
TOTAL	101.9	55.6	61.5	3.7	5.3	0.094	9.7

* CaFe represents calcined Fe and is calculated by Brockman Resources using the formula $CaFe = Fe\% / ((100 - LOI\%) / 100)$. Total tonnes may not add up due to rounding.

The Mineral Resource estimation (see Tables 4 and 5) was prepared by Golder Associates Pty Ltd and has been classified in accordance with the guidelines of the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves" JORC Code³. It has been estimated within geological boundaries using a 38% Fe cut-off grade for beneficiation feed mineralisation and a 52% Fe cut-off grade for CID mineralisation.

METALLURGY AND PROCESSING

Following the successful completion of the definitive metallurgical test work program and the development of the Process Flow Diagram (PFD), Brockman Resources has further validated the PFD by undertaking two bulk sample beneficiation tests, involving approximately 150 tonnes of ore from each of the initial pits (Pits 1 and 2), which will provide the first six years

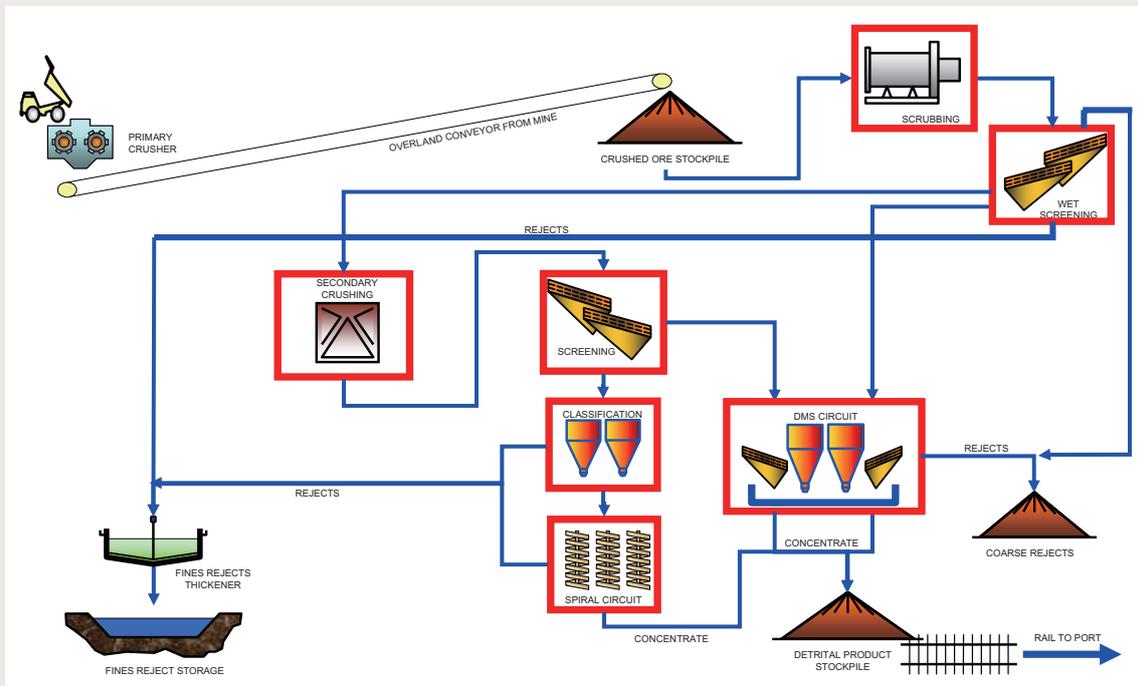


Figure 3: Detrital processing plant

3 Refer to Competent Persons Statement

of plant feed. Bulk samples were produced by compositing samples from six Bauer drill holes (780 mm diameter) from each pit, reflecting the lateral and vertical distribution of ore within the deposit. The samples have been processed through a five tonne per hour pilot plant built by Nagrom Laboratories in Perth, to replicate the PFD developed by Brockman Resources.

Final results were received for both samples in late 2011. The average product grade and mass yield from the pilot scale test work exceeded the DFS modelling, both in terms of final product yield and grade, indicating that the DFS model may be conservative. Total yields achieved for Pits 1 and 2 were 44% and 38% respectively, with an average final product grade of 60.9% Fe. The average calculated head grade of the bulk samples was 42.3% Fe, very close to the average detrital Ore Reserve grade of 42.4% Fe.

Following positive sinter test results obtained from preliminary work conducted in Australia in 2010, Brockman Resources is preparing a comprehensive sinter test work program to be carried out by an institute in China.

MINE PLANNING AND DEVELOPMENT

A detailed mining study by Optiro in 2011, in conjunction with two independent mining contractors via an Early Contractor Involvement (ECI) process, has provided a detailed schedule of ore and waste movements over the life of mine, including requirements for the back-filling of pits with reject material from the process plant. This work demonstrated that significant savings could be made in the haul distance and the rehandle of waste material, by optimising the mine schedule to permit earlier backfill of mined pits. Optimisation of the mining fleet and estimated costs for a contract mining operation were provided by the ECI contractors, who have extensive experience in large scale mining operations.

The study has demonstrated that conventional truck and shovel mining can produce mining costs comparable to mechanised in-pit crushing and conveying over the life of mine, without the need for extensive capital costs.

NATIVE TITLE AND HERITAGE

The Marillana Project covers two native title claimant areas and Brockman Resources has established strong relationships with both groups, built on trust and understanding developed during the negotiation of the Native Title Mining Agreements.

Prior to the reporting period Brockman Resources had signed a Native Title Agreement with the Martu Idja Banjima people, which facilitated mining on the western portion of the Marillana Project area, and a Native Title Agreement with the Nyiyaparli people, covering the eastern portion of the deposit. These agreements address the two groups' concerns regarding the management of Cultural Heritage and the protection of the land on which the Marillana Project will be operated, as well as providing opportunities for participation in the Marillana Project through employment, training and contracting opportunities.

Following the signing of these agreements, Mining Lease M47/1414 was granted by the Department of Mines and Petroleum in late December 2009, over an area of 82.5 km². The Mining Lease covers the entire deposit and all proposed infrastructure areas.

Heritage surveys, completed by both groups in the second half of 2009, provided coverage of the entire deposit and Project footprint, expected to be impacted during operations (including mining, processing and infrastructure). Four artefact clusters and a number of isolated artefacts were identified during the surveys, but none of these are located in areas to be impacted by operations. Brockman Resources is considering a change from an off-site to an on-site airstrip, to provide operating efficiencies, which will require additional heritage surveys over this new location.

Infrastructure requirements for the Marillana Project are mostly contained within these two Native Title claim areas, but also extend north into the Palyku Native Title claim area. During 2011, Brockman Resources negotiated a Heritage Agreement with the Palyku people and is continuing to progress an Infrastructure Agreement that will facilitate the construction of a railway through their lands.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROJECT APPROVALS

The Project, including the entire deposit and all proposed infrastructure areas, is contained within the granted Mining Lease M47/1414, an area of 82.5 km². All required environmental baseline and impact assessment studies have been completed and key State environmental approvals have been received for the Project. Brockman Resources achieved a major milestone in February 2011 when the Western Australian Government issued the Ministerial Statement (MS855) for the development of the Marillana Iron Ore Project, following the assessment of the submitted Public Environmental Review. The Commonwealth Government Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) completed its assessment of the Project and conditional approval for the development to proceed was received in the third quarter, 2012. The remaining secondary approvals will be obtained in parallel with the completion of the bankable feasibility study.



The remaining Project approvals will be obtained in due course. These include the final Mining Proposal for the mining and processing activities, Works Approvals for the processing plant and power station, and a project-wide Environmental Licence from the Department of Water to manage water resources on-site.

The approvals to enable the development of the East Pilbara Independent Rail (EPIR) study are being sought by the parties to the Study Alliance Agreement. QR National, as the primary proponent for the development, has received strong support from the Western Australian government, reflected by the representation that a "whole of government" approach will be taken to support the approvals for the EPIR project. Approvals for the port infrastructure are being progressed by NWI.

REGIONAL IRON ORE PROJECTS — 100% INTEREST

Exploration during the period has been concentrated on the 100% owned Ophthalmia Project, where a number of significant occurrences of bedded hematite mineralisation were identified, during a program of detailed mapping and surface sampling in mid 2011.

Brockman Resources has also continued to lodge applications for prospective ground in the Pilbara as it becomes available. There are generally multiple applications for this available ground, with the competing applications determined by ballot. Brockman Resources has been successful in some ballots, but also has a number of applications yet to be determined. At the end of July 2012, Brockman Resources held a total of twenty six granted tenements (outside Marillana), nine priority applications and seven applications yet to go to ballot.

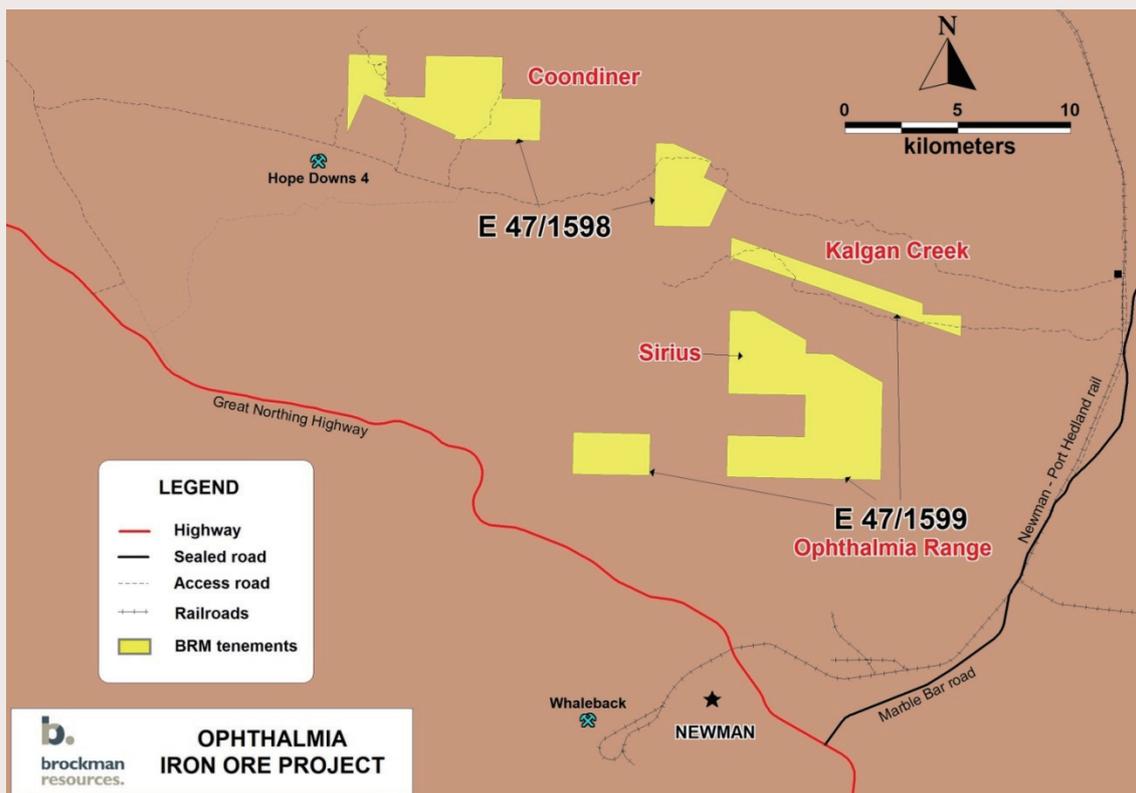


Figure 4: Location of Ophthalmia prospects

OPHTHALMIA PROJECT

The Ophthalmia Project comprises two granted exploration licences located 15–30 km north of Newman, in Western Australia's Pilbara region. Helicopter-supported surface sampling and mapping in 2011 identified a number of significant occurrences of Direct Shipping Ore (DSO) grade bedded iron ore at the Sirius, Coondiner and Kalgan Creek prospects.

Sirius prospect

The Sirius prospect is located in intensely-folded banded iron formations within the Boolgeeda Iron Formation of the Hamersley Group. The folded northern and southern limbs of the main enriched horizon have a combined strike length of about 1,700 m and are up to 150 m wide. Both main limbs dip sub-vertically to the

south, with the fold hinge plunging shallowly to the west. Surface sampling and mapping across both limbs returned an average grade of 62% Fe (65.3% calcined Fe) from 98 samples, collected from four traverses considered to be representative of the outcropping mineralisation.

Due to a lack of vehicular access at Sirius, a portable diamond drilling rig with the support of a helicopter was used to carry out an eight-hole reconnaissance drilling program during the period. Results confirmed that DSO grade mineralisation extended to significant depth, with most of the holes intersecting thick zones of hematite iron ore mineralisation. Better intersections included 135.45m at 61.02% Fe in SDD001, 99.15m at 62.0% Fe in SDD006 and 70.05m (cumulative thickness from two zones) at 60.6% Fe in SDD004.

A comprehensive program of RC drilling at Sirius commenced in September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

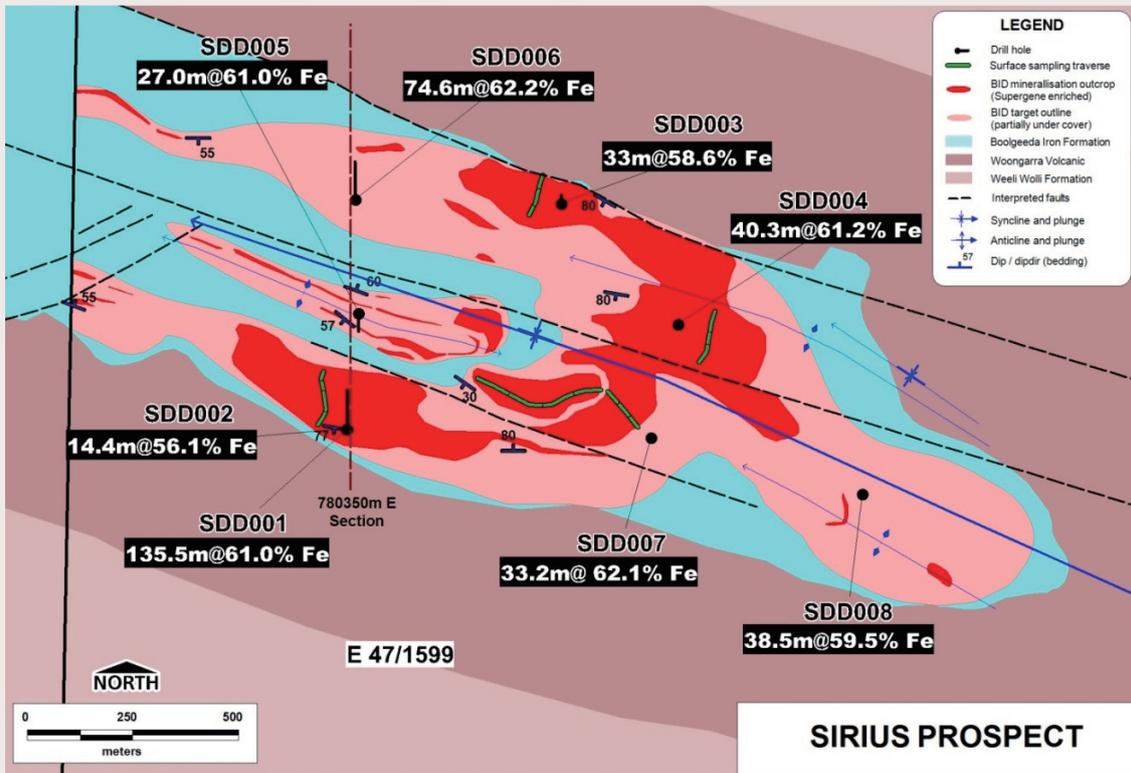


Figure 5: Geology map of Sirius prospect showing the drill hole locations and best intersection in each hole.

Table 6: Significant drill intersections — Sirius prospect

Hole ID	From (m)	To (m)	Width (m)	Fe (%)	Fe calcined (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
SDD001*	27.25	162.70	135.45	61.0	64.5	2.10	3.85	0.18	0.01	5.38
SDD002	14.20	28.60	14.40	56.1	60.0	7.52	4.89	0.11	0.01	6.52
SDD003	4.90	12.10	7.20	55.7	60.0	8.03	4.47	0.14	0.05	7.24
	18.40	51.40	33.00	58.6	62.3	4.36	4.93	0.18	0.01	5.94
SDD004	0.00	29.80	29.80	59.7	63.1	5.13	3.66	0.12	0.03	5.37
	36.30	76.55	40.25	61.2	64.2	3.47	3.63	0.20	0.01	4.69
	(Cumulative)		70.05	60.6	63.7	4.18	3.64	0.17	0.01	4.98
SDD005	1.50	28.45	26.95	61.0	63.7	3.80	3.54	0.18	0.02	4.25
SDD006	0.00	74.55	74.55	62.2	65.0	2.04	3.52	0.22	0.01	4.31
	74.55	82.90	8.35	Core loss due to difficult ground conditions						
	82.90	99.15	16.25	60.9	63.8	3.54	4.03	0.22	0.01	4.43
	0.00	99.15**	99.15	62.0	64.8	2.31	3.61	0.22	0.01	4.33
SDD007	0.00	33.15	33.15	62.1	64.8	3.25	3.01	0.15	0.01	4.15
SDD008	4.50	43.00	38.50	59.5	62.5	4.27	4.83	0.17	0.01	4.75
	59.15	64.80	5.65	58.4	61.2	7.98	3.31	0.13	0.00	4.50

Coondiner Prospects

The Coondiner area contains two main targets: the Pallas and Castor prospects, both of which are hosted by the Boolgeeda Iron Formation. Initial RC drilling, late in 2011, confirmed DSO grade mineralisation extended at depth. A comprehensive program of drilling in the first half of 2012 has established continuity of mineralisation over a strike length of 2 km and up to 800 m wide at Pallas and over 2 km of strike and up to 400 m wide at Castor. Mineralisation generally commences at shallow depths, but extends to over 100 m deep in some places. Best recorded intercepts were 104m at 59.05% Fe (from 12m) at Pallas in holes CNRC0125 and 122m at 60.1% Fe (From 16m) at Castor in hole CNRC0152. All significant drill intersections for the Pallas and Castor prospects are listed in Table 7 and hole locations are shown in Figures 6 to 8.

Post year end the Group was advised of preliminary survey data for tenement M282SA which adjoins the Group's Coondiner tenement E47/1598 (Survey Data). Tenement data is electronically recorded by the Department of Minerals and Petroleum (DMP) on its tenement management system TENGRAPH. Enquiries with DMP indicate that there may be a discrepancy between TENGRAPH and the Survey Data. If historical TENGRAPH records are displaced by the Survey Data then the potential impact on E47/1598 could be the loss of a 300m strip along the south western boundary of E47/1598, which includes some mineralised drill holes on this tenement. The Group is addressing this matter with DMP and will update the market with any developments.

Table 7: Significant drill intersections — Coondiner prospect

Hole ID	From (m)	To (m)	Width (m)	Fe (%)	Fe calcined (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
Pallas prospect										
CNRC0062	12	50	38	56.40	59.51	7.96	5.34	0.16	0.008	5.23
CNRC0065	2	46	44	57.25	60.82	6.75	4.58	0.14	0.018	5.87
CNRC0066	16	88	72	58.23	61.80	4.96	4.80	0.18	0.012	5.77
CNRC0067	32	58	26	56.69	60.67	5.55	5.25	0.13	0.009	6.57
and	78	118	40	55.88	59.95	4.92	7.01	0.20	0.012	6.78
CNRC0069	38	68	30	57.25	61.04	5.59	5.00	0.17	0.011	6.21
CNRC0070	14	66	52	56.50	59.64	7.64	4.98	0.17	0.008	5.27
CNRC0071	36	97	61	58.22	63.09	4.55	3.68	0.18	0.004	7.72
CNRC0088	18	60	42	57.66	61.06	5.85	4.73	0.17	0.007	5.58
CNRC0117	28	50	22	58.51	61.86	5.40	4.63	0.17	0.005	5.43
CNRC0120	24	88	64	57.48	61.47	5.14	4.76	0.22	0.006	6.49
CNRC0125	12	116	104	59.47	62.78	4.81	3.82	0.19	0.007	5.27
CNRC0126	12	40	28	58.86	62.34	5.00	4.11	0.18	0.006	5.58
CNRC0127	14	42	28	57.38	60.77	5.50	5.65	0.17	0.007	5.58
CNRC0129	22	91	69	59.97	63.34	3.60	4.26	0.21	0.009	5.33
CNRC0181	24	46	22	58.35	61.60	5.36	4.6	0.17	0.010	5.27
CNRC0184	18	76	58	58.16	61.44	5.89	4.48	0.18	0.010	5.34
CNRC0185	18	56	38	59.08	62.51	4.93	4.25	0.17	0.005	5.49
CNRC0187	28	58	30	58.58	62.46	5.03	4.00	0.20	0.017	6.21
CNRC0188	26	126	100	58.14	61.65	3.50	4.61	0.19	0.006	5.70
CNRC0189	22	58	36	58.82	62.42	4.75	4.30	0.17	0.005	5.77
CNRC0190	2	62	60	59.19	62.34	5.33	4.16	0.15	0.013	5.06
CNRC0191	20	60	40	57.51	61.21	6.22	4.31	0.17	0.006	6.04
CNRC0198	10	102	92	60.11	63.47	4.25	3.47	0.19	0.007	5.28
CNRC0199	16	88	72	58.54	62.26	4.08	5.20	0.16	0.005	5.97
CNRC0200	18	114	96	57.14	61.17	3.91	6.70	0.19	0.003	6.59
CNRC0201	20	54	34	58.19	61.88	4.67	5.12	0.15	0.003	5.96
CNRC0204	22	66	44	58.45	61.92	4.38	5.03	0.19	0.012	5.60
Castor prospect										
CNRC0075	14	76	62	58.51	61.74	5.54	4.58	0.22	0.010	5.23
CNRC0080	10	34	24	57.96	61.41	5.44	4.89	0.18	0.013	5.63
CNRC0146	14	50	36	59.75	62.76	4.83	4.05	0.18	0.004	4.79
CNRC0148	14	80	66	59.18	62.13	5.43	4.27	0.20	0.005	4.75
CNRC0152	16	138	122	60.09	63.57	3.77	4.04	0.17	0.004	5.48
CNRC0160	14	44	30	57.88	61.01	6.35	4.92	0.17	0.000	5.13
CNRC0207	46	102	56	57.92	61.66	4.65	5.43	0.22	0.002	6.07
CNRC0208	14	58	44	58.41	61.84	4.74	5.20	0.15	0.005	5.54

Notes: Intercepts calculated at a nominal 54% Fe cut off grade including up to 2 m of internal dilution
 All intercepts exceeding 20m down hole width reported
 Analyses by Nagrom Laboratories and Ultratrace Laboratories using XRF spectrometry
 Fe Calcined is calcined iron and is calculated by the formula: $CaFe = Fe\% / (100 - LOI) * 100$

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

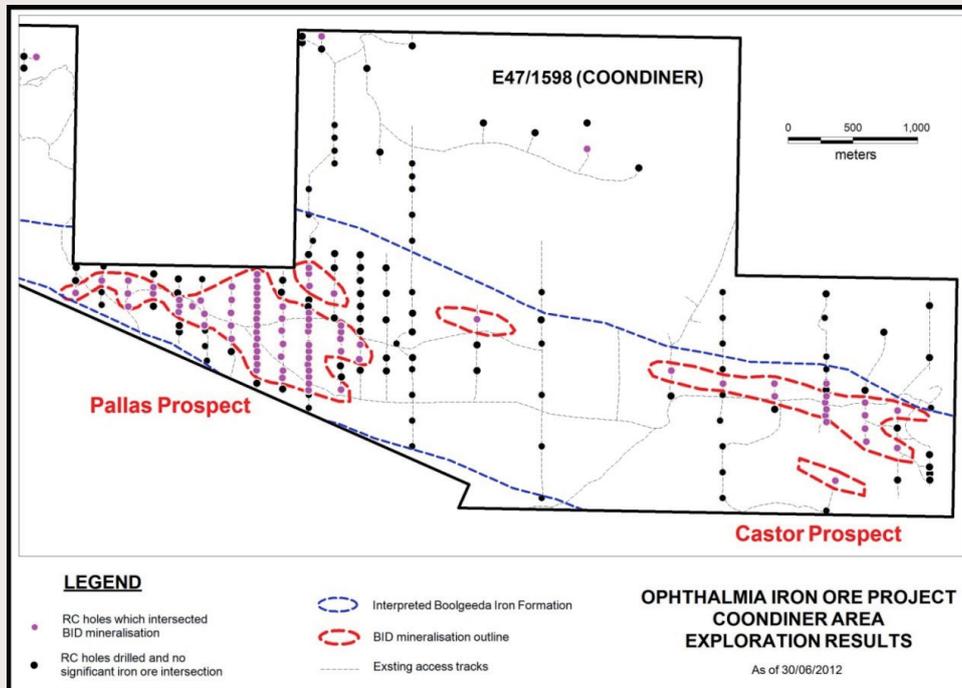


Figure 6: Location of Pallas and Castor prospects at Coondiner and drill hole location map

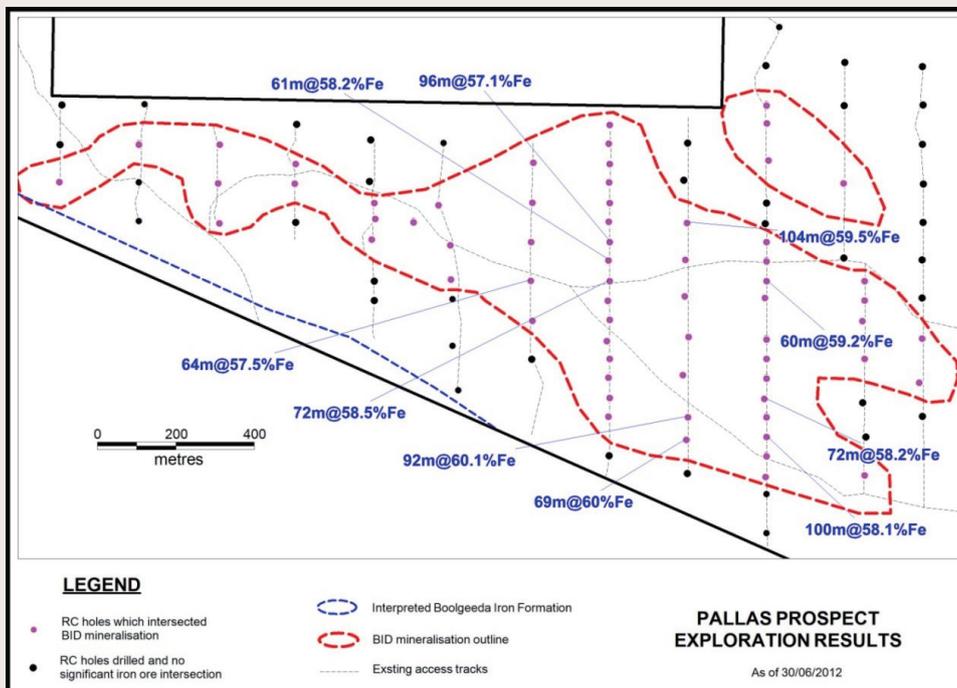


Figure 7: Drill hole location plan — Pallas prospect

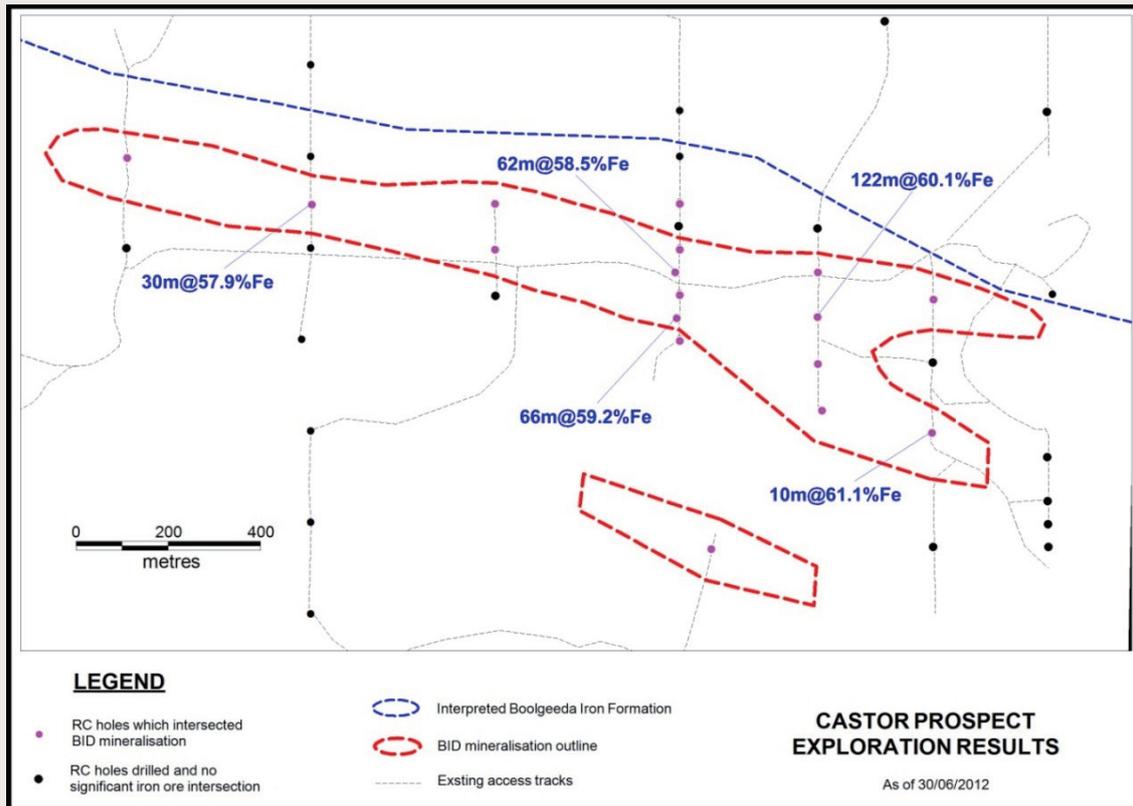


Figure 8: Drill hole location plan — Castor prospect

Kalgan Creek prospect

Kalgan Creek is located about 5 km north of the Sirius prospect, within a fold repetition of the Boolgeeda Iron Formation. Initial RC drilling, in late 2011, confirmed the potential for DSO grade hematite mineralisation, but many holes ended in mineralisation due to drilling difficulties. Drilling resumed in June 2012, with results confirming the potential for significant DSO grade mineralisation in this area. The best intersection recorded to

date is 92 m grading 59.7% Fe in hole KCR0024, with mineralisation starting from only 2 m, indicating that there will be little waste stripping required to access the mineralisation. Significant results are provided in Table 8 and hole locations are shown in Figure 9. Holes KRC0016A and KRC0017A are re-drills of holes KRC0016 and KRC0017, which were drilled last year and ended in mineralisation. Both have demonstrated that mineralisation is considerably thicker than previously indicated for these holes.

Table 8: Significant drill intersections — Kalgan Creek prospect

Hole ID	From (m)	To (m)	Width (m)	Fe (%)	Fe calcined (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI (%)
KRC0016A	8	90	82	59.02	62.39	4.41	4.84	0.20	0.005	5.41
KRC0017A	18	96	78	57.86	61.18	5.95	5.01	0.15	0.004	5.43
KRC0023	2	86	84	58.93	62.29	4.61	4.63	0.19	0.007	5.38
KRC0024	2	94	92	59.70	63.23	2.62	5.18	0.22	0.012	5.59
KRC0025	4	78	74	59.63	62.69	4.14	4.61	0.20	0.005	4.88

Notes: Intercepts calculated at a nominal 54% Fe cut off grade including up to 3 m of internal dilution
 All intercepts exceeding 20 m down hole width reported
 Analyses by Nagrom Laboratories using XRF spectrometry
 Fe Calcined is calcined iron and is calculated by the formula: CaFe = Fe%/(100 - LOI)*100

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

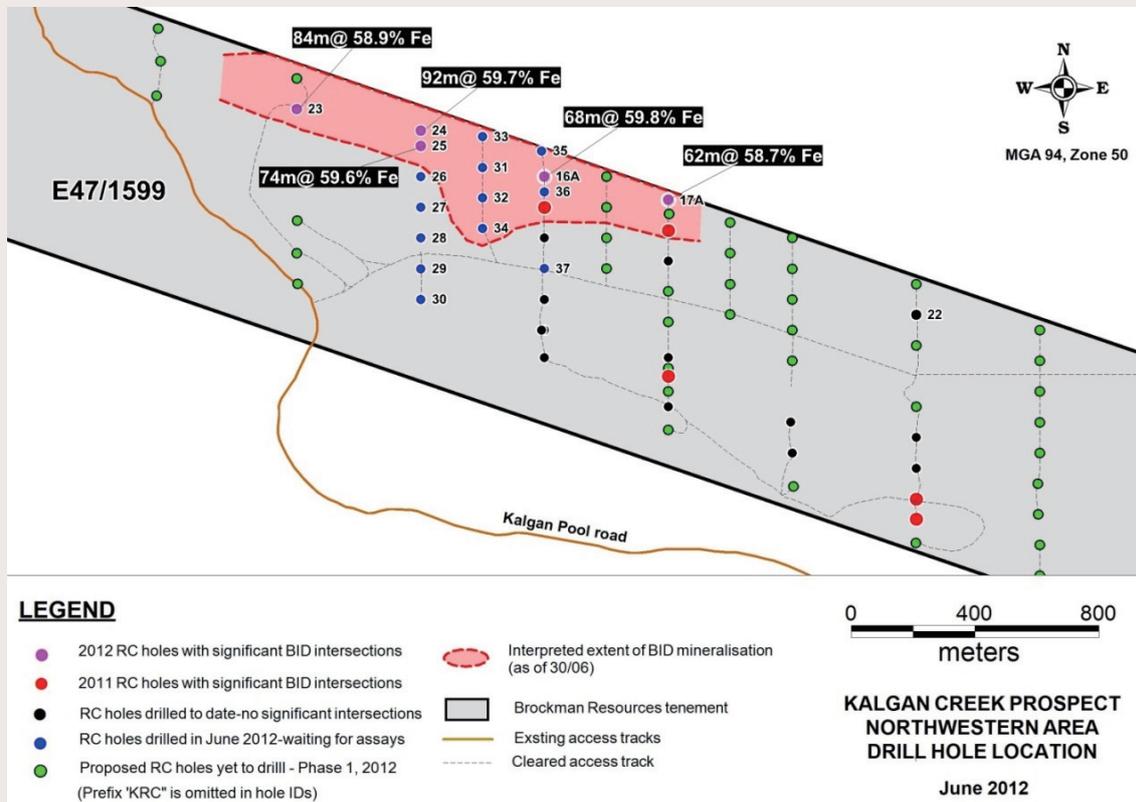


Figure 9: Drill hole location plan — Kalgan Creek prospect

WEST PILBARA PROJECT

During the period, Brockman Resources continued to progress requisite heritage and environmental approvals to permit follow up exploration drilling at its 100% owned Duck Creek, West Hamersley and Mt Stuart Projects in the West Pilbara. Access to some of these projects requires the construction of tracks that must pass through third party tenements, and delays in reaching agreement with these tenement holders regarding these tracks has

delayed progress on the West Pilbara tenements. A short program of diamond drilling, using a helicopter portable drill rig is proposed to commence in October 2012 in order to test additional targets identified in these areas.

Reconnaissance mapping and sampling is also progressing over other project areas in the West Pilbara, with the aim of identifying further mineralisation to support development of a new operating hub in the area.

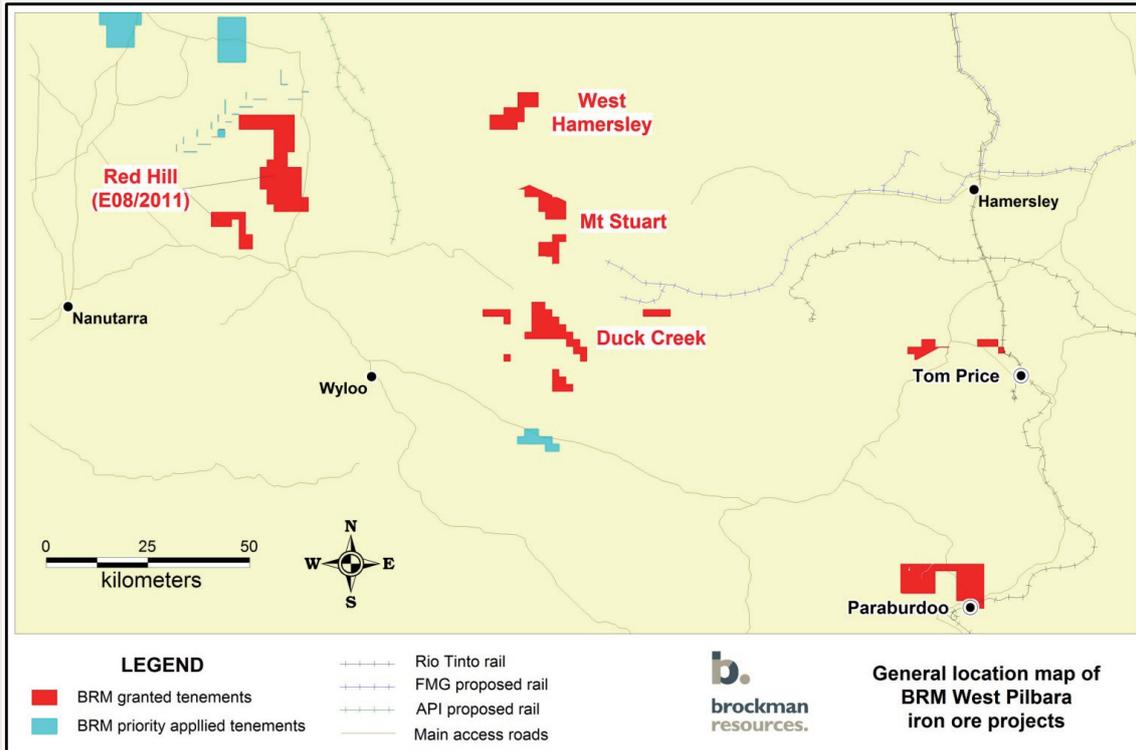


Figure 10: Location plan — West Pilbara tenements

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. The remaining 60% interest in the Joint Venture is held by Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd, the owners of the Murrin–Murrin Ni-Co laterite mine and high-pressure acid leach treatment plant near Laverton.

The Joint Venture continues to assess the potential of this mineralisation.

CANNING BASIN COAL

Brockman Resources has nine exploration licence applications covering approximately 1,270 km² within the Canning Basin, considered highly prospective for thermal coal resources.

Brockman Resources is carrying out a compilation of previous exploration work and geophysical surveys over the area.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

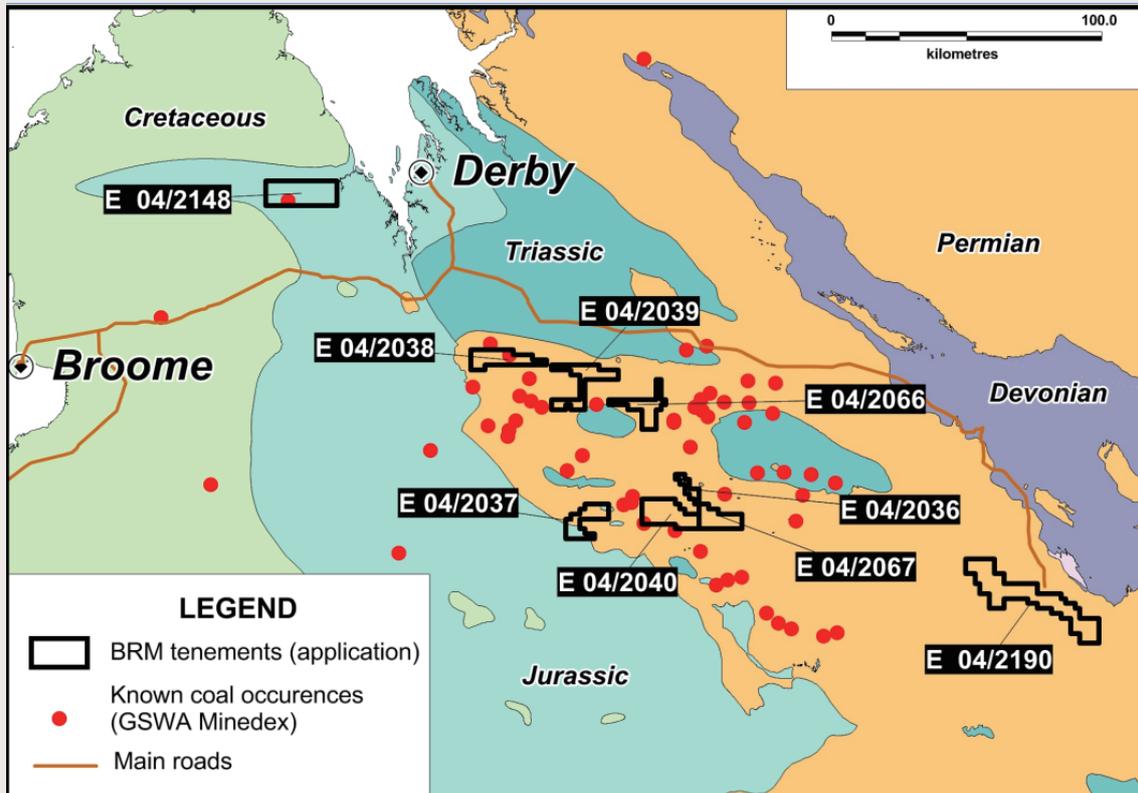


Figure 11: Brockman Resources coal tenements

Competent Person's Statement

1.2.3 The Ore Reserves statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2004 Edition). The Ore Reserves have been compiled by Mr Iain Cooper of Golder Associates Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Cooper has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Cooper consents to the inclusion of the matters based on this information in public releases by Brockman Resources, in the form and context in which it appears.

The information in this report that relates to Mineral Resources at Marillana is based on information compiled by Mr J Farrell and Mr A Zhang.

Mr J Farrell, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Golder Associates Pty Ltd, produced the Mineral Resource estimates based on the data and geological interpretations provided by Brockman Resources. Mr Farrell has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves". Mr Farrell consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

Mr A Zhang, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Brockman Resources provided the geological interpretations and the drill hole data used for the Mineral Resource estimation. Mr Zhang has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves". Mr Zhang consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

Any discussion of potential mineralisation in excess of the identified Mineral Resources at Marillana is only conceptual in nature. There has been insufficient exploration in those areas to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

MINING BUSINESS — YUNNAN, PRC

Our copper mining business comprises the exploitation, processing and sale of copper, lead, zinc, arsenic, silver and other mineral resources in the Yunnan Province of the PRC, through the operations of Luchun Xingtai Mining Co., Ltd ("Luchun").

Production and operation results for the eighteen months period ended 30 June 2012 and year ended 31 December 2010 were summarised as follows:

	Eighteen months ended 30 June 2012	Year ended 31 December 2010
Copper ore processed	88,633 tonnes	69,130 tonnes
Production of Copper Ore Concentrates	521 Metal (t)	407 Metal (t)
Sales of Copper Ore Concentrates	574 Metal (t)	307 Metal (t)

During the period, the turnover of this segment was approximately HK\$28.6 million (2010 (12-month): HK\$17.4 million), and the segment loss before amortisation and impairment of mining right was approximately HK\$30.6 million (2010 (12-month): HK\$2.3 million).

In February 2011, the Yunnan provincial power plant had implemented an electric power brownout over our mining site for purpose of installing and rerouting of power supply from the power station to our mine site to facilitate the power transmission, ultimately to upgrade and increase the supply capacity. Production of copper ore concentrates was halted during the period of electric power cutback from February 2011 to August 2011, but was gradually resumed in early September 2011 upon the completion of the installation work.

In February 2012, due to the impact of our production line reinstallation, production of copper ore was halted but the mining team

was continuing their exploration activities and tunneling work and the production of copper ore concentrates was resumed by the end of August 2012.

Management expects that, the production capacity will be significantly enhanced as a result of reinstallation of production line and the electric power supply now being fully upgraded. A concrete production plan has been drawn up for upcoming quarter for the purpose of optimizing efficiency and productivity on our mining site.

Summary of Expenditure

Total expenditure associated with the mining operation in PRC during the eighteen months period amounted to approximately HK\$59.2 million (2010 (12-month): HK\$19.8 million). Expenditure associated with exploration activities amounted to approximately HK\$2.8 million (2010 (12-month): HK\$0.9 million).

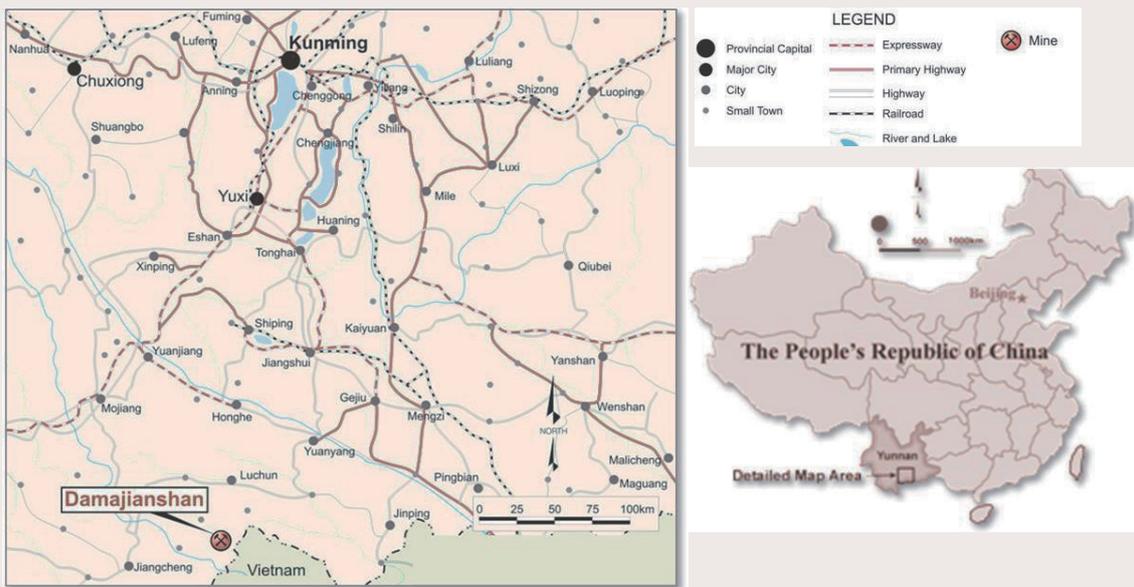
MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Schedule and location of Mining Tenements

The Damajianshan Mine is located in Qimaba Township, Luchun County of Yunnan Province in the PRC. It is near the border between the PRC and Vietnam. The Group's wholly-owned subsidiary, Smart Year, owns 90% of Luchun.

Mining Permit No.	5300000720259
Registered holder	100% by Luchun Xingtai
Domicile	Fengqing Garden, Luchun county, Honghe Prefecture, Yunnan Province
Name of the Mine	Luchun Xingtai Damajianshan Copper Mine
Type of minerals	Copper
Exploitation manner	Underground

Map of Damajianshan Mine



JORC Copper Ore Reserves for the Damajianshan Mine are set out in the following table and there is no significant change since 11 November 2011.

These estimates were included in the Independent Geologist's Report dated 11 November 2011 prepared by Christopher Arndt, Consulting Geologist in collaboration with Xianping Zhu, Consulting Geophysicist, and Huairan Liu, Consulting Geologist in accordance with the JORC Code.

Given these estimates, the mine operation has the potential to produce over 429,000 tonnes per annum for more than 18 years.

As at November 2011, the Damajianshan Mine had Ore Reserves of 7,554kt.

JORC Code Mineral Resource	Tonnage (kilotonnes) ("kt")	Grades					
		Cu%	As%	Pb%	Zn%	Bi%	Ag g/t
Measured	4,408	1.79	6.83	1.54	0.37	0.24	51.1
Indicated	3,153	1.70	7.52	1.79	0.52	0.25	57.4
Subtotal	7,561	1.75	7.11	1.64	0.43	0.24	53.6
Inferred	7,678	1.61	6.48	2.18	0.48	0.24	63.1
Total	15,239	1.68	6.80	1.91	0.46	0.24	58.3

JORC Code Reserve	Tonnage (kilotonnes) ("kt")	Grades			
		Cu%	As%	pb%	Ag g/t
Proved	4,404	1.49	5.70	1.28	42.6
Probable	3,150	1.42	6.28	1.49	47.9
Total	7,554	1.46	5.94	1.37	44.8

Exploration

During the Reporting Period, the Group has carried out a series of measures to enhance production. Installation of electricity pipelines and crushing machines were installed and shall boost the production capacity of the Damajianshan Mine. Scheduling and the re-designing of the new tailings dam have commenced and the Group has engaged consultant companies for the tailings dam re-design project and the conduct of various environment and safety assessments.

Exploration activities and tunnelling works continued during the Reporting Period. The exploration activities are aimed to find additional resources in order to support the Group's further expansion plan. New drilling works and detailed prospecting and scoping plans are now being planned to better define the lithology, grade and assemblage within the mining lease.

Competent Person Statement

The information in this Report that relates to Exploration Results, Mineral Resources or Ore Reserves in relation to the Damajianshan Mine has been reviewed by Mr. Christopher Arndt who is a self employed consultant to the Company. Mr. Arndt is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Arndt consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

TRANSPORT SERVICES BUSINESS

Provision of limousine rental services and airport shuttle bus services

During the eighteen months ended 30 June 2012, this segment has recorded a revenue of approximately HK\$172.2 million (2010 (12-month): HK\$114.6 million). This segment recorded a loss before amortisation and impairments of HK\$1.3 million (2010 (12-month): profit of HK\$9.0 million). Hong Kong remains the largest market of this segment and has contributed over 69.7% of revenue recorded under this segment and during the period.

In the reporting period, we continued to face keen competition in the industry as more companies now offer similar services with more competitive pricing. The Group aimed to maintain its leading position in the high-end limousine service industry by providing the best quality services to customers at reasonable prices.

Revenue for the eighteen months ended 30 June 2012 and year ended 31 December 2010 were summarised as follows:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Revenue		
Airport shuttle bus services		
— Hong Kong	18,602	14,667
Limousine rental services		
— Hong Kong	101,398	61,834
— PRC	52,229	38,069

In mainland China, we provide limousine rental services in three cities namely Shenzhen, Guangzhou and Shanghai. Overall turnover from the China operations was HK\$52.2 million (2010 (12-month): HK\$38.1 million).

The Management will continue to monitor the market development and formulate the best business strategy so as to sustain our overall profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group generally finances its short term funding requirement with cash generated from operations, credit facilities from suppliers, banking facilities, borrowings and equity placement. The Group's ability to achieve its Marillana iron ore project development schedule is reliant on access to appropriate and timely funding.

During the Reporting Period, the Group has raised cash from the subscription of new shares and the issue of convertible bonds.

The current ratio is measured at 1.32 times as at 30 June 2012 compared to 1.89 times as at 31 December 2010.

The gearing ratio of the Group (long term debts over equity and long term debts) is measured at 0.06 (31 December 2010: 0.01). As at 30 June 2012, the Group had total bank and other borrowings amounted to approximately HK\$43.1 million, all of which are secured, approximately HK\$32.2 million is due within one year and the balance of HK\$10.9 million is due more than one year. As at 30 June 2012, convertible bond amounted to HK\$154.4 million. All of these debts are denominated in Hong Kong dollars.

During the Reporting Period, the Group did not engage in the use of any financial instruments for hedging purposes, and there is no outstanding hedging instrument as at 30 June 2012.

CAPITAL STRUCTURE

During the Reporting Period, the Company has the following movement in the share capital as follows:

- (a) Pursuant to the takeover offer launched on 6 December 2010 in relation to the first takeover offer for Brockman Resources, a total of 1,432,980,840 ordinary shares were issued in batches and such issue have marked the Company's relevant interest of Brockman Resources at 55.33%.
- (b) Pursuant to an announcement dated 6 July 2011, a total of 3,863,078 ordinary shares were issued at an issue price of A\$0.2 (equivalent to approximately HK\$1.66 per share) under general mandate as consideration shares to the Company's financial and corporate advisor in Australia.
- (c) Pursuant to a subscription agreement executed 12 December 2011, a total of 555,100,000 ordinary shares were issued on 10 January 2012 at an issue price of HK\$0.60 per share, raising net proceeds of approximately HK\$333 million. Pursuant to the same subscription agreement, the Company has issued a 5% convertible bond in raising an aggregate principal amount of HK\$173,940,000 (the "First CB") on 10 January 2012.
- (d) Pursuant to a subscription agreement executed 6 March 2012, the Company has issued a 5% convertible bond in raising an aggregate principal amount of HK\$78,000,000 on 19 April 2012 (the "Second CB").
- (e) During the Reporting Period, the convertible bond of an aggregate principal amount of HK\$78,000,000 was converted from the First CB into ordinary shares at a conversion price of HK\$0.60 per share. Accordingly, 130,000,000 ordinary shares were issued.
- (f) Pursuant to the takeover offer launched on 12 December 2011 in relation to the second takeover offer for Brockman Resources, a total of 1,130,660,262 ordinary shares were issued in batches during the period from March 2012 to June 2012 upon acquisition of additional 42.79% equity interests in Brockman Resources. Subsequent to the balance sheet date, a total of 49,054,662 ordinary shares were issued under the compulsory acquisition process and such issue have marked the Company's 100% ownership of Brockman Resources.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CHARGES OF ASSETS

As at 30 June 2012, motor vehicles with an aggregate carrying value of HK\$8,950,000 of a subsidiary of the Company were charged to secure the banking facilities granted to these subsidiaries.

RISK DISCLOSURE

Market risk

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

(a) **Commodities Price Risk**

Copper Ore Concentrate Price Risk

The Group's turnover and profit of the mining business during the period were affected by fluctuations in the copper prices. All of our mining products were sold at market prices and the fluctuation of the price were beyond the control of the Group.

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 fluctuation of copper ore concentrate price.

Iron Ore Price Risk

The fair value of the Group's mining properties in Australia are exposed to fluctuations in the 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 fluctuation of iron ore price.

(b) **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 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.

CONTINGENT LIABILITIES

Details of the Company's commitments and contingent liabilities are stated in notes 37 of the financial statements on page 124.

Save as disclosed above, the Group does not have other contingent liabilities as at 30 June 2012.

STAFF AND REMUNERATION

As at 30 June 2012, the Group employed approximately 657 full time employees (31 December 2010: 507 employees), of which approximately 495 employees were in the PRC (31 December 2010: 376 employees), and approximately 37 employees were in Australia (31 December 2010: Nil). The remuneration of employees includes salary, discretionary bonus and share based compensation.

The remuneration policy and packages of the Group's employees, senior management and directors are maintained at market level and reviewed annually and when appropriate by the management and the remuneration committee.

DIRECTORS AND MANAGEMENT



NON-EXECUTIVE DIRECTORS

Mr. Kwai Sze Hoi

Mr. Kwai Sze Hoi, aged 62. He is the Chairman of the Group effective from June 2012. Mr. Kwai graduated from Anhui University in 1975. Mr. Kwai has more than 30 years of experience in international shipping and port operation businesses, and is a successful entrepreneur. In 1990, he founded Ocean Line Holdings Ltd ("Ocean Line"). Ocean Line wholly owns, operates and manages a fleet of total deadweight tonnage of 3 million metric tonnes, with routes running worldwide. Besides, Ocean Line invests in infrastructures and operates other shipping related businesses including ports, terminals, warehouses, logistics, ship repairs and crew manning etc. The diversified business of Ocean Line puts it in a highly competitive position globally. Meanwhile, Ocean Line also invests in real estate, mining, financial services, securities, trading and hotel businesses, which makes Ocean Line a dynamic multinational conglomerate with shipping business as the strategic focus. Mr. Kwai is the father of Mr. Kwai Kwun, Lawrence, the Vice President of the Group.

Mr. Liu Zhengui

Mr. Liu Zhengui, aged 65. Mr. Liu joined the Group since April 2012, and became the Vice Chairman of the Group since June 2012. Mr. Liu has over 40 years of experience in corporate

finance and capital management. Mr. Liu holds a bachelor degree in management engineering from HeFei University of Technology. He is currently a director of Shandong School of Economics and Social Development (山東社會經濟發展研究院) and is the chairman of Shandong Dongyin Investment Management Co., Ltd (山東東銀投資管理有限公司). He is also a financial consultant of the Shandong provincial government. Mr. Liu is currently an independent non-executive Director of Reorient Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 376). During the period of 2004 to 2009, Mr. Liu was the chairman of Bank of China Group Investment Limited (BOCGI). Prior to that, he served as the chief executive of Bank of China's branches in three different provinces for 16 years.

Mr. Warren Talbot Beckwith

Mr. Warren Talbot Beckwith, aged 73. Mr. Beckwith joined the Company as a non-executive director effective from June 2012. Mr. Beckwith is also a non-executive director of certain subsidiaries of the Company. Currently, he is a director and chairman of the audit committee of China Properties Group Limited (a company listed in Hong Kong, stock code: 1838). He is also a director of Gondwana Resources Limited (an ASX-listed junior explorer, stock code: GDA). Mr. Beckwith is a director of a corporate advisory group with Perth and Hong Kong offices. For 13 years he was a

DIRECTORS AND MANAGEMENT *(continued)*

partner in international Chartered Accountancy firms, including being a senior partner of a predecessor firm of Ernst & Young, Hong Kong.

Mr. Ross Stewart Norgard

Mr. Ross Stewart Norgard, aged 66. Mr. Norgard joined the Company as non-executive director in August 2012. He is a chartered accountant and former Managing Director of KMG Hungerfords and its successor firms in Perth, Western Australia. For the past 30 years he has worked extensively in the fields of raising venture capital and the financial reorganisation of businesses. He has held numerous positions on industry committees including past Chairman of the Western Australian Professional Standards Committee of the Institute of Chartered Accountants, a current member of the National Disciplinary Committee, a former member of Lionel Bowens National Corporations Law Reform Committee, Chairman of the Duke of Edinburghs Awards Scheme and a former member of the University of Western Australia's Graduate School of Management (MBA programme). Mr Norgard is also a Director of Ipernica Limited (Chairman since 1987) and was a director of Ammtec Ltd from 1994 to November 2010. Prior to his present appointment as non-executive director of the Company, he was the non-executive deputy Chairman of Brockman Resources Limited, a former ASX-listed entity now being the Company's wholly owned subsidiary.

EXECUTIVE DIRECTORS

Mr. Luk Kin Peter Joseph

Mr. Luk Kin Peter Joseph, aged 41, joined the Group in February 2009. He is the Chief Executive Officer of the Company and a director of certain subsidiaries of the Company. He is also a member of the Executive Committee. Mr. Luk holds a Master degree in Business Administration

and the professional qualification of Chartered Financial Analyst. Mr. Luk has worked in several international financial institutions and he is well-experienced in international financial and investment management.

Mr. Chan Kam Kwan, Jason

Mr. Chan Kam Kwan, Jason, aged 39, joined the Group in January 2008. He is the Company Secretary and a director of certain subsidiaries of the Company. He is also a member of the Executive Committee. Mr. Chan graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree and is a member of the American Institute of Certified Public Accountants. Mr. Chan has extensive experience in corporate finance.

Mr. Chu Chung Yue, Howard

Mr. Chu Chung Yue, Howard, aged 63, joined the Group in November 2011. He is a member of the Executive Committee and a director of a subsidiary of the Company. He has extensive experience in the mining industry and was the Vice President, Asia and Chief Representative, China of Teck Resources Limited (formerly Teckcominco Limited, a company listed on the Toronto Stock Exchange in Canada and the New York Stock Exchange in the United States (Stock Code: TSX: TCK.A, TCK.B, NYSE: TCK). Mr. Chu was responsible for the development of an Asian strategy for the company, monitoring China's economic performance and promoting business development opportunities in China. Mr. Chu held various positions including corporate controller for Teck Resources Limited from 1993 to 2007 and was the Vice President, Asia and Chief Representative, China from 2007 to April 2011. Mr. Chu holds a bachelor degree in commerce from University of British Columbia and is a chartered accountant in Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Kwok Kuen, Eddie

Mr. Lau Kwok Kuen, Eddie, aged 56, joined the Group in December 2007. He graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountant of the United Kingdom. He has been practicing as a Certified Public Accountant in Hong Kong since 1982.

Mr. Uwe Henke Von Parpart

Mr. Uwe Henke Von Parpart, aged 71, joined the Group in January 2008. He received a Fulbright scholarship and did his graduate work in mathematics and philosophy (Ph.D.) at Princeton University and the University of Pennsylvania.

Mr. Parpart is the Managing Director and the Chief Strategist in Reorient Financial Markets Limited ("Reorient"). Prior to his position in Reorient, he was the Chief Economist and Strategist for Asia at Cantor Fitzgerald ("Cantor") in Hong Kong. In this capacity, he was responsible for macro-economic, fixed-income and equity-markets research and strategy in Asia. He joined Cantor in August, 2006. His analyses are published on a weekly and daily basis and frequently featured on CNBC Asia and Bloomberg TV. Prior to joining Cantor, Mr. Parpart worked for four years as a senior currency strategist at Bank of America, Hong Kong, covering both currencies and bonds. Mr. Parpart has also contributed to numerous magazines and newspapers and until recently was a columnist for Forbes Global and Shinchosha Foresight Magazine (Tokyo).

Mr. Yip Kwok Cheung, Danny

Mr. Yip Kwok Cheung, Danny, aged 48, joined the Group in August 2009. He is an Australian citizen and graduated from the Australian National University majoring in Economic and Accountancy. Mr. Yip has extensive experience as the Internet strategist, entrepreneur and specialist in international trade. He was also the founder of several service-oriented business in Hong Kong and Australia, and he was the founder of Tradeeasy Holdings Limited

(now known as Merdeka Resources Holdings Limited ("Merdeka")) in 1996. He had been the executive director and chief executive officer of Merdeka (a company listed on the growth enterprise market of The Stock Exchange of Hong Kong Limited) until June 2007.

Mr. David Michael Spratt

Mr. David Michael Spratt, aged 67, joined the Group in August 2012. Mr. Spratt has more than 45 years experience in the mining, mineral processing and engineering construction industries both in Australia and overseas. This included 15 years in the iron ore industry mainly associated with the Robe River Iron Ore Project where he served as General Manager North West Operations for 5 years. Mr. Spratt also led the team which developed Simcoa, Australia's only silicon smelter where he served as managing director for 6 years. More recently he has been Chief Operating Officer at Minproc Limited and subsequently Vice President Asia Pacific for Kaiser Engineers; both of these companies were global engineering companies focused on the mining and mineral processing industries. Prior to returning to Australia in mid 2010 Mr. Spratt was managing director of Thailand Smelting and Refining Company Limited one of the world's largest tin smelters and refineries.

Mr. Spratt earned his Bachelor of Science in Metallurgy with first class honours from the University of New South Wales in 1971. He is also a graduate of the Stanford University School of Business advanced management program. Mr. Spratt is a Fellow of the Institute of Engineers Australia, a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors. Mr. Spratt is also the Chairman of ASX listed Kasbah Resources Limited which is engaged in exploration for tin and gold in Morocco and a non-executive director of ASX listed Galaxy Resources Limited which operates the Mt Cattlin spodumene mine in Western Australia, and is in the final stages of construction and commissioning a high purity lithium carbonate plant in China.

Prior to his present appointment as independent non-executive director of the Company, he held the position of independent non-executive director of Brockman Resources, a former ASX-listed entity now being the Company's wholly owned subsidiary.

DIRECTORS AND MANAGEMENT *(continued)*

SENIOR MANAGEMENT

Mr. Kwai Kwun, Lawrence **Vice President**

Mr. Kwai Kwun, Lawrence, aged 31, serves the Group as Vice President and member of the Executive Committee of the Company. Mr. Kwai has extensive experience in investment in mining, property, hotel, finance company, port operation, international shipping and ship building. Mr. Kwai graduated from Harvard University in the United States with a Bachelor of Mathematics degree. Mr. Kwai's role with the Company focuses on the oversight of investment of the Group. Mr. Kwai is the son of Mr. Kwai Sze Hoi, the Chairman of the Group.

Mr. Derek Humphry **Chief Financial Officer**

Mr. Derek Humphry, aged 44. Mr. Humphry is a qualified Chartered Accountant with over 20 years' accounting and industry experience, more recently focusing in the areas of corporate consolidation, mineral project evaluation, and joint venture, debt and equity financing. He started his career with an international Chartered Accounting firm and has since worked with industrial minerals, gold, and nickel producers.

In the past ten years Mr. Humphry has been involved in ASX, AIM and TSX listings, mergers, and the development of several new mines. He joined Brockman Resources in mid 2009 as the Company embarked on its Definitive Feasibility Study.

Mr. Hendrianto Tee **Chief Investment Officer**

Mr. Hendrianto Tee, aged 45, is the Chief Investment Officer of the Company. Mr. Tee graduated from Walsh University, USA with Bachelor of Arts degree. Mr. Tee has spent a large part of his career with several international financial institutions with focus in debt capital market. Prior to joining the company, Mr. Tee held a senior executive position at a large Asian agribusiness conglomerate.

IRON ORE OPERATIONS — AUSTRALIA

Mr. Russell Tipper **Chief Executive Officer of Australian Operation**

Mr. Russell Tipper, aged 58, has over 35 years' experience in mining operations, finance and project development throughout Australia. A mining engineer, he has worked in senior management and operational roles in steel raw materials operations, producing iron ore, coal and manganese for both Robe River Mining Ltd and BHP Billiton. Most recently, Russell was employed as General Manager – Iron Ore at Aquila Resources Limited.

Mr. Graeme Carlin **General Counsel**

Mr. Graeme Carlin, aged 46, has over 17 years' legal experience focusing on energy and resources law and related project development.

He has had private practice experience with top tier energy and resources, boutique corporate and government practices. Half of Mr. Carlin's practice experience has been as in-house counsel working with multi-national and Australian companies operating in the energy and resources sectors. His work includes providing advice to listed, unlisted and foreign corporations.

Pursuing a commercial focus, Mr. Carlin has had drafting and negotiation experience with mining and oil and gas interests relating to project sales and acquisitions, debt and capital raisings, gas sales and transmission, joint ventures, technology transactions, general corporate and commercial matters and corporate governance.

Mr. Carlin's legal experience includes having direct exposure to regulators of the Western Australian State Agreement regime and third party access regimes, together with legislation regarding mining and oil and gas, the Corporations Act and the Native Title Act.

Mr. Carlin holds a Bachelor of Laws and a Bachelor of Commerce from Murdoch University in Western Australia.

Mr. Colin Paterson
General Manager — Resources and Business Development

Mr. Colin Paterson, aged 51, has over 30 years' experience in the resources sector covering a diverse range of geological environments throughout Australia, but principally in Pilbara iron ore as well as gold and nickel exploration in the Archaean of Western Australia. He has extensive experience in the technical supervision of exploration projects; resource development, project generation and project evaluations. He was Principal Geologist with Asarco Australia Ltd and held a similar position with Mining Project Investors Pty Ltd (subsequently MPI Mines Limited). Following which he was founding director of Brockman Resources Limited.

Ms. Michelle Manook
General Manager — External Affairs

Ms. Michelle Manook, aged 40, has over 19 years strategic corporate, government affairs and investor relations experience gained in some of the most complex industries, including: resources; downstream infrastructure/utilities; government and regulation, and finance/private equity mergers and acquisitions.

Ms. Manook's early career encompassed various senior policy and project roles in the Western Australian State Government. She has most recently held senior management roles in mid to large cap public (ASX, AIM, LSE) and private companies encompassing national and international operations in Australia, South East Asia, United Kingdom and West Africa, including Woodside Energy Limited, Roc Oil Ltd and Epic Energy Pty Ltd.

Ms. Manook holds a Bachelor of Arts and post graduate qualifications, both from The University of Western Australia.

MINING OPERATIONS — PRC

Ms. Zhang Li
Director of Luchun Xingtai — Damajianshan Mine Operation

Ms. Zhang Li, aged 48, is the director of Luchun Xingtai Mining Co Ltd. She is one of the founders of Luchun Xingtai Mining Co Ltd and she is responsible for the oversight of the Damajianshan Mine operation. She has over 25 years of mining and exploration experience and extensive network in the mining industry in China. She graduated from the Kunming University of Science and Technology with a degree in Mining and Exploration and is a senior geological engineer.

TRANSPORT SERVICES OPERATIONS — HK

Mr. Leung Chi Yan, Danny
President of Perryville Group

Mr. Leung Chi Yan, Danny, aged 64, is the president of the Perryville Group which is principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong. Mr. Leung graduated from Newport University of Southern California with a Master of Business Administration degree. Mr. Leung has over 30 years of experience in limousine and airport shuttle transportation services and is the Chairman of Hong Kong Limousine Hire Association.

CORPORATE GOVERNANCE REPORT



CODE ON CORPORATE GOVERNANCE PRACTICES AND ASX BEST PRACTICE RECOMMENDATIONS

The Company is listed on both the Australian Stock Exchange ("ASX") and on the Hong Kong Exchange ("SEHK"). The Company's Corporate Governance policies have been formulated to ensure that it is a responsible corporate citizen. Unless otherwise noted, the Company complies with all aspects of the CG Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK ("the HK Listing Rules") and the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ("the ASX Principles"). A description of the Company's main corporate governance practices is set out below. All of these practices were in place for the whole of the financial year unless otherwise noted.

BOARD OF DIRECTORS

The Board is responsible to shareholders for the overall Corporate Governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of those goals with the objective of enhancing the Company and shareholders' value. The Board has delegated responsibility for the management of the Company's business and affairs to the Chief Executive Officer.

The Board of Directors carries out its responsibilities according to the following guidelines which are set out in the Board Charter

(which is available in the corporate governance information section of the Company's website at www.brockmanmining.com)

- The Board consists of Directors who have a proper understanding of the Company's business and who can add value in the context of that business.
- The Board should include an appropriate number of Directors who satisfy the criteria for independence.
- the Board should meet regularly; and
- prior to each meeting of the Board, each Director shall be provided with all available information in connection with items to be discussed at a meeting.

Each of the Directors keeps abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

Each of the independent non-executive Directors has made an annual confirmation stating compliance with the independence criteria set out in Rule 3.13 of the HK Listing Rules. The Directors consider that all of the independent non-executive Directors to be independent under these independence criteria and are capable to effectively exercise independent judgment.

The Board conducts meetings on a regular basis as required by business needs. The By-laws of the Company allows board meetings to be conducted by way of telephone or videoconference. Any resolutions can be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary except for matters in which a substantial shareholder or a director or their respective associates has a conflict of interest. The Board held 45 meetings during the 18 months ended 30 June 2012 (the "Reporting Period").

The Company normally provides at least 14 days' notice of every Board meeting to all the Directors (if not, such notice was waived by

them) to give them an opportunity to attend. All appropriate, complete and reliable information are normally sent to all Directors before each Board meeting to enable them to make informed decisions. The Board is provided with the opportunity to meet independently from executive Directors as and when required. Each Director also has separate and independent access to senior management whenever necessary.

BOARD MEMBERSHIP

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as directors of the Company (the "Directors") in the best interest of the Company and that the current board size is adequate for its present operations.

Biographical details of the Directors are stated under the section "Directors and Management".

Directors in office at the date of this report and their details are as follows:

	Name of Director/role	Date of appointment	Period in Office as at the date of Annual Report	Attended/ Eligible to attend*
Non-Executive Directors	Kwai Sze Hoi, Chairman	15 June 2012	3 months	0/0
	Liu Zhengui, Vice Chairman	27 April 2012	5 months	4/4
	Warren Talbot Beckwith	15 June 2012	3 months	0/0
	Ross Stewart Norgard	22 August 2012	1 month	0/0
Independent Non-Executive Directors	Lau Kwok Kuen, Eddie	14 December 2007	57 months	44/45
	Uwe Henke Von Parpart	2 January 2008	56 months	41/45
	Yip Kwok Cheung, Danny	5 August 2009	34 months	44/45
	David Michael Spratt	22 August 2012	1 month	0/0
Executive Directors	Luk Kin Peter, Joseph, Chief Executive Officer	16 February 2009	43 months	44/45
	Chan Kam Kwan Jason, Company Secretary	2 January 2008	56 months	45/45
	Chu Chung Yue Howard	7 November 2011	10 months	23/23

* Represents total number of board meetings held during the period. Determination of eligibility has taken into account of respective directors' period in office. A total of 45 meetings were held during the 18-month period ended 30 June 2012.

Whilst the Board is not comprised of a majority of independent non-executive directors, it is believed a suitable balance between the composition of executive and non-executive directors supported by a strong element of independence can effectively exercise independent judgment.

CORPORATE GOVERNANCE REPORT *(continued)*

The Board has established different sub-committees with members as at the date of this report as follows:

	Nomination Committee	Audit Committee	Remuneration Committee	Health, Safety, Environment and Sustainability Committee	Risk Management Committee
Non-Executive Directors					
Kwai Sze Hoi (Chairman)	Member		Member		
Liu Zhengui (Vice Chairman)	Member		Member		
Warren Talbot Beckwith		Member		Member	Chairman
Ross Stewart Norgard					Member
Executive Directors					
Luk Kin Peter Joseph (CEO)					
Chan Kam Kwan Jason (Company Secretary)					
Chu Chung Yue Howard					
Independent Non-Executive Directors					
Lau Kwok Kuen Eddie	Chairman	Chairman	Chairman	Member	
Uwe Henke Von Parpart	Member	Member	Member		
Yip Kwok Cheung Danny	Member	Member	Member		
David Michael Spratt	Member		Member	Chairman	Member

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board recognizes the importance a clear line of site on the management of the board and the day to day management of the business. Prior to 15 June 2012, the roles of Chairman and Chief Executive Officer were performed by Mr. Luk Kin Peter Joseph and there were no separation of roles. On 15 June 2012, Mr. Kwai Sze Hoi was appointed as Chairman and Mr. Luk Kin Peter Joseph was re-designated as the Chief Executive Officer. Mr. Kwai is a non-executive Chairman and does not involve in daily operation of the Group. Thus the Board considers that it has provided a clear separation of the roles, and an effective corporate governance structure.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Bye-laws of the Company and to comply with relevant HK Listing Rules, every Director should be subject to retirement by rotation at least once every three

years. All Directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first annual general meeting after their appointment and not less than one-third of the Directors should be subject to retirement and re-election every year.

Mr. Chan Kam Kwan Jason and Mr. Luk Kin Peter Joseph shall retire and offer themselves for re-election at the forth coming annual general meeting.

Mr. Kwai Sze Hoi, Mr. Liu Zhengui, Mr. Warren Talbot Beckwith, Mr. Norgard and Mr. Spratt are newly appointed directors and are appointed for a term of 3 years, subject to re-election at the forth coming annual general meeting. Mr. Chu Chung Yue Howard, also being a newly appointed director, has no specified term of appointment and will also be subject to retirement by rotation and re-election at the forth coming annual general meeting of the Company.

No Directors service contract contains a provision requiring greater than one year's notice or requires compensation greater than one year's emoluments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Securities Trading Policy which applies, inter alia, to all Directors and Key Management Personnel. The Securities Trading Policy complies with the ASX Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the HK Listing Rules

A copy of the Company's Securities Trading Policy is available on the website of the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of the Company for the 18 months ended 30 June 2012 have been reviewed by the Audit Committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

The Directors ensure that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group in a timely manner.

The report of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 50 to 51.

REMUNERATION AND PERFORMANCE COMMITTEE

The Board has a Remuneration and Performance Committee to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Committee carries out its duties accordance with the Terms of Reference and Policy which complies with Appendix 14 of the HK Listing Rules and the ASX Principles, a copy of which is located on the website.

The Committee consists of a majority of independent Directors and is comprised of the following members at 30 June 2012:

Name of Member	Meetings Attended/ Eligible to attend*
Lau Kwok Kuen, Eddie (<i>Chairman of the committee</i>)	7/7
Luk Kin Peter Joseph	7/7
Chan Kam Kwan, Jason	7/7
Uwe Henke Von Parpart	7/7
Yip Kwok Cheung, Danny	7/7

* Represents the total number of meetings held during the 18-month period ended 30 June 2012.

Note: Subsequent to 30 June 2012, Mr. Luk Kin Peter Joseph and Mr. Chan Kam Kwan, Jason have resigned as member of the committee, while Mr. Kwai Sze Hoi, Mr. Liu Zhengui and Mr. David Michael Spratt have been appointed.

The principal duties of the Remuneration and Performance Committee include, inter alia, reviewing and making recommendations to the Board on the Company's remuneration policy; making recommendations to the Board on the remuneration of non-executive Directors; determining the remuneration of the executive Directors and members of the senior management; reviewing and making recommendations to the Board in respect of performance-based remuneration by reference to corporate goals and objectives resolved; and ensuring no Director or any of his or her associates is involved in deciding his own remuneration.

In addition to its duties surrounding remuneration, the Committee is also responsible for the annual performance review of the Board, Board Committees and individual Director's performance.

The Remuneration and Performance Committee has access to professional advice where necessary. No Director or executive can determine his own remuneration. Minutes of Remuneration and Performance Committee meetings are kept by the secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the Remuneration and Performance Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

CORPORATE GOVERNANCE REPORT *(continued)*

REMUNERATION AND PERFORMANCE

The terms of reference in respect of the Remuneration and Performance Committee distinguishes the structure of the non-executive Directors' remuneration from that of executive Directors and senior executives. The Board is determined to attract and retain high calibre non-executive Directors to work with the Company, and to save on the cash output as salary payment by cash. Accordingly, the structure of the non-executive Directors' remuneration allows for remuneration in the form of scheme options, granted under the share option scheme.

Non-executive director compensation

The Company's Bye-laws provide that the directors' remuneration shall be determined by the Company in general meeting. The Company has fixed a maximum sum of A\$1 million in aggregate for non-executive directors per annum. It is the discretion of the Board to distribute this pool amongst the non-executive directors based on the responsibilities assumed.

Performance review of the Board

Board performance and individual Director performance is reviewed on an ongoing basis and evaluated annually by the Remuneration and Performance Committee. The evaluation is undertaken by each Director completing a questionnaire on Board governance and performance issues or each Director having one-on-one interviews with the chairman of the Committee. Individual Directors may meet with the chairman of the Committee to discuss their responses.

Remuneration of executive directors

The Remuneration and Performance Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive directors, including the chief executive officer and the senior management team, within the remuneration limit imposed by Shareholders in General Meeting. The Committee assess the appropriateness of the nature and amount of

remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

On 6 January 2012, at a special general meeting, the Company's Shareholders resolved to remove the maximum remuneration limit of A\$2 million in aggregate per annum for executive directors and authorised the board to fix the executive director's remuneration.

Executive compensation framework

The Company aims to reward the executive with a level and mix of compensation commensurate with their position and responsibilities within the company. The Remuneration and Performance Committee is assisted in the process by the use of independent salary data.

The executive pay and reward framework has 2 components: base pay, and long-term incentives through participation in the Wah Nam International Scheme Options Plan.

Whilst the objective of the executive remuneration framework is to link the executive reward to the performance of the Company over a number of years, there are no predetermined measures in place currently which directly link the executive compensation to either the earnings of the company or to the growth of shareholder wealth.

Performance review — Executives

Senior executives' performance is reviewed on an ongoing basis and evaluated annually by the Remuneration and Performance Committee. The evaluation is undertaken by each executive completing a questionnaire on performance issues or each executive having one-on-one interviews with the chairman of the Committee. Individual executives may meet with the chairman of the Committee to discuss their responses.

For details of the remuneration of each Director in the financial period, please refer to the notes to the financial statements.

NOMINATION COMMITTEE

The Board has established a Nomination Committee to provide advice and recommendations to the Board with respect to:

- the identification of suitable candidates for nomination to the Board, Board Committees and senior management;
- succession planning for the Board and senior management;
- the appointment and re-election of Directors; and

- ensuring the skills needed are available to the Board to discharge its duties and add value to the Company.

The Committee carries out its duties accordance with the Terms of Reference and Policy which complies with Appendix 14 of the HK Listing Rules and the ASX Principles, a copy of which is located on the website.

The Committee consists of a majority of independent Directors and is comprised of the following at 30 June 2012:

Name of Member	Meetings Attended/ Eligible to attend*
Lau Kwok Kuen, Eddie (<i>Chairman of the Committee</i>)	1/1
Luk Kin Peter Joseph	1/1
Chan Kam Kwan, Jason	1/1
Uwe Henke Von Parpart	1/1
Yip Kwok Cheung, Danny	1/1

* Represents the total number of meetings held during the 18-month period ended 30 June 2012.

Note: Subsequent to 30 June 2012, Mr. Luk Kin Peter Joseph and Mr. Chan Kam Kwan, Jason have resigned as member of the committee, while Mr. Kwai Sze Hoi, Mr. Liu Zhengui and Mr. David Michael Spratt have been appointed.

AUDIT COMMITTEE

The Board has established an Audit Committee to carry out its oversight of the Company's financial reporting system and internal control procedures.

The Committee carries out its duties accordance with the Terms of Reference which complies with Appendix 14 of the HK Listing Rules and the ASX Principles, a copy of which is located on the website.

The Committee consists of a majority of independent Directors, none of whom have been employed by the previous or current auditors of the Company.

The composition of the Committee is as follows at 30 June 2012:

Name of Member	Meetings Attended/ Eligible to attend*
Lau Kwok Kuen, Eddie (<i>Chairman of the committee</i>)	6/6
Fellow member of Hong Kong Institute of Certified Public Accountants and fellow member of The Association of Chartered Certified Accountant of the United Kingdom	
Uwe Henke Von Parpart	6/6
Yip Kwok Cheung, Danny	6/6

* Represents the total number of meetings held during the 18-month period ended 30 June 2012.

Note: Subsequent to 30 June 2012, Mr. Warren Talbot Beckwith has been appointed as member of the audit committee.

CORPORATE GOVERNANCE REPORT *(continued)*

The primary responsibilities of the Audit Committee are, inter alia,

- (a) to review the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fees;
- (b) to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors;
- (c) to meet the external auditors to discuss issues and reservations (if any) arising from the interim review and final audit, and any matters the auditors suggest to discuss;
- (d) to review the financial information of the Company and monitor the integrity of financial statements;
- (e) to review the Group's financial reporting system and internal control system and procedures, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget;
- (f) to serve as a focal point for communication between the Board and the external auditors in respect of the duties relating to financial and other reporting, internal controls, external audit, and such other matters as the Board determines from time to time;
- (g) to consider major findings of internal review and management's response and ensure proper arrangement in place for the fair and independent review of such concerns and appropriate follow up action;
- (h) to devise a framework for the type and authorization of non-audit services provided by the external auditors.

The external auditors and the senior executives are invited to attend the meeting for annual financial statements with specific time set aside for discussion without the presence of management. Minutes of the Audit Committee Meeting are kept by a secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meetings. The term of reference of the audit committee is available in the website of the Company.

EXECUTIVE COMMITTEE

The Executive Committee was established on 14 September 2009. The members include the executive Directors and certain senior management appointed by the Board from time to time. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee meets whenever it is necessary. It is mainly responsible for undertaking and supervising the day-to-day management and is empowered to implement policies and strategies, for the business activities and operations, internal control and administration of the Group.

HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY COMMITTEE

The Board has established a Committee to oversee the health, safety, environmental and sustainability activities of the Company.

The Committee carries out its duties accordance with the Terms of Reference and Policy which complies with Appendix 14 of the HK Listing Rules and the ASX Principles, a copy of which is located on the website.

The Committee consists of a majority of independent Directors and is comprised of the following members at 30 June 2012:

Name of Member	Meetings Attended/ Eligible to attend*
Lau Kwok Kuen, Eddie (<i>Chairman of the Committee</i>)	1/1
Uwe Henke Von Parpart	1/1
Yip Kwok Cheung, Danny	1/1

* Represents the total number of meetings held during the 18-month period ended 30 June 2012.

Note: Subsequent to 30 June 2012, Mr. David Michael Spratt has been appointed as the Chairman and Warren Talbot Beckwith has been appointed as member of the committee, while Mr. Uwe Henke Von Parpart and Mr. Yip Kwok Cheung, Danny have resigned from the committee.

The principle duties of the Committee are:

- (a) reviewing and monitoring the sustainability, environmental, safety and health policies and activities of the Company
- (b) encouraging, supporting and counselling management in developing short and long term policies and standards to ensure that the principles set out in the sustainability, environmental, health and safety policies are being adhered to and achieved;
- (c) regularly reviewing community, environmental, health and safety response compliance issues and incidents to determine, on behalf of the Board, whether the Company is taking all necessary action in respect of those matters and that the Company has been duly diligent in carrying out its responsibilities and activities in that regard;
- (d) ensuring that the Company monitors trends and reviews current and emerging

issues in the field of sustainability, environment, health and safety, and evaluates their impact on the Company; and

- (e) reviewing and making recommendations to the Board with respect to environmental aspects of expansions, acquisitions and dispositions with material environmental implications.

RISK MANAGEMENT COMMITTEE

The Board has established a Committee to oversee the risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions of the Company.

The Committee carries out its duties accordance with the Terms of Reference and Policy which complies the ASX Principles, a copy of which is located on the website.

The Committee consists of a majority of independent Directors and is comprised of the following members at 30 June 2012:

Name of Member	Meetings Attended/ Eligible to attend*
Luk Kin Peter Joseph	1/1
Chan Kam Kwan, Jason	1/1
Chu Chung Yue, Howard	1/1
Lau Kwok Kuen, Eddie (<i>Chairman of the Committee</i>)	1/1
Uwe Henke Von Parpart	1/1
Yip Kwok Cheung, Danny	1/1

* Represents the total number of meetings held during the 18-month period ended 30 June 2012.

Note: Subsequent to 30 June 2012, all the then members have resigned from the committee, while Mr. Warren Talbot Beckwith has been appointed as Chairman and Mr. Ross Stewart Norgard and Mr. David Michael Spratt have been appointed as members of the Committee.

CORPORATE GOVERNANCE REPORT *(continued)*

Risk management encompasses all areas of the Company's activities. Once a business risk is identified, the risk management processes and systems implemented by the Company are aimed at providing the necessary framework to enable the business risk to be managed.

Management has the key role of identifying risks and enabling processes for risk management. Senior management are required to report risks identified to the Risk Management Committee or Chief Executive Officer.

The Risk Management Committee will meet periodically to review and ensure that the Company has in place processes to assess and manage specific and general business risks and appropriate mitigation procedures where applicable.

The overall results of this assessment are presented to the Board, in oral and written form, at every Board meeting by the chairman of the Risk Management Committee, and updated as needed.

The Board reviews the Company's risk management at every Board meeting, and where required, makes improvements to its risk management and internal compliance and control systems.

AUDITORS' REMUNERATION

The aggregate remuneration in respect of services provided by PricewaterhouseCoopers for the eighteen months ended 30 June 2012 was HK\$9,115,000, of which HK\$3,283,000 represents annual audit fees and HK\$5,832,000 represents fees for non-audit services.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Group.

The Board also reviews at least annually the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Chief Financial Officer ("CFO") of the Company, reports directly to the Board and the Audit Committee, and monitors the existence and effectiveness of the controls in the Group's business operations. The CFO also discusses the audit plan with the Audit Committee and the external auditors. The audit plan is reassessed during the period as needed to ensure that adequate resources are deployed and the plan's objectives are met. In addition, regular dialogues are maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Reports from the external auditors on relevant financial reporting matter is presented to the Audit Committee, and, as appropriate, to the Board.

Although the Company is not required to comply with section 295A of the Corporations Act (being a company incorporated in Bermuda), the Directors required the Chief Executive Officer and CFO to state in writing to the Board that:

The Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with the relevant accounting standards;

CONTINUOUS DISCLOSURE

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules, the HK Listing Rules. The Directors have observed the disclosure requirements of the ASX Listing Rules and the HK Listing Rules, and to ensure accountability at a senior management level for that compliance.

COMMUNICATION WITH SHAREHOLDERS

The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the Group's website.

The Directors have established a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to the ASX and the SEHK, the Company will also ensure that all relevant documents are released on the website of the Company for the purpose of both stakeholders and shareholders. Copies of all corporate governance policies, charters and terms of references are freely available on the website of the Company.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors are available to answer questions on the Group's business at the meeting. In accordance with the Bye-laws of the Company, a minimum of 14 days notice is required for every shareholders' meeting and all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All resolutions at the general meeting are decided by a poll which is conducted by the Group's branch share registrar in Hong Kong.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

ETHICAL STANDARDS AND DIVERSITY

All Directors, senior management and employees of the Company are expected to conduct themselves with integrity, openness, honesty and fairness, and in the best interests of the Company. The Board has established a Code of Conduct and Ethics to guide all Directors, members of senior management and employees.

Through the Code of Conduct and Ethics, the Company actively supports the principle of equal employment opportunity regardless of race, religion, national origin, sex, age, physical disability, marital status or sexual orientation, and expects its senior management and employees to practice and support this principle.

A copy of the Code of Conduct and Ethics is available in the corporate governance section of the Company's website.

The Board is looking to achieve diversity and a balanced mix of skills to enhance value to the Board. In selecting new Board members, Directors have regard to the appropriate skills and characteristics needed by the Board as a whole. The Directors endeavour to appoint individuals who will provide a mix of diverse experiences, perspectives and skills appropriate for the Company, including appropriate technical and commercial skills relevant to the mining and transportation industry. Subsequent to year end the Board adopted a Diversity Policy, a copy of which can be found on the website.

The proportion of women employees in the whole organisation is approximately 10%.

DIRECTORS' REPORT



The Directors present their report together with the audited consolidated financial statements of the Group for the 18 months ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company are exploration and development of iron ore mining projects in Western Australia; exploitation, processing and production of copper ore concentrates in the PRC; provision of limousine rental and airport shuttle bus services. Detailed activities of each of the Company's subsidiaries are as set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the 18 months ended 30 June 2012 are set out in the consolidated statement of comprehensive income on page 52.

REVIEW OF OPERATIONS

It is recommended that the 18-month financial statements be read in conjunction with the 30 June 2012 annual report and any public announcements made by the Company during the period. Detailed business review is set out in pages 5 to 28.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with the ASX regarding exploration and other activities of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the period in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

CONVERTIBLE NOTES AND SHARE CAPITAL

Details of the movements in authorised and issued share capital and the convertible notes of the Company are set out in notes 31 and 32 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2012 and 31 December 2010, the Company has no reserve available for distribution to the shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTION

The Company has no connected transaction for the 18 months ended 30 June 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial period/year is set out on page 134.

DIRECTORS

The Directors of the Company during the period and up to the date of this report were:

Non-Executive Directors:

Kwai Sze Hoi (*Chairman*)
(*appointed on 15 June 2012*)
Liu Zhengui (*Vice Chairman*)
(*appointed on 27 April 2012 as non-executive director and 15 June 2012 as Vice Chairman*)
Warren Talbot Beckwith
(*appointed on 15 June 2012*)
Ross Stewart Norgard
(*appointed on 22 August 2012*)

Executive Directors:

Luk Kin Peter Joseph (*Chief Executive Officer*)
(*redesignated as Chief Executive Officer on 15 June 2012*)
Chan Kam Kwan, Jason (*Company Secretary*)
Chu Chung Yue Howard
(*appointed on 7 November 2011*)

Independent non-executive Directors:

Lau Kwok Kuen, Eddie
Uwe Henke Von Parpart
Yip Kwok Cheung, Danny
David Michael Spratt
(*appointed on 22 August 2012*)

In accordance with Clauses 87(1) and (2) of the Company's Bye-laws, Messrs. Luk Kin Peter Joseph, Chan Kam Kwan Jason, Chu Chung Yue Howard, Liu Zhengui, Kwai Sze Hoi, Warren Talbot Beckwith, Ross Stewart Norgard and David Michael Spratt shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

All the independent non-executive Directors are appointed for a specific term and will be subject to retirement by rotation and re-election in accordance with the HK Listing Rules and the Bye-laws of the Company.

The Company has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules. The Company considered all of the non-executive Directors are independent.

DIRECTOR'S SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2012, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the SEHK, pursuant to the Model Code were as follows:

DIRECTORS' REPORT *(continued)*

(i) Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares	Number of share options held	Approximate percentage of the issued share capital of the Company
Mr. Kwai Sze Hoi	Jointly (Note 1)	60,720,000		—	0.85%
	Interests of controlled corporation (Note 1)	988,152,862	289,900,000	—	17.81%
Mr. Ross Stewart Norgard	Beneficial owner	64,569,834		—	0.90%
	Interests of controlled corporation	178,484,166		—	2.49%
Mr. Warren Talbot Beckwith	Beneficial owner	—		13,500,000	0.19%
Mr. Luk Kin Peter Joseph	Beneficial owner	—		89,000,000	1.24%
	Interests of controlled corporation (Note 2)	376,032,276		—	5.24%
Mr. Chan Kam Kwan, Jason	Beneficial owner	—		6,500,000	0.09%
Mr. Chu Chung Yue Howard	Beneficial owner	—		20,000,000	0.28%
Mr. Lau Kwok Kuen, Eddie	Beneficial owner	—		2,000,000	0.03%
Mr. Uwe Henke Von Parpart	Beneficial owner	—		2,000,000	0.03%
Mr. Yip Kwok Cheung Danny	Beneficial owner	—		2,000,000	0.03%

Note:

- The 988,152,862 shares and 289,900,000 underlying shares to be issued upon conversion of the convertible bond were held by Ocean Line Holdings Ltd., a company held as to 60% by Mr. Kwai Sze Hoi and as to 40% by Ms. Cheung Wai Fung (Mr. Kwai's spouse). In addition, Mr. Kwai and Ms. Cheung have a joint direct interest in 60,720,000 shares of the Company.
- The 376,032,276 shares represent (i) 124,824,000 shares held by Equity Valley Investments Limited; (ii) 103,448,276 shares held by Pridelful Future Investments Limited; and (iii) 147,760,000 shares held by Villas Green Investments Limited. The above three companies were wholly-owned by The XSS Group Limited, of which 50%, 20% and 30% of its issued share capital were held by Mr. Luk, Ms Cheung Sze Wai, Catherine (Mr. Luk's spouse), and Ms. Chong Yee Kwan (Mr. Luk's mother) respectively.

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2012.

SHARE OPTIONS

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14 August 2002. Particulars of the Share Option Scheme are set out in note 33 to the consolidated financial statements.

The Company has granted 210,000,000 share options to Qualified Persons under the Share Option Scheme respectively as detailed follows:

Grant date	Number of options granted	Number of options lapsed during the eighteen months ended 30 June 2012	Number of options outstanding as at 30 June 2012	Exercise price
18 January 2010	9,000,000	(500,000)	8,500,000	HK\$1.164
11 February 2010	27,000,000	—	27,000,000	HK\$1.24
11 November 2010	39,000,000	—	39,000,000	HK\$2.00
14 December 2011	57,000,000	—	57,000,000	HK\$0.72
28 March 2012	78,000,000	—	78,000,000	HK\$0.72
	210,000,000	(500,000)	209,500,000	

The Share Option Scheme expired in August 2012 and the option granted shall continue to be valid according to their terms.

On 6 January 2011, the Company has issued 15,000,000 freely traded options which are attached to each of the 15,000,000 shares subscribed during the dual-listing process of the Company. Options are freely traded and will expire on 30 September 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than as disclosed in the section "Directors' and Chief Executives' Interests", at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company nor their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has any interests in competing business to the Group.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the related party transactions for the year are set out in note 43 to the consolidated financial statements. Other than as disclosed therein, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

DIRECTORS' REPORT *(continued)*

DIRECTORS AND OFFICERS INDEMNITIES AND INSURANCE

The Company has paid premiums to insure the Directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officer or the improper use by the officers of their position to gain advantage for themselves or someone else to cause detriment to the Group.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the 18 months ended 30 June 2012 are disclosed in note 43 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of shares or underlying shares	Percentage of the issued share capital of the Company
Kwai Sze Hoi <i>(Note)</i>	Interest held by controlled corporations	1,278,052,862	17.81%
	Interest held jointly with another person	60,720,000	0.85%
Cheung Wai Fung <i>(Note)</i>	Interest held by controlled corporations	1,278,052,862	17.81%
	Interest held jointly with another person	60,720,000	0.85%
Ocean Line Holdings Ltd. <i>(Note)</i>	Beneficial owner	1,278,052,862	17.81%
Cheung Sze Wai, Catherine <i>(Note)</i>	Interest held by controlled corporations	376,032,276	5.24%
	Interest held by spouse	89,000,000	1.24%
Luk Kin Peter Joseph <i>(Note)</i>	Interest held by controlled corporations	376,032,276	5.24%
	Beneficial owner	89,000,000	1.24%
The XSS Group Limited <i>(Note)</i>	Interest held by controlled corporations	376,032,276	5.24%

Notes: Please refer to Note under section headed: Directors and Chief Executives' Interests on P.46.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the eighteen months ended 30 June 2012, the aggregate amount of revenue attributable to the Group's five largest customers represented 32.2% of the Group's total revenue and the largest customer represented 14.2% of the Group's total revenue. Aggregate operating and administrative expenses attributable to the Group's five largest suppliers were less than 15.0% of total operating and administrative expenses (include exploration and evaluation expenses) for the period.

At no time during the period did any Director, any associate of a Director, or any shareholder of the Company, which to the knowledge of the Directors owned more than 5% of the Company's share capital, have any beneficial interests in these customers or suppliers.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices is adopted by the Company as set out in the Corporate Governance Report on pages 34 to 43 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient of public float of the Company's securities as required under the HK Listing Rules.

AUDITOR

The financial statements for the financial 18 months ended 30 June 2012 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves or re-appointment at the forthcoming annual general meeting of the Company.

By order of the Board

Kwai Sze Hoi
Chairman

Hong Kong, 25 September 2012

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF BROCKMAN MINING LIMITED (FORMERLY KNOWN AS WAH NAM INTERNATIONAL HOLDINGS LIMITED)

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Brockman Mining Limited (the "Company") (formerly known as Wah Nam International Holdings Limited) and its subsidiaries (together, the "Group") set out on pages 52 to 133, which comprise the consolidated and company balance sheets as at 30 June 2012, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the eighteen-month and twelve-month periods ended 30 June 2012, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's loss and cash flows for the eighteen-month and twelve-month periods ended 30 June 2012 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

The consolidated and company balance sheets as at 30 June 2011 and the comparative consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the twelve-month period ended 30 June 2011 were unaudited.

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong,
25 September, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Eighteen months ended 30 June 2012

	Note	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Revenue	7	200,796	131,996
Direct costs	9	(178,242)	(106,792)
Gross Profit		22,554	25,204
Other income	10	32,049	168
Other gains, net	11	530,944	1,790
Selling and administrative expenses	9	(253,451)	(95,622)
Exploration and evaluation expenses		(215,596)	(933)
Impairment losses	12	(2,521,714)	(153,000)
Finance costs	13	(12,183)	(4,001)
Loss before income tax		(2,417,397)	(226,394)
Income tax credit/(expense)	14	719,310	(338)
Loss for the period/year		(1,698,087)	(226,732)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(147,056)	32,405
Change in fair value on available-for-sale investments, net of tax		(226,666)	491,187
Release of deferred income tax upon step acquisition		125,559	—
Release of deferred income tax upon disposal of available-for-sale investments		2,874	—
Release of available-for-sale investments reserve upon step acquisition	39	(513,243)	—
Release of available-for-sale investments reserve upon disposal of available-for-sale investments		(13,355)	—
Other comprehensive (loss)/income for the period/year		(771,887)	523,592
Total comprehensive (loss)/income for the period/year		(2,469,974)	296,860
Loss for the period/year attributable to:			
Equity holders of the Company		(1,579,652)	(210,644)
Non-controlling interests		(118,435)	(16,088)
		(1,698,087)	(226,732)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,287,277)	309,987
Non-controlling interests		(182,697)	(13,127)
		(2,469,974)	296,860
Loss per share attributable to the equity holders of the Company during the period/year		HK cents	HK cents
Basic	16	(29.77)	(5.99)
Diluted	16	(29.77)	(5.99)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Twelve months ended 30 June 2012

	Note	Twelve months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Revenue	7	132,812	144,791
Direct costs	9	(118,828)	(120,857)
Gross Profit		13,984	23,934
Other income	10	30,186	2,292
Other gains, net	11	16,363	516,581
Selling and administrative expenses	9	(205,337)	(118,426)
Exploration and evaluation expenses		(197,918)	(18,100)
Impairment losses	12	(2,521,714)	—
Finance costs	13	(11,355)	(1,543)
(Loss)/profit before income tax		(2,875,791)	404,738
Income tax credit	14	719,228	8
(Loss)/profit for the period		(2,156,563)	404,746
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(232,856)	106,802
Change in fair value on available-for-sale investments, net of tax		(51,106)	315,662
Release of deferred income tax upon step acquisition		—	125,559
Release of deferred income tax upon disposal of available-for-sale investments		2,874	—
Release of available-for-sale investments reserve upon step acquisition	39	—	(513,243)
Release of available-for-sale investments reserve upon disposal of available-for-sale investments		(13,355)	—
Other comprehensive (loss)/income for the period		(294,443)	34,780
Total comprehensive (loss)/income for the period		(2,451,006)	439,526
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(2,045,841)	412,908
Non-controlling interests		(110,722)	(8,162)
		(2,156,563)	404,746
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,244,857)	414,612
Non-controlling interests		(206,149)	24,914
		(2,451,006)	439,526
(Loss)/earnings per share attributable to the equity holders of the Company during the period		HK cents	HK cents
Basic	16	(35.13)	10.21
Diluted	16	(35.13)	10.20

The notes on pages 64 to 133 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	As at		
		30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Non-current assets				
Mining properties	18	4,083,440	6,905,822	850,616
Property, plant and equipment	19	103,838	98,568	87,668
Goodwill	20	784	11,405	11,405
Intangible asset	21	3,592	10,416	11,217
Available-for-sale investments	22	—	307,987	1,545,224
Other non-current assets		13,630	12,130	8,685
		4,205,284	7,346,328	2,514,815
Current assets				
Inventories	23	13,209	15,333	12,164
Trade receivables	24	22,983	25,285	30,013
Other receivables, deposits and prepayments		22,985	22,714	11,445
Amount due from a related party	43	1,191	1,156	1,067
Financial assets at fair value through profit or loss	25	—	—	5,187
Restricted cash	26	5,200	5,200	5,200
Cash and cash equivalents	27	336,395	565,110	135,590
		401,963	634,798	200,666
Current liabilities				
Trade payables	28	14,133	8,421	12,350
Amounts due to non-controlling interests	40	58,939	—	—
Other payables and accrued charges		193,920	84,663	46,069
Amounts due to related companies	43	5,401	10,005	4,368
Bank borrowings	29	26,671	42,411	41,622
Obligations under finance leases	30	5,555	3,453	1,951
		304,619	148,953	106,360
Net current assets		97,344	485,845	94,306
Total assets less current liabilities		4,302,628	7,832,173	2,609,121
Equity				
Share capital	31	717,504	535,542	392,244
Reserves		2,311,878	3,268,639	1,875,371
Equity attributable to the equity holders of the Company		3,029,382	3,804,181	2,267,615
Non-controlling interests		69,634	2,164,003	82,298
Total equity		3,099,016	5,968,184	2,349,913

	Note	30 June 2012 HK\$'000	As at	
			30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Non-current liabilities				
Obligations under finance leases	30	10,858	8,636	2,860
Amount due to a related party	43	35,592	33,096	32,360
Convertible notes	32	154,401	—	—
Deferred income tax liabilities	34	1,001,635	1,821,171	223,499
Provisions	35	1,126	1,086	489
		1,203,612	1,863,989	259,208
		4,302,628	7,832,173	2,609,121

The consolidated financial statements on pages 52 to 133 were approved by the Board of Directors on 25 September 2012 and were signed on its behalf

Luk Kin Peter Joseph
Director

Chan Kam Kwan, Jason
Director

The notes on pages 64 to 133 form an integral part of these consolidated financial statements.

BALANCE SHEET

As at 30 June 2012

	Note	30 June 2012 HK\$'000	As at	
			30 June 2011 HK\$'000 (Unaudited and unreviewed)	31 December 2010 HK\$'000
Non-current assets				
Investments in subsidiaries	44	64,035	67,754	67,754
Property, plant and equipment	19	2,796	—	—
Amounts due from subsidiaries	44	3,328,864	3,032,108	1,457,514
		3,395,695	3,099,862	1,525,268
Current assets				
Other receivables, deposits and prepayments		3,330	—	470
Amount due from subsidiaries	44	39,033	14,297	14,053
Cash and cash equivalents	27	51,216	100,907	119,045
		93,579	115,204	133,568
Current liabilities				
Other payables and accrued charges		6,607	14,244	4,566
Amount due to a subsidiary		246,982	—	—
		253,589	14,244	4,566
Net current (liabilities)/assets		(160,010)	100,960	129,002
Total assets less current liabilities		3,235,685	3,200,822	1,654,270
Equity				
Share capital	31	717,504	535,542	392,244
Reserves	45	2,363,780	2,665,280	1,262,026
Total equity		3,081,284	3,200,822	1,654,270
Non-current liabilities				
Convertible notes	32	154,401	—	—
		3,235,685	3,200,822	1,654,270

The financial statements on pages 52 to 133 were approved by the Board of Directors on 25 September 2012 and were signed on its behalf

Luk Kin Peter Joseph
Director

Chan Kam Kwan, Jason
Director

The notes on pages 64 to 133 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve (Note) HK\$'000	Convertible notes reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Share-based compensation reserve HK\$'000	Transition reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2010	278,226	953,645	633	154,757	133,644	—	(8,300)	(389,449)	1,123,156	95,425	1,218,581
Comprehensive income											
Loss for the year	—	—	—	—	—	—	—	(210,644)	(210,644)	(16,088)	(226,732)
Other comprehensive income											
Exchange differences arising on translation of foreign operation	—	—	—	—	—	—	29,444	—	29,444	2,961	32,405
Change in fair value on available-for-sale investments (note 22)	—	—	—	—	662,306	—	—	—	662,306	—	662,306
Deferred income tax impact on available-for-sale investments (note 34)	—	—	—	—	(171,119)	—	—	—	(171,119)	—	(171,119)
Total other comprehensive income for the year	—	—	—	—	491,187	—	29,444	—	520,631	2,961	523,592
Total comprehensive income/(loss) for the year	—	—	—	—	491,187	—	29,444	(210,644)	309,987	(13,127)	296,860
Transactions with equity holders											
Issue of shares (note 31)	71,200	663,150	—	—	—	—	—	—	734,350	—	734,350
Transaction costs attributable to issue of shares	—	(18,391)	—	—	—	—	—	—	(18,391)	—	(18,391)
Issue of shares upon conversion of convertible note (note 31)	42,818	188,640	—	(154,757)	—	—	—	—	76,701	—	76,701
Share-based compensation	—	—	—	—	—	41,812	—	—	41,812	—	41,812
Appropriations to statutory reserve	—	—	600	—	—	—	—	(600)	—	—	—
Total transactions with equity holders	114,018	833,399	600	(154,757)	—	41,812	—	(600)	834,472	—	834,472
Balance at 31 December 2010	392,244	1,787,044	1,233	—	624,831	41,812	21,144	(600,693)	2,267,615	82,298	2,349,913

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Eighteen months ended 30 June 2012

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve (Note) HK\$'000	Convertible notes reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2011	392,244	1,787,044	1,233	—	624,831	41,812	21,144	(600,693)	—	2,267,615	82,298	2,349,913
Loss for the period	—	—	—	—	—	—	—	(1,579,652)	—	(1,579,652)	(118,435)	(1,698,087)
Other comprehensive income												
Exchange differences arising on translation of foreign operation	—	—	—	—	—	—	(82,794)	—	—	(82,794)	(64,262)	(147,056)
Change in fair value on available-for-sale investments (note 22)	—	—	—	—	(316,125)	—	—	—	—	(316,125)	—	(316,125)
Deferred income tax impact on available-for-sale investments (note 34)	—	—	—	—	89,459	—	—	—	—	89,459	—	89,459
Release of deferred income tax upon step acquisition (note 34)	—	—	—	—	125,559	—	—	—	—	125,559	—	125,559
Release of deferred income tax upon disposal of available-for-sale investments (note 34)	—	—	—	—	2,874	—	—	—	—	2,874	—	2,874
Release of available-for-sale investments reserve upon step acquisition (note 39)	—	—	—	—	(513,243)	—	—	—	—	(513,243)	—	(513,243)
Release of available-for-sale investments reserve upon disposal of available-for-sale investments	—	—	—	—	(13,355)	—	—	—	—	(13,355)	—	(13,355)
Total other comprehensive loss for the period	—	—	—	—	(624,831)	—	(82,794)	—	—	(707,625)	(64,262)	(771,887)
Total comprehensive loss for the period	—	—	—	—	(624,831)	—	(82,794)	(1,579,652)	—	(2,287,277)	(182,697)	(2,469,974)
Transactions with equity holders												
Acquisition of subsidiary (note 39)	—	—	—	—	—	—	—	—	—	—	2,058,253	2,058,253
Acquisition of additional interest in a subsidiary (note 40)	113,066	434,892	—	—	—	—	—	—	470,796	1,018,754	(1,952,699)	(933,945)
Placing of new shares (note 31)	55,510	277,550	—	—	—	—	—	—	—	333,060	—	333,060
Convertible notes — equity component (note 32)	—	—	—	34,464	—	—	—	—	—	34,464	—	34,464
Issue of shares (note 31)	—	1,437,269	—	—	—	—	—	—	—	1,580,953	—	1,580,953
Issue of shares upon conversion of convertible notes (note 31)	13,000	68,567	—	(8,917)	—	—	—	—	—	72,650	—	72,650
Settlement of vested share option of a subsidiary	—	—	—	—	—	—	—	—	(8,335)	(8,335)	(756)	(9,091)
Additional non-controlling interests relating to outstanding share transactions of a subsidiary	—	—	—	—	—	—	—	—	—	—	65,235	65,235
Appropriations to statutory reserve	—	—	1,195	—	—	—	—	(1,195)	—	—	—	—
Share-based compensation	—	—	—	—	—	17,498	—	—	—	17,498	—	17,498
Total transactions with equity holders	325,260	2,218,278	1,195	25,547	—	17,498	—	(1,195)	462,461	3,049,044	170,033	3,219,077
Balance at 30 June 2012	717,504	4,005,322	2,428	25,547	—	59,310	(61,650)	(2,181,540)	462,461	3,029,382	69,634	3,099,016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Twelve months ended 30 June 2011

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Unaudited and reviewed)	Share premium HK\$'000 (Unaudited and reviewed)	Statutory reserve (Note) HK\$'000 (Unaudited and reviewed)	Available-for-sale investments reserve HK\$'000 (Unaudited and reviewed)	Share-based compensation reserve HK\$'000 (Unaudited and reviewed)	Translation reserve HK\$'000 (Unaudited and reviewed)	Accumulated losses HK\$'000 (Unaudited and reviewed)	Total HK\$'000 (Unaudited and reviewed)	Non-controlling interests HK\$'000 (Unaudited and reviewed)	Total HK\$'000 (Unaudited and reviewed)
Balance at 1 July 2010 (Unaudited)	372,944	1,586,891	633	133,609	8,468	2,033	(546,812)	1,557,786	80,836	1,638,622
Comprehensive income										
Profit/(loss) for the period	—	—	—	—	—	—	412,908	412,908	(8,162)	404,746
Other comprehensive income										
Exchange differences arising on translation of foreign operation	—	—	—	—	—	73,726	—	73,726	33,076	106,802
Change in fair value on available-for-sale investments (note 22)	—	—	—	381,431	—	—	—	381,431	—	381,431
Deferred income tax impact on available-for-sale investments (note 34)	—	—	—	(65,769)	—	—	—	(65,769)	—	(65,769)
Release of deferred income tax upon step acquisition (note 34)	—	—	—	125,559	—	—	—	125,559	—	125,559
Release of available-for-sale investments reserve upon step acquisition (note 39)	—	—	—	(513,243)	—	—	—	(513,243)	—	(513,243)
Total other comprehensive loss for the period	—	—	—	(72,022)	—	73,726	—	1,704	33,076	34,780
Total comprehensive (loss)/income for the period	—	—	—	(72,022)	—	73,726	412,908	414,612	24,914	439,526
Transactions with equity holders										
Acquisition of subsidiaries (note 39)	—	—	—	—	—	—	—	—	2,058,253	2,058,253
Issue of shares (note 31)	162,598	1,642,081	—	—	—	—	—	1,804,679	—	1,804,679
Transaction costs attributable to issue of shares	—	(8,947)	—	—	—	—	—	(8,947)	—	(8,947)
Share-based compensation	—	—	—	—	36,051	—	—	36,051	—	36,051
Appropriations to statutory reserve	—	—	600	—	—	—	(600)	—	—	—
Total transactions with equity holders	162,598	1,633,134	600	—	36,051	—	(600)	1,831,783	2,058,253	3,890,036
Balance at 30 June 2011 (Unaudited)	535,542	3,220,025	1,233	61,587	44,519	75,779	(134,504)	3,804,181	2,164,003	5,968,184

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Twelve months ended 30 June 2012

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve (Note) HK\$'000	Convertible notes reserve HK\$'000	Available- for-sale investments reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 July 2011 (Unaudited)	535,542	3,220,025	1,233	—	61,587	44,519	75,779	(134,504)	—	3,804,181	2,164,003	5,968,184
Comprehensive income												
Loss for the period	—	—	—	—	—	—	—	(2,045,841)	—	(2,045,841)	(110,722)	(2,156,563)
Other comprehensive income												
Exchange differences arising on translation of foreign operation	—	—	—	—	—	—	(137,429)	—	—	(137,429)	(95,427)	(232,856)
Change in fair value on available-for-sale investments (note 22)	—	—	—	—	(52,040)	—	—	—	—	(52,040)	—	(52,040)
Deferred income tax impact on available-for-sale investments (note 34)	—	—	—	—	934	—	—	—	—	934	—	934
Release of deferred income tax upon disposal of available-for-sale investments (note 34)	—	—	—	—	2,874	—	—	—	—	2,874	—	2,874
Release of available-for-sale investments reserve upon disposal of available-for-sale investments	—	—	—	—	(13,355)	—	—	—	—	(13,355)	—	(13,355)
Total other comprehensive loss for the period	—	—	—	—	(61,587)	—	(137,429)	—	—	(199,016)	(95,427)	(294,443)
Total comprehensive (loss) for the period	—	—	—	—	(61,587)	—	(137,429)	(2,045,841)	—	(2,244,857)	(206,149)	(2,451,006)

Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve (Note) HK\$'000	Convertible notes reserve HK\$'000	Available-		Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses		Total HK\$'000	
					for-sale investments reserve HK\$'000	Share-based compensation reserve HK\$'000			Other reserve HK\$'000	Non-controlling interests HK\$'000		
Transactions with equity holders												
Acquisition of additional interest in a subsidiary (note 40)	113,066	434,892	—	—	—	—	—	—	470,796	1,018,754	(1,952,699)	(933,945)
Issue of shares (note 31)	386	4,288	—	—	—	—	—	—	—	4,674	—	4,674
Placing of new shares (note 31)	55,510	277,550	—	—	—	—	—	—	—	333,060	—	333,060
Convertible notes — equity component (note 32)	—	—	—	34,464	—	—	—	—	—	34,464	—	34,464
Issue of shares upon conversion of convertible notes (note 31)	13,000	68,567	—	(8,917)	—	—	—	—	—	72,650	—	72,650
Settlement of vested share option of a subsidiary	—	—	—	—	—	—	—	—	(8,335)	(8,335)	(756)	(9,091)
Additional non-controlling interests relating to outstanding share transactions of a subsidiary	—	—	—	—	—	—	—	—	—	—	65,235	65,235
Appropriations to statutory reserve	—	—	1,195	—	—	—	—	(1,195)	—	—	—	—
Share-based compensation	—	—	—	—	—	—	14,791	—	—	14,791	—	14,791
Total transactions with equity holders	181,962	785,297	1,195	25,547	—	—	14,791	—	(1,195)	462,461	(1,888,220)	(418,162)
Balance at 30 June 2012	717,504	4,005,322	2,428	25,547	—	—	59,310	(61,650)	462,461	3,029,382	69,634	3,099,016

Note: The statutory reserve represents the reserve funds provided in relation to the extraction of mineral ores by a subsidiary established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

The notes on pages 64 to 133 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Eighteen months ended 30 June 2012

	Note	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Cash used in operating activities			
Cash used in operating activities	36	(387,515)	(7,040)
Income tax paid		(852)	(991)
Net cash used in operating activities		(388,367)	(8,031)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	39	482,964	—
Proceeds from disposal of financial assets at fair value through profit or loss		6,763	—
Dividends received from financial assets at fair value through profit or loss		—	91
Dividends received from available-for-sale investments		2,449	—
Interest received		28,730	115
Proceeds from disposal of available-for-sale investments, net		259,720	—
Proceeds from disposal of property, plant and equipment		1,277	644
Purchase of available-for-sale investments		—	(572,989)
Purchases of property, plant and equipment		(45,109)	(20,514)
Net cash generated from/(used in) investing activities		736,794	(592,653)
Cash flows from financing activities			
Proceeds from borrowings		12,637	19,171
Proceeds from issuance of convertible notes		251,940	—
Additional finance lease		19,547	4,643
Proceeds from issuance of ordinary shares		—	734,350
Placing of new shares		333,060	—
Expenses on issuance of ordinary shares		—	(18,391)
Additional contribution from non-controlling interests		65,235	—
Acquisition of additional interest in subsidiaries		(772,328)	—
Repayment of borrowings		(27,588)	(16,807)
Repayment of obligations under finance leases		(7,945)	(2,965)
Interest paid		(1,531)	(1,183)
Finance lease charges		(1,077)	(236)
Net cash (used in)/generated from financing activities		(128,050)	718,582
Net increase in cash and cash equivalents		220,377	117,898
Cash and cash equivalents at beginning of the period/year		135,590	16,758
Effects of foreign exchange rate changes		(19,572)	934
Cash and cash equivalents at end of the period/year, represented by			
Bank balances and cash	27	336,395	135,590

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Twelve months ended 30 June 2012

		Twelve months ended 30 June	
	Note	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Cash flows from operating activities			
Cash used in operating activities	36	(328,452)	(64,221)
Income tax paid		(2)	(1,186)
Net cash used in operating activities		(328,454)	(65,407)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	39	—	482,964
Proceeds from disposal of financial assets at fair value through profit or loss		—	6,745
Dividends received from financial assets at fair value through profit or loss		—	91
Dividends received from available-for-sale investments		2,449	—
Interest received		27,175	1,642
Proceeds from disposal of available-for-sale investments		259,720	—
Proceeds from disposal of property, plant and equipment		1,245	671
Purchase of available-for-sale investments		—	(192,019)
Purchases of property, plant and equipment		(28,296)	(28,462)
Net cash generated from investing activities		262,293	271,632
Cash flows from financing activities			
Proceeds from borrowings		2,339	17,469
Proceeds from issuance of convertible notes		251,940	—
Additional finance lease		9,503	12,862
Proceeds from issuance of ordinary shares		333,060	228,400
Expenses on issuance of ordinary shares		—	(8,947)
Additional contribution from non-controlling interests		65,235	—
Acquisition of additional interest in a subsidiary		(772,328)	—
Repayment of borrowings		(18,078)	(18,300)
Repayment of obligations under finance leases		(5,180)	(4,595)
Interest paid		(1,003)	(1,111)
Finance lease charges		(777)	(432)
Net cash (used in)/generated from financing activities		(135,289)	225,346
Net (decrease)/increase in cash and cash equivalents		(201,450)	431,571
Cash and cash equivalents at beginning of the period		565,110	124,434
Effects of foreign exchange rate changes		(27,265)	9,105
Cash and cash equivalents at end of the period, represented by			
Bank balances and cash	27	336,395	565,110

The notes on pages 64 to 133 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL

Brockman Mining Limited (the "Company") (formerly known as Wah Nam International Holdings Limited) and its subsidiaries (collectively, the "Group") principally engage in acquisition, exploration and development of mineral tenements in Australia; exploitation, processing and sales of mineral resources, including copper, zinc and lead ore concentrates in the PRC, provision of limousine rental and airport shuttle bus services in Hong Kong and the PRC; and investment in equity securities.

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK") and Australian Securities Exchange (the "ASX"). The Company was officially admitted to ASX on 7 January 2011 and trading commenced on 11 January 2011. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 September 2012.

2 BASIS OF PREPARATION

Pursuant to a resolution of the Board of Directors dated 8 November 2011, the financial year end date of the Group has been changed from 31 December to 30 June to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in Western Australia, and thereby facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers an eighteen-month period from 1 January 2011 to 30 June 2012 and the comparative financial period from 1 January 2010 to 31 December 2010. The comparative figures for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes thereto are not comparable. The Company has also presented the consolidated financial statements of comprehensive income, changes in equity and cash flows for the twelve months ended 30 June 2012 and 2011 in accordance with the ASX disclosure requirements.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale investments, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

During the eighteen months ended 30 June 2012, the Group had cash outflows in operating activities of HK\$388,367,000. Based on the directors' review of the Group's cash flow projections, including the Group's expected cash flows from operations and available financial resources, the Group is expected to have sufficient financial resources to satisfy its future working capital requirements, and to meet other financial obligations as and when required for the next twelve months. Accordingly, the directors consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

3 PRINCIPAL ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

International Accounting Standard ("IAS") 24 (Revised)	Related Party Disclosures
IAS 32 (Amendment)	Financial Instruments: Classification of Right Issue
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments
IFRS Amendments	Improvements to IFRSs 2010

The adoption of the above new standards, amendments and interpretations to standards has no significant impact to the Group's consolidated financial statements.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2011 and have not been early adopted:

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
IAS 12 (Amendment)	Deferred tax: recovery of underlying assets	1 January 2012
IAS 19 (Amendment)	Employee Benefits	1 January 2013
IAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
IAS 28 (Revised 2011)	Investment in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
IFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
IFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
IFRS 7 (Amendment)	Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 7 and IFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

- IAS 1 (Amendment) "Presentation of financial statements" requires entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) **New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted** *(Continued)*

- IAS 12 "Income taxes" currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment property". This amendment therefore introduces an exception to the existing principle for the measurement of deferred income tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 "Income taxes recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- IAS 19 (Amendment), "Employee benefits". These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- IAS 27 (Revised 2011) "Separate financial statements" includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (Revised 2011) "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IAS 32 (Amendment) "Financial instruments: Presentation on asset and liability offsetting" clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 1 "First-time adoption of IFRS" replaces references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. IFRS 1 also provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- IFRS 7 (Amendment) "Financial instruments: Disclosures — Transfers of financial assets". The amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.
- IFRS 7 (Amendment) "Financial instruments: Disclosures — Offsetting financial assets and financial liabilities". The amendment require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.
- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) **New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted** (Continued)

- IFRS 10 "Consolidated Financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11 "Joint Arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The Group is yet to assess the full impact of these amendments and intends to adopt these no later than the accounting period beginning on or after the relevant annual periods.

(c) **Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all entities controlled by the Company (its subsidiaries). Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

The Group operates its limousine rental business in the PRC through PRC domestic companies whose equity interest are held by certain citizens of China (the "Registered Shareholders"). The paid-up capital of these companies was funded by the Group through loans extended to the Registered Shareholders. The Group has entered into certain business cooperation agreements with the Registered Shareholders, which make it obligatory for the Group to absorb a substantial majority of the risk of losses from their activities and entitle the Group to receive a substantial majority of their residual returns. In addition, the Group has entered into loan agreements with the Registered Shareholders for them to contribute paid-up capital to the domestic companies for the Group to acquire the equity in the PRC domestic companies subject to compliance with PRC laws. Based on these contractual agreements, the Group believes that, notwithstanding the lack of equity ownership, the contractual arrangements described above give the Group control over the PRC domestic companies in substance. Accordingly, the financial position and operating results of these entities are included in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

(i) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed 1 year from the acquisition date.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

If the Group ceases to have control of a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights except that the Group can demonstrate that it has or does not have significant influence. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(e) Interest in joint ventures

The Group's interest in joint ventures is accounted for by recognising the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

The Group's interest in joint ventures as jointly controlled entities is accounted for using proportionate consolidation. Proportionate consolidation means that the consolidated balance sheet of the Group includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The consolidated statement of comprehensive income of the Group includes its share of the income and expenses of the jointly controlled entity.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the chief executive officer of the Group, who are responsible for allocating resources, assessing performance of the operating segments, and making strategic decisions.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and the Group's presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale investment reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Mining properties

Mining properties are recognised as an intangible asset and stated in the balance sheet at cost less subsequent accumulated amortization and any accumulated impairment losses, if any. Mining properties are amortised using the units of production method based on the proven and probable mineral reserves.

(i) Mining properties acquired in a business combination

Mining properties acquired in a business combination are identified and recognised as an intangible assets separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, mining properties with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for the mining properties recognised in relation to the mineral assets is provided on the basis of units of production and starts when commercial production commences. Amortisation for the remaining mining properties with finite useful lives is provided on a straight-line basis over their estimated useful lives.

(j) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at historical cost less subsequent accumulated depreciation and any accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum after taking into account of residual value:

Buildings	5%
Leasehold improvements	25%
Plants, furniture, fixtures and equipment	12.5% — 25%
Motor vehicles	10% — 20%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the financial period in which the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses in disposal are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(l) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for the intangible assets recognised in relation to the mineral assets is provided on the basis of units of production and starts when commercial production commences. Amortisation for the remaining intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from those investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount for the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(n) Financial assets

The Group classifies its financial assets in the following categories: available-for-sale, at fair value through profit or loss and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from a related party", "cash and cash equivalents" and "restricted cash" in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investment. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale investment reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment reserve is reclassified to profit or loss.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Financial assets (Continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "Other gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payment is established.

Translation differences on non-monetary securities are recognised in other comprehensive income. Changes in fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income as "gains and losses from investment securities".

Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(o) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(q) Trade and other receivables

Trade receivables are amounts due from customers for inventories sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(r) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(s) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Convertible notes (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised, in which case the balance stated in convertible notes reserve will be transferred to share premium. Where the options remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(w) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(x) Employee benefits

(i) Salaries, annual bonuses, annual leave entitlement and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Employee benefits (Continued)

- (ii) The Group participates in various defined contribution schemes. The schemes are generally funded through payments to insurance companies, trustee-administrated funds or the relevant government authorities. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

Payments to state-managed retirement benefit and Mandatory Provident Fund retirement benefits scheme are charged as expenses as when employees have rendered services entitling them to the contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(y) Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from directors, employees or consultants as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(z) Provisions

Provisions for environment restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(z) Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(aa) Financial guarantee

Financial guarantee contracts within the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortization recognised in the settlement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee.

(ab) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and after eliminating sales within the Group.

Limousine rental services income and airport shuttle bus rental services income are recognised when the related services are provided.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

(ac) Interest income

Interest income from a financial asset is accrued on a time basis at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(ad) Dividend income

Dividend income is recognised when the right to receive payment is established.

Income from dealing in securities and sale of investments is recognised, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered.

(ae) Exploration and evaluation costs

The Group has a policy of expensing all exploration and evaluation expenditure, except for acquisition of tenement costs, in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is assured beyond reasonable doubt.

(af) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred. Except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(ag) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Finance lease payments are allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ah) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2012, the carrying amount of goodwill is HK\$784,000 (30 June 2011 and 31 December 2010: HK\$11,405,000). Details of the recoverable amount calculation and the key assumptions used are disclosed in note 20.

(b) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value-in-use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2012, the carrying amount of intangible asset is HK\$3,592,000 (30 June 2011: HK\$10,416,000, 31 December 2010: HK\$11,217,000). Details of the recoverable amount calculation and the key assumptions used are disclosed in note 21.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Expected useful life of intangible asset

The Group amortises its intangible asset on a straight line basis over its estimated useful life commencing from the date of acquisition of subsidiaries. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the intangible asset. The Group re-assesses the useful life of the intangible asset on a regular basis and if the expectation differs from the original estimate, such difference will impact the amortisation in the year in which such estimate has been changed. During the eighteen months and twelve months ended 30 June 2012, the Group recognised amortisation of intangible asset amounting to approximately HK\$2,403,000 and HK\$1,602,000 respectively (twelve months ended 30 June 2011 and year ended 31 December 2010: HK\$1,602,000). Details of the Group's intangible asset are set out in note 21.

(d) Expected useful life of mining right in the PRC and mineral reserves

The Group's management has determined the estimated useful life of over 18 years for its mining right in the PRC based on the proven and probable reserves of 7,554,000 tonnes. The mining right was granted for a term of 5 years expiring in September 2012. The Group is granted an extension of the mining right for three months period up to December 2012. The directors of the Company are of the opinion that the Group will be able to continuously renew the mining right and the business licenses of respective mining subsidiaries at minimal charges. In the opinion of the independent legal advisor of the Company, there are no significant obstacle and legal barriers for the Group to renew its mining right and business licenses when they expire. Accordingly, the Group has used the proven and probable reserves as the basis of estimation for the useful life of its mining right.

Amortisation rate is determined based on estimated proven and probable mine reserve quantities with reference to the independent technical assessment report. The capitalised cost of mining rights are amortised using the units of production method. Any change to the estimated proven and probable mine reserves will affect the amortisation charge of those mining rights. Management will reassess the useful lives whenever the ability to renew the mining right and business licenses occurs.

Proven and probable mineral reserve estimates are updated at regular basis and have taken into account recent production and technical information about the mine. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related amortisation rate.

(e) Impairment of mining right in the PRC

Determining whether the mining right is impaired requires an estimation of the recoverable amount of the cash-generating unit to which the mining right has been allocated, by value in use and fair value less cost to sell approaches. The Group estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2012, the carrying amount of the mining right is approximately HK\$757,014,000 (30 June 2011: HK\$865,795,000, 31 December 2010: HK\$850,616,000). An impairment loss of HK\$114,000,000 was recognised for the eighteen months and twelve months ended 30 June 2012 (Year ended 31 December 2010: HK\$153,000,000, twelve months ended 30 June 2011: HK\$Nil). Details of the key assumptions used are disclosed in note 18.

(f) Impairment of mining properties in Australia

Determining whether the mining properties in Australia are impaired requires an estimation of the recoverable amount of the cash-generating unit to which the mining properties have been allocated, by value in use and fair value less cost to sell approaches. The Group estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2012, the carrying amounts of the mining properties are approximately HK\$3,326,426,000 (30 June 2011: HK\$6,040,027,000). An impairment loss of HK\$2,391,871,000 was recognised for the eighteen months and twelve months ended 30 June 2012. Details of the key assumptions used are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debts and equity balances. The directors of the Company consider that the capital structure of the Group consists of long-term debts, and equity attributable to equity holders of the Company comprising issued capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, new share issues as well as the issue of the new debt or the repayment of existing debts. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The gearing ratios at 30 June 2012, 30 June 2011 and 31 December 2010 were as follows:

	30 June 2012 HK'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Long-term debts (Notes 30, 32 and 43)	200,851	41,732	35,220
Total equity	3,099,016	5,968,184	2,349,913
Total capital employed	3,299,867	6,009,916	2,385,133
Gearing ratio	6.09%	0.69%	1.48%

The increase in the gearing ratio resulted primarily from the issuance of convertible notes with carrying value of HK\$154,401,000 at 30 June 2012 resulting in an increase in long-term debts at 30 June 2012.

6 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	30 June 2012 HK'000	The Group	
		30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Financial assets			
Available-for-sale investments	—	307,987	1,545,224
Financial assets at fair value through profit or loss	—	—	5,187
Loans and receivables:			
Trade receivables	22,983	25,285	30,013
Other receivables and deposits	17,047	18,555	4,565
Amount due from a related party	1,191	1,156	1,067
Restricted cash	5,200	5,200	5,200
Cash and cash equivalents	336,395	565,110	135,590
	382,816	923,293	1,726,846
Financial liabilities			
At amortised cost:			
Trade payables	14,133	8,421	12,350
Other payables and accrued charges	193,920	84,663	46,069
Bank borrowings	26,671	42,411	41,622
Amounts due to related parties and companies	40,993	43,101	36,728
Convertible notes	154,401	—	—
Obligations under finance leases	16,413	12,089	4,811
	446,531	190,685	141,580

6 FINANCIAL INSTRUMENTS (Continued)

(a) Categories of financial instruments (Continued)

	30 June 2012 HK'000	The Company	
		30 June 2011 HK\$'000 (Unaudited and unreviewed)	31 December 2010 HK\$'000
Financial assets			
Loans and receivables:			
Other receivables and deposits	3,330	—	—
Amounts due from subsidiaries	39,033	14,297	14,053
Cash and cash equivalents	51,216	100,907	119,045
	93,579	115,204	133,098
Financial liabilities			
At amortised cost:			
Other payables and accrued charges	6,607	14,244	4,566
Amount due to a subsidiary	246,982	—	—
Convertible notes	154,401	—	—
	407,990	14,244	4,566

(b) Financial risk management

The Group's major financial instruments are set out in note (a) above and the details of these financial instruments are disclosed in the respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

(1) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies. The Group is exposed to exchange risk primarily because the mineral tenements are denominated in Australian dollars ("A\$"). 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 purposes. The Group had only insignificant foreign exchange risk exposure to Renminbi ("RMB") as at 30 June 2012 and 31 December 2010 and as such, no sensitivity analysis has been presented.

(2) Commodities price risk

(i) Copper ore concentrates price

The Group's revenue and results of the mining business in the PRC during the period and the fair value of the Group's mining right was affected by fluctuations in the copper ore concentrate price. All of our mining products were sold at the market price.

(ii) Iron ore price

The fair value of the Group's mining properties arising from the acquisition may be affected by fluctuations in the iron ore price,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

(i) Market risk (Continued)

(3) Interest rate risk

The Group is exposed to fair value interest rate risk relating to fixed rate convertible notes and fixed rate obligation under finance leases. If the interest rate had been 50 basis points higher/lower, the Group's loss for the eighteen months and twelve months ended 30 June 2012 would be a maximum increase/decrease of HK\$852,000 and HK\$71,000 respectively (Twelve months ended 30 June 2011: HK\$60,000; year ended 31 December 2010: HK\$24,000).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group's interest rate risk on bank balances is insignificant. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the eighteen months and twelve months ended 30 June 2012 would increase/decrease by HK\$256,000 and HK\$173,000 respectively (Twelve months ended 30 June 2011: HK\$210,000; year ended 31 December 2010: HK\$208,000).

The Group does not have an interest rate hedging policy. However, management monitor interest rate exposures and will consider hedging significant interest rate exposures should the need arises.

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(ii) Credit risk

The Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the trade receivables, other receivables and deposits, amount due from a related party, cash and cash equivalents and restricted cash as stated in the consolidated balance sheet.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company arises from the carrying amount of the amount due from subsidiaries and cash and cash equivalents as stated in the Company's balance sheet.

Management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

6 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

(ii) Credit risk (Continued)

The credit risk on cash and cash equivalents is limited for both the Group and the Company because counterparties are mainly the banks with high credit-rating, i.e. above Aa1 assigned by international credit-rating agencies.

The Group and the Company have no concentration of credit risk, with exposure spread over a number of counterparties.

(iii) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group generally finances its short term funding requirement with cash generated from operations, credit facilities from suppliers, banking facilities, and equity funding. The Group's ability to achieve its Marillana iron ore project development schedule is reliant on access to appropriate and timely funding.

During the Reporting Period, the Group has raised cash from the subscription of new shares and the issue of convertible bonds.

Save for the above, there was no significant change in the working capital structure during the Reporting Period, the current ratio is measured at 1.32 times compared to 4.26 times as at 30 June 2011 and 1.89 as at 31 December 2010.

The gearing ratio for the Reporting Period (long term debts over equity and long term debts) is measured at 6.09% compared to 0.69% as at 30 June 2011 and 1.48% as at 31 December 2010.

During the Reporting Period, the Group did not engage in the use of any financial instruments for hedging purposes, and there is no outstanding hedging instrument as at 30 June 2012.

The Group relies on bank borrowings from bank as a significant source of liquidity. As at 30 June 2012, the Group has no unutilised bank loan facilities as at 30 June 2012 (unutilized bank loan facilities as at 31 December 2010: HK\$12,378,000). The Company has no bank loan facilities as at 30 June 2012 and 31 December 2010.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

Liquidity and interest risk tables

	The Group					
	Weighted average effective interest rate %	Within 1 year of demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at period end date HK\$'000
30 June 2012						
Non-derivative financial liabilities:						
Trade payables	—	14,133	—	—	14,133	14,133
Other payables and accrued charges	—	193,920	—	—	193,920	193,920
Amounts due to related parties and companies	—	5,401	35,592	—	40,993	40,993
Amounts due to non-controlling interests	—	58,939	—	—	58,939	58,939
Bank borrowings — variable rate	—	26,671	—	—	26,671	26,671
Convertible notes	11.77	—	195,234	—	195,234	154,401
Obligations under finance leases	2.53	6,267	5,696	5,765	17,728	16,413
		305,331	236,522	5,765	547,618	505,470
30 June 2011 (Unaudited)						
Non-derivative financial liabilities:						
Trade payables	—	8,421	—	—	8,421	8,421
Other payables and accrued charges	—	84,663	—	—	84,663	84,663
Amounts due to related parties and companies	—	10,005	33,096	—	43,101	43,101
Bank borrowings — variable rate	—	42,411	—	—	42,411	42,411
Obligations under finance leases	2.66	4,067	3,759	5,530	13,356	12,089
		149,567	36,855	5,530	191,952	190,685
31 December 2010						
Non-derivative financial liabilities:						
Trade payables	—	12,350	—	—	12,350	12,350
Other payables and accrued charges	—	46,069	—	—	46,069	46,069
Amounts due to related parties and companies	—	4,368	32,360	—	36,728	36,728
Bank borrowings — variable rate	—	41,622	—	—	41,622	41,622
Obligations under finance leases	2.51	2,167	1,515	1,532	5,214	4,811
		106,576	33,875	1,532	141,983	141,580

6 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

	The Company					
	Weighted average effective interest rate %	Within 1 year of demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at period end date HK\$'000
30 June 2012						
Non-derivative financial liabilities:						
Other payables and accrued charges	—	6,607	—	—	6,607	6,607
Amount due to a subsidiary	—	246,982	—	—	246,982	246,982
Convertible notes	11.77	—	195,234	—	195,234	154,401
		253,589	195,234	—	448,823	407,990
30 June 2011 (Unaudited and unreviewed)						
Non-derivative financial liabilities:						
Other payables and accrued charges	—	14,244	—	—	14,244	14,244
		14,244	—	—	14,244	14,244
31 December 2010						
Non-derivative financial liabilities:						
Other payables and accrued charges	—	4,566	—	—	4,566	4,566
		4,566	—	—	4,566	4,566

The Company provided guarantee of HK\$75,200,000 (30 June 2011: HK\$75,200,000, 31 December 2010: HK\$75,200,000) to a bank as a security of the banking facilities granted to an indirectly wholly-owned subsidiary. The guarantee is paid on demand if the banking facilities are in default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6 FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments; and
- the carrying values of financial assets (other than those measured at fair value) and financial liabilities.

The Group's financial assets that are measured at fair value include the trading securities amounts presented as financial assets at fair value through profit or loss and equity securities amounts presented as available-for-sale investments on the consolidated balance sheet. At 30 June 2012, there are HK\$Nil financial assets that are measured at fair value (30 June 2011: equity securities of HK\$307,987,000 presented as available-for-sale investments, 31 December 2010: HK\$5,187,000 presented as financial assets at fair value through profit or loss and HK\$1,545,224,000 presented as available-for-sale investments). Their fair values were determined based on quoted market price, in accordance with IFRS 7.

7 REVENUE

Revenue represents the amounts received and receivable for providing limousine rental and airport shuttle bus services and sales of mineral ore products for the period/year. An analysis of the Group's revenue for the period is as follows:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Income from limousine rental services	153,627	99,903
Income from airport shuttle bus services	18,602	14,667
Sales of copper ore concentrates	28,567	17,426
	200,796	131,996

7 REVENUE (Continued)

	Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Income from limousine rental services	100,436	108,209
Income from airport shuttle bus services	11,570	14,810
Sales of copper ore concentrates	20,806	21,772
	132,812	144,791

8 SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed and used by the executive directors for strategic decision making.

(a) Business segments

As a result of the acquisition of subsidiaries as described in note 39, a new operating segment, namely, mineral tenements, is formed and the Group's operating segments now comprise the followings:

Limousine rental services	—	provision of limousine rental services in Hong Kong and the PRC
Airport shuttle bus services	—	provision of airport shuttle bus services in Hong Kong
Mining operations in the PRC	—	exploitation, processing and sales of copper ore concentrates in the PRC
Mineral tenements	—	mineral exploration, evaluation, development and tenements acquisition in Western Australia
Others	—	investment in equity securities

8 SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Twelve months ended 30 June 2012					
	Limousine rental services HK\$'000	Airport shuttle bus services HK\$'000	Mining operation HK\$'000	Mineral tenements HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue from external customers	100,436	11,570	20,806	—	—	132,812
Segment results	(5,456)	(15,074)	(153,720)	(2,637,700)	22,172	(2,789,778)
Unallocated income						3,124
Unallocated expenses						(77,782)
Finance costs						(11,355)
Loss before income tax						(2,875,791)
Other information:						
Depreciation of property, plant and equipment	(16,021)	(1)	(4,362)	(970)	(45)	(21,399)
Impairment of mining properties (note 12)	—	—	(114,000)	(2,391,871)	—	(2,505,871)
Impairment of goodwill (note 12)	—	(10,621)	—	—	—	(10,621)
Impairment of intangible asset (note 12)	(2,162)	(3,060)	—	—	—	(5,222)
Amortisation of intangible asset	(1,046)	(556)	—	—	—	(1,602)
Amortisation of mining properties	—	—	(9,349)	—	—	(9,349)
Finance costs	(1,642)	(138)	—	—	—	(1,780)
Income tax credit	857	833	—	717,538	—	719,228

	Twelve months ended 30 June 2011					
	Limousine rental services HK\$'000 (Unaudited and unreviewed)	Airport shuttle bus services HK\$'000 (Unaudited and unreviewed)	Mining operation HK\$'000 (Unaudited and unreviewed)	Mineral tenements HK\$'000 (Unaudited and unreviewed)	Others HK\$'000 (Unaudited and unreviewed)	Total HK\$'000 (Unaudited and unreviewed)
Segment revenue from external customers	108,209	14,810	21,772	—	—	144,791
Segment results	5,833	170	(8,944)	(16,241)	514,994	495,812
Unallocated income						1,953
Unallocated expenses						(91,484)
Finance costs						(1,543)
Loss before income tax						404,738
Other information:						
Depreciation of property, plant and equipment	(13,999)	(4)	(3,329)	(26)	(145)	(17,503)
Amortisation of intangible asset	(1,046)	(556)	—	—	—	(1,602)
Amortisation of mining properties	—	—	(8,485)	—	—	(8,485)
Finance costs	(1,373)	(170)	—	—	—	(1,543)
Income tax credit/ (expense)	555	(547)	—	—	—	8

8 SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

As at 31 December 2010					
	Limousine rental services HK\$'000	Airport shuttle bus services HK\$'000	Mining operation HK\$'000	Mineral tenements HK\$'000	Total HK\$'000
Segment assets	109,555	26,486	905,272	1,553,570	2,594,883
Unallocated assets					120,598
Total assets					2,715,481
Other segment information:					
Additions of non-current assets for the year ended 31 December 2010					
Property, plant and equipment	18,331	—	2,100	—	20,431

(b) Geographical information

The limousine rental services are provided in Hong Kong and the PRC. The airport shuttle bus services are provided in Hong Kong. The mining operation is located in the PRC and the mineral tenements are in Australia.

The following table provides an analysis of the Group's revenue by geographical market, based on location of customers, irrespective of the origin of the services:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
The PRC	80,796	55,495
Hong Kong	120,000	76,501
	200,796	131,996
Twelve months ended 30 June		
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
The PRC	39,494	56,469
Hong Kong	93,318	88,322
	132,812	144,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8 SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

The following is an analysis of the carrying amount of the Group's mining properties, property, plant and equipment, goodwill, intangible asset and other non-current assets (excluding financial assets) analysed by geographical area in which the assets are located:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
The PRC	832,021	936,958	917,892
Hong Kong	40,649	56,328	51,699
Australia	3,329,670	6,042,363	—
	4,202,340	7,035,649	969,591

Revenues for the eighteen months and twelve months ended 30 June 2012 of approximately HK\$28,567,000 and HK\$20,806,000 (Twelve months ended 30 June 2011: HK\$21,772,000, year ended 31 December 2010: HK\$17,426,000) are derived from a single external customer. These revenues are attributable to the mining operation segment.

9 EXPENSES BY NATURE

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Amortisation of intangible asset (included in direct costs)	2,403	1,602
Amortisation of mining properties (included in direct costs)	13,671	5,421
Auditor's remuneration	3,433	1,753
Cost of inventories	10,747	9,893
Depreciation of property, plant and equipment	31,005	15,770
Equity-settled share-based compensation for consultant	2,039	15,505
Motor vehicles rental charges	34,236	22,591
Operating lease rentals in respect of office premises	13,178	5,540
Professional fees for takeover bids	35,554	16,513
Staff costs	150,975	66,228

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Amortisation of intangible asset (included in direct costs)	1,602	1,602
Amortisation of mining properties (included in direct costs)	9,349	8,485
Auditor's remuneration	3,225	1,935
Cost of inventories	7,478	11,853
Depreciation of property, plant and equipment	21,678	17,670
Equity-settled share-based compensation for consultant	77	10,768
Motor vehicles rental charges	21,524	24,894
Operating lease rentals in respect of office premises	10,352	6,838
Professional fees for takeover bids	12,478	38,393
Staff costs	128,271	69,677

9 EXPENSES BY NATURE (Continued)

Staff costs include:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Directors' emoluments (including share-based compensation) (note 15)	16,189	26,717
Retirement benefit scheme contributions	7,725	2,358
Share-based compensation for employees	8,160	1,972
Wages, salaries and welfares	118,901	35,181
	150,975	66,228

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Directors' emoluments (including share-based compensation) (note 15)	14,602	26,512
Retirement benefit scheme contributions	7,008	2,241
Share-based compensation for employees	7,777	1,426
Wages, salaries and welfares	98,884	39,498
	128,271	69,677

10 OTHER INCOME

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Interest on bank deposits	28,730	115
Dividend income from financial assets at fair value through profit or loss	—	91
Dividend income from available-for-sale investment	2,449	—
Others	870	(38)
	32,049	168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10 OTHER INCOME (Continued)

	Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Interest on bank deposits	27,175	1,642
Dividend income from financial assets at fair value through profit or loss	—	91
Dividend income from available-for-sale investment	2,449	—
Others	562	559
	30,186	2,292

11 OTHER GAINS, NET

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Unrealised gain on financial assets at fair value	—	1,790
Gain on disposal of financial assets at fair value through profit or loss	1,576	—
Loss on disposal of property, plant and equipment	(1,004)	—
Release of available-for-sale investments reserve upon step acquisition (note 39)	513,243	—
Release of available-for-sale investments reserve upon disposal of available-for-sale investments in FerrAus Limited	49,390	—
Loss on disposal of available-for-sale investments, net	(32,261)	—
	530,944	1,790

	Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Unrealised gain on financial assets at fair value	—	2,000
Gain on disposal of financial assets at fair value through profit or loss	—	1,576
Loss on disposal of property, plant and equipment	(766)	(238)
Release of available-for-sale investments reserve upon step acquisition (note 39)	—	513,243
Release of available-for-sale investments reserve upon disposal of available-for-sale investments in FerrAus Limited	49,390	—
Loss on disposal of available-for-sale investments, net	(32,261)	—
	16,363	516,581

12 IMPAIRMENT LOSSES

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Impairment of mining properties (note 18)	2,505,871	153,000
Impairment of goodwill (note 20)	10,621	—
Impairment of intangible asset (note 21)	5,222	—
	2,521,714	153,000

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Impairment of mining properties (note 18)	2,505,871	—
Impairment of goodwill (note 20)	10,621	—
Impairment of intangible asset (note 21)	5,222	—
	2,521,714	—

13 FINANCE COSTS

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Effective interest expenses on convertible notes (note 32)	9,575	2,582
Interest on bank borrowings wholly repayable within five years	1,531	1,183
Interest on obligation under finance leases	1,077	236
	12,183	4,001

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Effective interest expense on convertible notes (note 32)	9,575	—
Interest on bank borrowings wholly repayable within five years	1,003	1,111
Interest on obligation under finance leases	777	432
	11,355	1,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14 INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 June 2011: 16.5%, 31 December 2010: 16.5%) on the estimated assessable profit for the period/year. PRC Enterprise Income Tax has been provided at the prevailing rate of 25% (30 June 2011: 25%, 31 December 2010: 25%) on the estimated assessable profit applicable to the Company's subsidiaries established in the PRC.

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Current income tax:		
Hong Kong Profits Tax		
Current period/year	573	974
Over provision in prior years	(487)	(270)
PRC Enterprise Income Tax		
Over provision in prior years	—	(9)
Deferred income tax:		
Reversal of temporary differences	(719,396)	(357)
	(719,310)	338

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Current income tax:		
Hong Kong Profits Tax		
Current period/year	266	539
Over provision in prior years	(499)	(258)
PRC Enterprise Income Tax		
Over provision in prior years	—	(9)
Deferred income tax:		
Reversal of temporary differences	(718,995)	(280)
	(719,228)	(8)

14 INCOME TAX (CREDIT)/EXPENSE (Continued)

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the consolidated entities as follows:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Loss before income tax	(2,417,397)	(226,394)
Notional tax at the applicable tax rate of 16.5% (2010: 16.5%)	(398,870)	(37,355)
Income not subject to tax	(94,234)	(216)
Expenses not deductible for tax purposes	55,928	36,513
Over provision in prior years	(487)	(270)
Tax losses for which no deferred income tax asset was recognised	78,603	1,960
Utilisation of previously unrecognized tax losses	—	(113)
Effect of different tax rates of subsidiaries operating overseas	(360,250)	(181)
	(719,310)	338

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
(Loss)/Profit before income tax	(2,875,791)	404,738
Notional tax at the applicable tax rate of 16.5% (2011: 16.5%)	(474,506)	66,782
Income not subject to tax	(9,479)	(84,956)
Expenses not deductible for tax purposes	51,451	13,340
Over provision in prior years	(183)	—
Tax losses for which no deferred income tax asset was recognised	71,500	8,125
Effect of different tax rates of subsidiaries operating overseas	(358,011)	(3,299)
	(719,228)	(8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The tax charge relating to components of other comprehensive income is as follows:

	Eighteen months ended 30 June 2012			Year ended 31 December 2010		
	Before tax HK\$'000	Tax credit/ (charge) HK\$'000	After tax HK\$'000	Before tax HK\$'000	Tax charge HK\$'000	After tax HK\$'000
Fair value (loss)/ gain on available-for-sale investments	(316,125)	89,459	(226,666)	662,306	(171,119)	491,187
Release of available- for-sale investments reserve upon step acquisition	(513,243)	125,559	(387,684)	—	—	—
Release of available- for-sale investments reserve upon disposal of available-for-sale investments	(13,355)	2,874	(10,481)	—	—	—
Currency translation differences	(147,056)	—	(147,056)	32,405	—	32,405
Other comprehensive income	(989,779)	217,892	(771,887)	694,711	(171,119)	523,592
Deferred income tax <i>(note 34)</i>		217,892			(171,119)	

	Twelve months ended 30 June 2012			Twelve months ended 30 June 2011		
	Before tax HK\$'000	Tax credit HK\$'000	After tax HK\$'000	Before tax HK\$'000 <i>(Unaudited and unreviewed)</i>	Tax /credit HK\$'000 <i>(Unaudited and unreviewed)</i>	After tax HK\$'000 <i>(Unaudited and unreviewed)</i>
Fair value (loss)/gain on available-for-sale investments	(52,040)	934	(51,106)	381,431	(65,769)	315,662
Release of available- for-sale investments reserve upon step acquisition	—	—	—	(513,243)	125,559	(387,684)
Release of available- for-sale investments reserve upon disposal of available-for-sale investments	(13,355)	2,874	(10,481)	—	—	—
Currency translation differences	(232,856)	—	(232,856)	106,802	—	106,802
Other comprehensive income	(298,251)	3,808	(294,443)	(25,010)	59,790	34,780
Deferred income tax <i>(note 34)</i>		3,808			59,790	

15 DIRECTORS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2010: five) directors were as follows:

	Kwai Sze Hoi HK\$'000 (Note 1)	Luk Kin Peter Joseph HK\$'000 (Note 2)	Chu Chung Yue, Howard HK\$'000 (Note 3)	Chan Kam Kwan, Jason HK\$'000	Warren Talbot Beckwith HK\$'000 (Note 4)	Liu Zhengui HK\$'000 (Note 5)	Yip Kwok Cheung, Danny HK\$'000	Lau Kwok Kuen, Eddie HK\$'000	Uwe Henke Von Parpart HK\$'000	Total HK\$'000
Eighteen months ended 30 June 2012										
Salaries and other benefits	—	4,397	1,778	1,700	—	—	—	—	—	7,875
Fees	—	—	—	—	—	43	324	324	324	1,015
Share-based compensation	—	5,076	596	781	—	—	282	282	282	7,299
	—	9,473	2,374	2,481	—	43	606	606	606	16,189
Year ended 31 December 2010										
Salaries and other benefits	—	1,300	—	650	—	—	—	—	—	1,950
Fees	—	—	—	—	—	—	144	144	144	432
Share-based compensation	—	22,555	—	598	—	—	394	394	394	24,335
	—	23,855	—	1,248	—	—	538	538	538	26,717
Twelve months ended 30 June 2012										
Salaries and other benefits	—	3,796	1,778	1,400	—	—	—	—	—	6,974
Fees	—	—	—	—	—	43	216	216	216	691
Share-based compensation	—	5,076	596	659	—	—	202	202	202	6,937
	—	8,872	2,374	2,059	—	43	418	418	418	14,602
Twelve months ended 30 June 2011 (Unaudited and unreviewed)										
Salaries and other benefits	—	1,464	—	650	—	—	—	—	—	2,114
Fees	—	—	—	—	—	—	180	180	180	540
Share-based compensation	—	22,555	—	439	—	—	288	288	288	23,858
	—	24,019	—	1,089	—	—	468	468	468	26,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15 DIRECTORS AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Note:

1. Kwai Sze Hoi was appointed as Chairman and non-executive director on 15 June 2012.
2. Luk Kin Peter Joseph resigned as Chairman on 15 June 2012 but remains as an executive director and Chief Executive Officer.
3. Chu Chung Yue, Howard was appointed as executive director on 7 November 2011.
4. Warren Talbot Beckwith was appointed as non-executive director on 15 June 2012.
5. Liu Zhengui was appointed as non-executive director on 27 April 2012 and Vice Chairman on 15 June 2012.

No director waived any emoluments during the period/year.

(b) Five highest paid individuals

Of the five individuals who received the highest emoluments in the Group for the period/year, one (2010: two) is a director of the Company whose emoluments are disclosed in note 15(a) above. The emoluments of the remaining four (2010: three) individuals are as follows:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Salaries and other benefits	17,679	3,117
Contribution to retirement benefit scheme	604	37
Performance related incentive payments	1,183	1,678
Share-based compensation	5,930	1,760
	25,396	6,592

	Twelve months ended 30 June 2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Salaries and other benefits	17,679	3,276
Contribution to retirement benefit scheme	604	37
Performance related incentive payments	1,183	1,678
Share-based compensation	5,930	1,272
	25,396	6,263

15 DIRECTORS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals	
	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$3,000,001 — HK\$3,500,000	—	1
HK\$5,000,001 — HK\$5,500,000	1	—
HK\$6,000,001 — HK\$6,500,000	1	—
HK\$6,500,001 — HK\$7,000,000	1	—
HK\$7,000,001 — HK\$7,500,000	1	—
	4	3

	Number of individuals Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$3,000,001 — HK\$3,500,000	—	1
HK\$5,000,001 — HK\$5,500,000	1	—
HK\$6,000,001 — HK\$6,500,000	1	—
HK\$6,500,001 — HK\$7,000,000	1	—
HK\$7,000,001 — HK\$7,500,000	1	—
	4	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16 (LOSS)/EARNINGS 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.

	Eighteen months ended 30 June 2012	Year ended 31 December 2010
Loss		
Loss for the period/year attributable to the equity holders of the Company (HK\$'000)	(1,579,652)	(210,644)
Interest expense relating to convertible notes (HK\$'000)	9,575	2,582
Adjusted loss for the period/year attributable to the equity holders of the Company (HK\$'000)	(1,570,077)	(208,062)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic loss per share (thousands)	5,305,614	3,515,217
Loss per share attributable to the equity holders of the Company		
Basic (HK cents)	(29.77)	(5.99)
Diluted (HK cents)	(29.77)	(5.99)

	Twelve months ended 30 June	
	2012	2011 (Unaudited and unreviewed)
(Loss)/Earnings		
(Loss)/Profit for the period attributable to the equity holders of the Company (HK\$'000)	(2,045,841)	412,908
Interest expense relating to convertible notes (HK\$'000)	9,575	—
Adjusted (loss)/profit for the period/year attributable to the equity holders of the Company (HK\$'000)	(2,036,266)	412,908
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic (loss)/earnings per share (thousands)	5,823,047	4,044,013
Adjustment of share options (thousands)	—	5,466
Weighted average number of ordinary shares for the purpose of calculating the diluted (loss)/earnings per share (thousands)	5,823,047	4,049,479
(Loss)/earnings per share attributable to the equity holders of the Company		
Basic (HK cents)	(35.13)	10.21
Diluted (HK cents)	(35.13)	10.20

Diluted loss per share is the same as basic loss per share for the eighteen months and twelve months ended 30 June 2012 and the year ended 31 December 2010 because the effect of the assumed conversion of the convertible notes and share options of the Company during these period/year was anti-dilutive.

17 DIVIDEND

No dividend was paid or proposed during the eighteen months and twelve months ended 30 June 2012, nor has any dividend been proposed since the balance sheet date (Twelve months ended 30 June 2011: Nil, year ended 31 December 2010: Nil).

18 MINING PROPERTIES

	Mining right in the PRC HK\$'000	Mining properties in Australia HK\$'000	Total HK\$'000
Balance as at 1 January 2010	980,568	—	980,568
Amortisation during the year	(8,069)	—	(8,069)
Impairment loss	(153,000)	—	(153,000)
Exchange differences	31,117	—	31,117
Balance as at 31 December 2010	850,616	—	850,616
Amortisation during the period	(4,930)	—	(4,930)
Acquisition of subsidiaries (note 39)	—	5,955,062	5,955,062
Exchange differences	20,109	84,965	105,074
Balance as at 30 June 2011 (Unaudited)	865,795	6,040,027	6,905,822
Amortisation during the period	(8,107)	—	(8,107)
Impairment losses (note 12)	(114,000)	(2,391,871)	(2,505,871)
Exchange differences	13,326	(321,730)	(308,404)
Balance as at 30 June 2012	757,014	3,326,426	4,083,440

Mining right in the PRC

Mining right in the PRC represents the right to conduct mining activities in Damajianshan, Honghe Zhou, Luchun Country, Yunnan. The mine is located on land in the PRC to which the Group has no formal title. Yunnan State Land Resources Bureau issued the mining right certificate to Luchun Xintai Mining Co., Ltd ("Luchun") in January 2005. The mining right certificate was renewed in 2007 for a period of five years to September 2012. The renewal of the mining right certificate is processing and Yunnan State Land Resources Bureau has temporarily granted Luchun an extension of the existing mining certificate for a period of three months to December 2012, pending for the approval of the official renewal.

With reference to an independent legal opinion received by Luchun, there are no legal barriers to Luchun obtaining the renewal of the mining right certificate provided that it complies with the requirements as deemed necessary by the relevant government authorities. Accordingly, the Directors are of the opinion that the Group will be able to renew the mining right continuously at minimal charge. If the Group cannot obtain renewal of the mining right, a significant impairment loss may result.

Mining right in the PRC is amortised using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right indefinitely till all proven and probable reserves have been mined.

The volatility of copper price and a delay in the production plan during the period, are considered to be impairment indicators which triggered the need to perform an impairment assessment. The directors have taken into consideration two valuation approaches, namely sales comparison and discounted cash flow, to determine the recoverable amount of the mining right as at 30 June 2012. Key assumptions adopted in the discounted cash flow model prepared by management are summarised as follows:

Long-term copper price	US\$6,890 per tonne
Discount rate	17.25%
Production capacity	650 tonnes to 3,000 tonnes per day

For the mining right in the PRC, an impairment loss of approximately HK\$114,000,000 was recognised for the eighteen months and twelve months ended 30 June 2012. (Year ended 31 December 2010: HK\$153,000,000; twelve months ended 30 June 2011: Nil).

These calculations use cash flow projections based on financial projections approved by management. If the long-term copper price adopted in the valuation had been 5% lower, the recoverable amount would be reduced by approximately HK\$36,582,000 and further impairment loss of HK\$36,582,000 would be required. If the discount rate used in discounted cash flow calculation had been 1% higher than management's estimates or 30 June 2012, the recoverable amount of the mining right recognised would be decreased by HK\$51,994,000 and further impairment loss of HK\$51,994,000 would be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18 MINING PROPERTIES (Continued)

Mining properties in Australia

The mining properties of Brockman Resources Limited ("Brockman Resources"), being the mineral assets comprising the mining and exploration projects in Australia, including the Marillana project and other exploration projects undertaken by Brockman Resources, were valued as of 30 June 2012 with reference to the advice obtained from an independent valuer.

The recent volatility of iron ore price coupled with the delay in finalisation of rail and port infrastructures during the period are considered to be impairment indicators which triggered the need to perform an impairment assessment. A valuation was prepared by an independence valuer to determine the fair value of Marillana Project.

The fair value of Marillana project as of 30 June 2012 was estimated by applying discounted cash flow approach. Key assumptions adopted are summarised as follows:

Estimated mine life	25 years from 2016
Average production	17 Million Tonne per year
Price forecast (Per Dry Metric Tonne unit, dmtu)	2017: US\$142 per dmtu 2018: US\$139 per dmtu 2019: US\$136 per dmtu 2020: US\$132 per dmtu 2021 to 2042: US\$129 per dmtu
Discount rate	13.7%

In considering the fact that the downturn of overall economy continued in the first half of 2012 and the recent sustained iron ore price weakness deteriorated further subsequent to the period end, the Directors have accepted lower long-term iron ore price assumption in the valuation as of June 2012 comparing with a higher range of iron ore price assumptions adopted in the valuation as of June 2011. In determining the iron ore price assumptions, the Directors have made reference to the future and long-term forecast price quoted by various investment banks and other industry research reports.

In relation to the development of the rail and port infrastructure of the Marillana Project, it continued to progress throughout the period. Brockman Resources has been working closely with Atlas Iron Limited ("Atlas"), the partner in North West Infrastructure ("NWI") and QR National ("QRN") in scoping and developing an integrated mine, rail and port logistics solution. The NWI, is a jointly controlled incorporated joint venture between Brockman Resources, Atlas and FerrAus Limited.

Rail

The Marillana Project requires rail infrastructure to haul product to Port Hedland for export. Subsequent to June 2012, Brockman Resources executed a tripartite Alliance Study Agreement with QRN and Atlas in relation to a jointly-funded Pre-Feasibility Study (PFS) of the development and operation of the East Pilbara Independent Rail (EPIR) network, linking Port Hedland to the Marillana Project and several other deposits held by Brockman Resources, Atlas and potentially other third parties.

Port

In September 2010 the Port Hedland Port Authority ("PHPA") outlined the basis on which the NWI could be granted a port lease upon certain approvals and conditions precedents being met. In August 2012 the Western Australian State government reconfirmed its 2010 commitment stating that NWI is able to develop two berths for iron ore export in South West Creek with its facility able to remain in the Port Hedland inner harbour. The review of the inner harbour capacity did not increase or decrease previously assigned export allocations which in the case of NWI is 50mtpa. Brockman Resources has a future port entitlement of 18.5mtpa in South West Creek.

NWI has submitted a Preliminary Planning Review to the PHPA as the first stage of preparing a full development proposal, pending the finalisation of the Port Lease. In addition NWI has undertaken detailed engineering studies to support the development of the berths and associated infrastructure and continues to optimise the proposed development in line with the shareholders mining plans, which provides connection to the proposed EPIR.

18 **MINING PROPERTIES** (Continued)

Mining properties in Australia (Continued)

Port (Continued)

In the valuation as of June 2011, it was assumed that Brockman Resources would construct a rail spur to connect to an existing rail line and pay the owners for the use of its rail and port infrastructure. However, this assumption has been updated in the valuation as of June 2012 in order to reflect the latest development of EPIR network and the change of the rail and port infrastructure solution.

Impairment loss:

Based on the fair value assessment, an impairment loss of approximately HK\$2,391,871,000 was recognised for the eighteen months and twelve months ended 30 June 2012. The impairment reduces the deferred income tax liability brought to account following the business combination relating to the value attributed to the mining properties acquired. The reduction in the deferred tax income liability as a result of the impairment is HK\$717,538,000.

The fair value of the Marillana Project is highly sensitive to the iron ore price assumptions adopted in the valuation. If the long-term iron ore price adopted in the valuation had been 1% lower, the recoverable amount would be reduced by approximately HK\$451,000,000 and further impairment loss of HK\$644,000,000 and a reversal of deferred income tax liabilities of HK\$193,000,000 would be required.

19 **PROPERTY, PLANT AND EQUIPMENT — GROUP AND THE COMPANY**

	The Group						
	Leasehold improvements HK\$'000	Buildings HK\$'000	Plants, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Subtotal HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended 31 December 2010							
At 1 January 2010	901	11,730	15,872	53,223	81,726	—	81,726
Additions	132	239	1,725	18,418	20,514	—	20,514
Disposals	(27)	—	(37)	(716)	(780)	—	(780)
Depreciation (note 9)	(341)	(651)	(2,738)	(12,040)	(15,770)	—	(15,770)
Exchange differences	5	428	566	979	1,978	—	1,978
At 31 December 2010	670	11,746	15,388	59,864	87,668	—	87,668
At 31 December 2010							
Cost	1,439	13,199	21,536	86,460	122,634	—	122,634
Accumulated depreciation	(769)	(1,453)	(6,148)	(26,596)	(34,966)	—	(34,966)
Net book amount	670	11,746	15,388	59,864	87,668	—	87,668
For the six months ended							
30 June 2011 (Unaudited)							
At 1 January 2011	670	11,746	15,388	59,864	87,668	—	87,668
Additions	554	—	2,021	14,238	16,813	—	16,813
Acquisition of subsidiaries (note 39)	—	—	2,325	—	2,325	—	2,325
Disposals	—	—	—	(271)	(271)	—	(271)
Depreciation (note 9)	(153)	(337)	(1,413)	(7,424)	(9,327)	—	(9,327)
Exchange differences	2	267	376	715	1,360	—	1,360
At 30 June 2011 (Unaudited)	1,073	11,676	18,697	67,122	98,568	—	98,568
At 30 June 2011 (Unaudited)							
Cost	1,998	13,499	26,490	98,822	140,809	—	140,809
Accumulated depreciation	(925)	(1,823)	(7,793)	(31,700)	(42,241)	—	(42,241)
Net book amount	1,073	11,676	18,697	67,122	98,568	—	98,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19 PROPERTY, PLANT AND EQUIPMENT — GROUP AND THE COMPANY *(Continued)*

	The Group						
	Leasehold improvements HK\$'000	Buildings HK\$'000	Plants, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Subtotal HK\$'000	Construction in progress HK\$'000	Total HK\$'000
For the twelve months ended							
30 June 2012							
At 1 July 2011 (Unaudited)	1,073	11,676	18,697	67,122	98,568	—	98,568
Additions	2,416	—	11,466	14,252	28,134	162	28,296
Disposals	(283)	—	(154)	(1,573)	(2,010)	—	(2,010)
Depreciation (note 9)	(306)	(697)	(4,560)	(16,115)	(21,678)	—	(21,678)
Exchange differences	(3)	174	30	462	663	(1)	662
At 30 June 2012	2,897	11,153	25,479	64,148	103,677	161	103,838
At 30 June 2012							
Cost	3,481	13,685	37,094	103,534	157,794	161	157,955
Accumulated depreciation	(584)	(2,532)	(11,615)	(39,386)	(54,117)	—	(54,117)
Net book amount	2,897	11,153	25,479	64,148	103,677	161	103,838

At 30 June 2012, the Group pledged the motor vehicles with a carrying value of approximately HK\$8,950,000 (30 June 2011: HK\$13,167,000, 31 December 2010: HK\$15,093,000) to secure the banking facilities granted to a wholly-owned subsidiary of the Company.

	The Company		
	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
At 1 January 2011 and 30 June 2011 (Unaudited and unreviewed)			
Cost, Accumulated depreciation and Net book amount	—	—	—
For the twelve months ended 30 June 2012			
At 1 July 2011 (Unaudited and unreviewed)	—	—	—
Additions	2,392	534	2,926
Disposals	(8)	(8)	(16)
Depreciation	(97)	(17)	(114)
Net book amount	2,287	509	2,796
At 30 June 2012			
Cost	2,384	526	2,910
Accumulated depreciation	(97)	(17)	(114)
Net book amount	2,287	509	2,796

20 GOODWILL AND IMPAIRMENT TESTING ON GOODWILL

	HK\$'000
At 1 January 2010, 31 December 2010 and 30 June 2011 (Unaudited)	
Cost	91,872
Accumulated impairment	(80,467)
Net book amount	11,405
For the twelve months ended 30 June 2012	
Net book amount	11,405
Impairment loss (note 12)	(10,621)
Closing net book amount	784
At 30 June 2012	
Cost	91,872
Accumulated impairment	(91,088)
Net book amount	784

The goodwill arising on acquisition is attributable to the anticipated profitability of the Group in the business of limousine rental and airport shuttle bus services. For the purpose of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs").

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Airport shuttle bus services in Hong Kong	—	10,621	10,621
Limousine rental services in Hong Kong	784	784	784
	784	11,405	11,405

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Airport shuttle bus services in Hong Kong

The recoverable amount of this unit was determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2017 and extrapolates cash flow using 1% growth rate. The management estimates the gross margin of approximately 30% and a discount rate of 11%. The key assumptions for the value-in-use calculation relating to the estimation of cash inflows/outflows are based on the unit's past performance and management estimation. If the budgeted gross margin used in the calculation had been 1% lower than management's estimates as at 30 June 2012, the recoverable amount of the CGU would be reduced by approximately HK\$1,130,000 and the Group would need to reduce the carrying value of other assets by approximately HK\$1,130,000.

Limousine rental services in Hong Kong

The recoverable amount of this unit was determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period up to 2017 and extrapolates cash flow using 1% growth rate. The management estimates the gross margin ranging from 19% to 26% and a discount rate of 11%. Other key assumptions for the value-in-use calculation relating to the estimation of cash inflows/outflows are based on the unit's past performance and management estimation. If the budgeted gross margin used in the calculation had been 1% lower than management's estimates as at 30 June 2012, the recoverable amount of the CGU would be reduced by approximately HK\$7,384,000 and an impairment loss of HK\$7,384,000 would be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21 INTANGIBLE ASSET

	HK\$'000
Year ended 31 December 2010	
At 1 January 2010	12,819
Amortisation (<i>note 9</i>)	(1,602)
At 31 December 2010	11,217
At 31 December 2010	
Cost	102,952
Accumulated amortization and impairment	(91,735)
Net book amount	11,217
For the six months ended 30 June 2011	
At 1 January 2011	11,217
Amortisation (<i>note 9</i>)	(801)
At 30 June 2011 (Unaudited)	10,416
At 30 June 2011 (Unaudited)	
Cost	102,952
Accumulated amortization and impairment	(92,536)
Net book amount	10,416
For the twelve months ended 30 June 2012	
At 1 July 2011 (Unaudited)	10,416
Amortisation (<i>note 9</i>)	(1,602)
Impairment loss (<i>note 12</i>)	(5,222)
At 30 June 2012	3,592
At 30 June 2012	
Cost	102,952
Accumulated amortisation and impairment	(99,360)
Net book amount	3,592

21 INTANGIBLE ASSET (Continued)

The intangible asset represents the customer base of Perryville Group, a wholly-owned subsidiary of the Company arising from the acquisition of Perryville Group in October 2007.

The intangible asset of Perryville Group has a definite useful life and is amortised on a straight-line basis over its expected useful life of 10 years. The recoverable amount of the customer base of Perryville Group as at 30 June 2012 was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the remaining useful life of the underlying intangible asset and the management estimates a gross margin of 30% and ranging from 19% to 26% for airport shuttle bus services and limousine rental services in Hong Kong respectively. If the budgeted gross margin used in value-in-use calculation had been 1% lower than management's estimates at 30 June 2012, the recoverable amount of the intangible asset recognised would be decreased by HK\$1,400,000 and further impairment loss of HK\$1,400,000 would be required.

22 AVAILABLE-FOR-SALE INVESTMENTS

	HK\$'000
At 1 January 2010	309,929
Additions	572,989
Fair value gains recognised in equity	662,306
<hr/>	
At 31 December 2010	1,545,224
Fair value losses recognised in equity	(264,085)
Reclassification to investment in subsidiaries	(973,152)
<hr/>	
At 30 June 2011 (Unaudited)	307,987
Additions	296,901
Fair value losses recognised in equity	(52,040)
Disposal (Note)	(552,848)
<hr/>	
At 30 June 2012	—

Listed investments:

— Equity securities listed in Australia

At 31 December 2010	1,545,224
<hr/>	
At 30 June 2011 (Unaudited)	307,987
<hr/>	
At 30 June 2012	—

The fair values of available-for-sale investments presented on the consolidated balance sheet were determined based on their current bid price in an active market.

Note:

On 20 September 2011, the Group accepted the general offer by Atlas Iron Limited ("Atlas"), a listed company in Australia, to dispose the 40,934,400 shares of FerrAus Limited ("FerrAus") in exchange of 10,233,599 Atlas shares. On the date of disposal, carrying value of available-for-sale investments is approximately HK\$291,982,000. The cumulative fair value gain recognised in the available-for-sale investments reserve of HK\$49,390,000 has been released to the consolidated income statement and an additional disposal gain of HK\$4,919,000 has been recognised, representing the difference between the fair value of consideration and fair value of available-for-sale investment in FerrAus on disposal date.

In October 2011, the Group had disposed all of the 10,233,599 shares of Atlas held with carrying value of approximately HK\$260,866,000 on the market, at a loss of HK\$36,035,000. Such loss has been recognised and included in "Other gains, net" (note 11) in the consolidated income statement for the eighteen months and twelve months ended 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23 INVENTORIES

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Raw materials	6,764	4,436	3,618
Work in progress	4,087	5,404	613
Finished goods	3,771	5,733	8,168
Less: provision for inventories	(1,413)	(240)	(235)
	13,209	15,333	12,164

24 TRADE RECEIVABLES

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Trade receivables	23,356	25,658	30,386
Less: allowance for doubtful debts	(373)	(373)	(373)
Trade receivables — net	22,983	25,285	30,013

The Group's credit terms granted to customers of limousine rental and airport shuttle bus services range between 60 days and 90 days. Before accepting any new customers, the Group will review the potential customer's credit quality and approve its credit limits. Credit limits attributed to customers are reviewed regularly.

The ageing analysis of the trade receivables, based on the invoice date at respective balance sheet dates are as follows:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
0 — 30 days	11,335	10,966	11,061
31 — 60 days	7,652	7,631	10,017
61 — 90 days	2,699	3,217	5,246
Over 90 days	1,670	3,844	4,062
	23,356	25,658	30,386

As at 30 June 2012, the Group's trade receivables of HK\$3,769,000 (30 June 2011: HK\$5,634,000, 31 December 2010: HK\$8,935,000) were past due at balance sheet date but not impaired. The directors considered that these relate to a number of customers for whom there is no recent history of default. The Group does not hold any collateral over these balances.

24 **TRADE RECEIVABLES** (Continued)

The aged analysis of the trade receivables which are past due but not impaired is as follows:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
61 — 90 days	2,592	3,187	5,246
Over 90 days	1,177	2,447	3,689
	3,769	5,634	8,935

Movements on the Group's allowance for doubtful debts are as follows:

	HK\$'000
At 1 January 2010	110
Provision for doubtful debts	263
At 31 December 2010	373
Provision for doubtful debts	—
At 30 June 2011 (Unaudited)	373
Provision for doubtful debts	—
At 30 June 2012	373

The carrying amounts of the Group's trade receivables (net of allowance for doubtful debts) are denominated in the following currencies:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Hong Kong Dollar	14,209	16,487	20,461
Renminbi	8,774	8,798	9,552
	22,983	25,285	30,013

25 **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Listed securities:			
— Equity securities listed in Hong Kong	—	—	5,187

The fair value of the equity securities is based on its current bid prices in an active market. The amount is denominated in Hong Kong dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26 RESTRICTED CASH

As at 30 June 2012, the Group has a restricted cash balance of HK\$5,200,000 (30 June 2011: HK\$5,200,000, 31 December 2010: HK\$5,200,000) held in specific bank account as security for a banking facility.

27 CASH AND CASH EQUIVALENTS

Included in the bank balances and cash on the consolidated balance sheets were amounts in RMB of approximately HK\$4,184,000 (30 June 2011: 4,051,000, 31 December 2010: HK\$6,590,000), which are not freely convertible into other currencies. There is no concentration of credit risk with respect to the bank balances, as the Group and the Company have placed deposits with a number of financial institutions.

28 TRADE PAYABLES

Trade payables of the Group principally comprise amounts outstanding for direct costs. The normal credit period taken for direct costs is between 30 days and 90 days. In certain circumstances, the credit period has been extended to over 90 days. The following is an ageing analysis of trade payables of the Group at the balance sheet date:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
0 — 30 days	9,077	3,706	6,273
31 — 60 days	2,045	2,138	2,332
61 — 90 days	1,279	1,133	1,411
Over 90 days	1,732	1,444	2,334
	14,133	8,421	12,350

29 BANK BORROWINGS

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Current:			
Bank borrowings	26,671	42,411	41,622

The bank borrowings are secured by various means as illustrated below:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Bank borrowings secured by			
— Motor vehicles	14,871	25,811	22,622
— Bank deposit of HK\$5,200,000	5,400	7,800	9,000
— Guarantee by the Company	6,400	8,800	10,000
	26,671	42,411	41,622

All of the bank borrowings are denominated in Hong Kong dollar.

29 BANK BORROWINGS (Continued)

As at 30 June 2012, guarantees have been given to a bank by the Company and a related party of Perryville Group's former shareholder with no charge in respect of banking facilities extended to the Perryville Group amounting to approximately HK\$75,200,000 and HK\$38,000,000 respectively (30 June 2011 and 31 December 2010: HK\$75,200,000 and HK\$38,000,000 respectively).

The bank borrowings carry interest at prevailing market interest rates in Hong Kong. The range of effective interest rates (which are equal to contractual interest rates) on the Group's bank borrowings is as follows:

	30 June 2012	30 June 2011 (Unaudited)	31 December 2010
Variable rate bank borrowings	1.95% to 3.61%	1.89% to 3.46%	1.89% to 3.48%

30 OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles under finance leases. The lease term ranges from 3 to 4 years. Interest rates underlying all obligations under finance leases are fixed and the effective interest rate is 2.53% per annum (30 June 2011: 2.66% per annum, 31 December 2010: 2.51% per annum). No arrangements have been entered into for contingent rental payments.

	Minimum lease payments			Present value of minimum lease payments		
	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000
Within 1 year	6,267	4,067	2,167	5,555	3,453	1,951
Between 1 and 2 years	5,696	3,759	1,515	5,284	3,366	1,395
Between 2 and 5 years	5,765	5,530	1,532	5,574	5,270	1,465
	17,728	13,356	5,214	16,413	12,089	4,811
Less: Finance charges	(1,315)	(1,267)	(403)	—	—	—
Present value of lease obligation	16,413	12,089	4,811	16,413	12,089	4,811
Less: Amount due for settlement within 12 months (shown under current liabilities)				(5,555)	(3,453)	(1,951)
Amount due for settlement after 12 months				10,858	8,636	2,860

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 SHARE CAPITAL — THE GROUP AND THE COMPANY

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised		
At 1 January 2010	4,000,000	400,000
Increase during the period/year (note a)	6,000,000	600,000
At 31 December 2010, 30 June 2011 (Unaudited) and 30 June 2012	10,000,000	1,000,000
Issued and fully paid		
As at 1 January 2010	2,782,258	278,226
Placing of new shares (note b, c, d and e)	712,000	71,200
Conversion of convertible notes (note f)	428,177	42,818
At 31 December 2010	3,922,435	392,244
Issue of shares in consideration for the acquisition of subsidiaries (note g)	1,432,981	143,298
At 30 June 2011 (unaudited)	5,355,416	535,542
Issue of shares as consideration of advisory fee (note h)	3,863	386
Placing of new shares (note i)	555,100	55,510
Issue of shares in consideration for the acquisition of additional interests in subsidiaries (note j)	1,119,860	111,986
Issue of shares in consideration for acquisition of Brockman Resources options (note k)	10,800	1,080
Conversion of convertible notes (note l)	130,000	13,000
As at 30 June 2012	7,175,039	717,504

Note:

- (a) Pursuant to shareholders' approval at the Special General Meeting held on 13 December 2010, the authorized share capital of the Company has been increased from 4,000,000,000 ordinary shares of HK\$0.10 each to 10,000,000,000 ordinary shares of HK\$0.10 each.
- (b) Pursuant to a subscription agreement executed on 9 February 2010, a total of 334,000,000 ordinary shares were issued at an issue price of HK\$0.90 per share, raising net proceeds of approximately HK\$297 million. The new shares rank pari passu in all respects with the existing shares.
- (c) Pursuant to a placing and subscription agreement executed on 17 June 2010, a total of 185,000,000 ordinary shares were issued at an issue price of HK\$1.11 per share, raising net proceeds of approximately HK\$199 million. The new shares rank pari passu in all respects with existing shares.
- (d) Pursuant to a subscription agreement executed on 17 September 2010, a total of 178,000,000 ordinary shares were issued at an issue price of HK\$1.15 per share, raising net proceeds of approximately HK\$200 million. The new shares rank pari passu in all respects with existing shares.
- (e) Pursuant to a subscription on 29 December 2010, a total of 15,000,000 ordinary shares were issued at an issue price of AU\$0.20 per share, raising net proceeds of approximately HK\$19 million. The new shares rank pari passu in all respects with the existing shares.
- (f) In April 2010, convertible notes of aggregate principal amount of HK\$124,171,400 were converted into ordinary shares of the Company at the conversion price of HK\$0.29 per share. Accordingly, a total of 428,177,241 ordinary shares were issued.
- (g) On 16 June 2011, the Group completed the acquisition of an additional 32.99% equity interest in Brockman Resources by allotment and issue of 1,432,980,840 ordinary shares as consideration for the acquisition. The share issued ranked pari passu with the existing shares in issue in all respects. Details of business combination are disclosed in note 39.

31 SHARE CAPITAL — THE GROUP AND THE COMPANY (Continued)

- (h) On 6 July 2011, the Company issued a total of 3,863,078 ordinary shares at the issue price of Australian Dollar ("A\$") 0.20 per share (approximately HK\$1.66 per share) to settle part of the advisory fee payable to Capital Investment Partners Pty Ltd, the Company's financial and corporate adviser in Australia. The new shares rank pari passu in all respects with the existing shares.
- (i) Pursuant to a subscription agreement executed on 12 December 2011, a total of 555,100,000 ordinary shares were issued at an issue price of HK\$0.60 per share, raising net proceeds of approximately HK\$333 million. The new shares rank pari passu in all respects with existing shares.
- (j) A total of 1,119,860,000 ordinary shares were issued during the period from March 2012 to June 2012 upon acquisition of additional 42.79% equity interests in Brockman Resources. The new shares rank pari passu in all respects with the existing shares.
- (k) On 8 May 2012, the Company agreed to subscribe 600,000 options of Brockman Resources by allotment and issue of 10,800,000 ordinary shares. The new shares rank pari passu in respect of the existing shares.
- (l) On 26 June 2012, convertible notes in aggregate principal amount of HK\$78,000,000 were converted into ordinary shares of the Company at the conversion price of HK\$0.60 per share. Accordingly, a total of approximately 130,000,000 ordinary shares were issued.

32 CONVERTIBLE NOTES — THE GROUP AND THE COMPANY

The movement of the liability component of convertible notes recognised in the consolidated balance sheet is set out below:

	HK\$'000
Year ended 31 December 2010	
Opening carrying amount	74,119
Interest expenses (<i>note 13</i>)	2,582
Conversion of convertible note (<i>note a</i>)	(76,701)
<hr/>	
Carrying amount at 31 December 2010 and 30 June 2011 (Unaudited)	—
For the twelve months ended 30 June 2012	
Opening carrying amount	—
Initial recognition of convertible note of HK\$ 173,940,000 due 2014 (<i>note b</i>)	154,055
Initial recognition of convertible note of HK\$ 78,000,000 due 2015 (<i>note c</i>)	63,421
Interest expenses (<i>note 13</i>)	9,575
Conversion of a convertible note	(72,650)
<hr/>	
Carrying amount at 30 June 2012	154,401

Note:

- (a) On 30 January 2008, HK\$435,500,000 convertible note was issued to the vendors for the partial consideration of the acquisition of the entire issued share capital of Smart Year Investments Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

32 CONVERTIBLE NOTES — THE GROUP AND THE COMPANY (Continued)

Note: (Continued)

(a) (Continued)

The effective interest rate of the convertible note was 14.9% per annum.

During 2010, the holders of the convertible notes of the Company have converted the remaining HK\$124.17 million convertible notes into 428,177,000 new ordinary shares of the Company. There was no convertible note outstanding as at 31 December 2010.

(b) On 10 January 2012, the Company issued a convertible note in the aggregate amount of HK\$173,940,000, which is convertible into fully paid shares. On 26 June 2012, HK\$78,000,000 of the convertible note was converted into 130,000,000 fully paid shares in the Company.

The convertible note entitles the holders to convert them, in whole or in part, into ordinary shares of the Company at any time between the date of issue of the convertible notes and their maturity on 10 January 2014 at a conversion price of HK\$0.60 per share subject to the condition that the aggregate interests of the bond holder and its associate shall not be more than 14.9% of the then enlarged issued share capital of the Company. If the convertible note has not been converted, it will be redeemed on 10 January 2014. No interest will be paid until the maturity date.

The convertible notes comprises two components, liability and equity components. The fair value of the liability component included in non-current liabilities was calculated using the effective interest method. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in the convertible notes reserve. The present value of the remaining liability component of the convertible notes of HK\$89,470,000 at 30 June 2012, which was estimated using cash flows discounted at a rate of 11.43%.

(c) On 19 April 2012, the Company issued a convertible note in the aggregate amount of HK\$78,000,000, which is convertible into fully paid shares of the Company.

The convertible notes entitle the holders to convert them, in whole or in part, into ordinary shares of the Company at any time between the date of issue of the convertible notes and their maturity on 19 April 2015 at a conversion price of HK\$0.60 per share subject to the condition that (i) the aggregate interests of the bond holder and its associate shall not be more than 14.9% of the enlarged issued share capital of the Company and (ii) the convertible note issued on 10 January 2012 is fully converted by the bond holder. If the convertible notes have not been converted, they will be redeemed on 19 April 2015. No interest will be paid until the maturity date. Bond holder has no right to require the Company to redeem the whole or part of the convertible notes prior to 19 April 2015.

The convertible note comprises two components, liability and equity components. The fair value of the liability component included in non-current liabilities was calculated using the effective interest method. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in the convertible notes reserve. The present value of the liability component of the convertible notes of HK\$64,931,000 at 30 June 2012, was estimated using cash flows discounted at a rate of 12.22%.

Share option scheme of the Company

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolutions of the sole shareholder passed on 14 August 2002 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Share Option Scheme is valid and effective for a period of ten years after the date of its adoption and expired in August 2012. Under the Share Option Scheme, the board of directors of the Company could grant options to subscribe for shares in the Company, to eligible participants including employees, executives or officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries, and any suppliers, consultants and advisers who will contribute or have contributed to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company on the adoption date of the Share Option Scheme unless prior approval from the Company's shareholders in general meeting has been obtained. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares in respect of which options may be granted to any eligible participant in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, unless prior approval from the Company's shareholders in general meeting has been obtained. Options granted to a substantial shareholder or an independent non-executive Director of the Company in excess of 0.1% of the Company's share in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders in general meeting.

There is no general requirement that an option must be held to any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options offered must be taken up not later than 28 days after the date of offer. A non-refundable remittance of HK\$1 is payable as consideration by the grantee upon acceptance of every grant of option under the Share Option Scheme. The period during which an option may be exercised will be determined by the board of directors at its absolute discretion, save that such period of time shall not exceed a period of ten years commencing on the date which the option is granted. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the closing price of the shares of the SEHK's daily quotation sheet on the date of offer (ii) the average closing price of the shares of the SEHK's daily quotation sheet for the five business days immediately preceding the date of offer and (iii) the nominal value of a share of the Company.

The fair value of the employee services and consultancy services received in exchange for the grant of the share options is recognised as an expense, with a corresponding adjustment to employee share-based compensation reserve, over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

On 18 January 2010, 11 February 2010, 11 November 2010, 14 December 2011 and 28 March 2012, the Company granted 9,000,000, 27,000,000, 39,000,000, 57,000,000 and 78,000,000 share options to the eligible persons including the directors, at the exercise price of HK\$1.164 per share, HK\$1.24 per share, HK\$2.00 per share, HK\$0.72 per share and HK\$0.72 per share respectively. Each share option gives the holder the right to subscribe one ordinary share of the Company. During the eighteen months ended 30 June 2012, 500,000 share options lapsed by reason of a grantee ceased to be an employee of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

33 SHARE OPTION SCHEME (Continued)

Share option scheme of the Company (Continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Number of share options granted	Exercise period	Exercise price (HK\$)
2010A	18 January 2010	18 January 2010 — 17 January 2011	4,500,000	18 January 2011 — 17 January 2014	1.164
	18 January 2010	18 January 2010 — 17 January 2012	2,250,000	18 January 2012 — 17 January 2014	1.164
	18 January 2010	18 January 2010 — 17 January 2013	2,250,000	18 January 2013 — 17 January 2014	1.164
2010B	11 February 2010	11 February 2010 — 10 February 2011	27,000,000	11 February 2011 — 10 February 2014	1.240
2010C	11 November 2010	Immediate	39,000,000	11 November 2010 — 10 November 2013	2.000
2011A	14 December 2011	14 December 2011 — 13 December 2012	50,000,000	14 December 2012 — 13 December 2014	0.720
2011B	14 December 2011	14 December 2011 — 13 December 2014	1,000,000	14 December 2014 — 13 December 2015	0.720
	14 December 2011	14 December 2011 — 13 December 2013	1,000,000	14 December 2013 — 13 December 2015	0.720
	14 December 2011	14 December 2011 — 13 December 2012	3,000,000	14 December 2012 — 13 December 2015	0.720
	14 December 2011	Immediate	2,000,000	14 December 2011 — 13 December 2015	0.720
2012A	28 March 2012	28 March 2012 — 27 March 2015	5,000,000	28 March 2015 — 13 December 2015	0.720
	28 March 2012	28 March 2012 — 27 March 2014	5,000,000	28 March 2014 — 13 December 2015	0.720
	28 March 2012	28 March 2012 — 27 March 2013	39,000,000	28 March 2013 — 13 December 2015	0.720
	28 March 2012	Immediate	29,000,000	28 March 2012 — 13 December 2015	0.720

33 **SHARE OPTION SCHEME** (Continued)

Share option scheme of the Company (Continued)

Movements in the number of share options outstanding are as follows:

Option type	Outstanding as at 1 January and 30 June 2011	Granted during the period	Lapsed during the period	Outstanding as at 30 June 2012
Directors				
Luk Kin Peter Joseph	2010C 2012A	39,000,000 —	— 50,000,000	39,000,000 50,000,000
Chu Chung Yue, Howard	2012A	—	20,000,000	20,000,000
Chan Kam Kwan, Jason	2010A 2012A	1,500,000 —	— 5,000,000	1,500,000 5,000,000
Lau Kwok Kuen, Eddie	2010A 2012A	1,000,000 —	— 1,000,000	1,000,000 1,000,000
Uwe Henke Von Parpart	2010A 2012A	1,000,000 —	— 1,000,000	1,000,000 1,000,000
Yip Kwok Cheung, Danny	2010A 2012A	1,000,000 —	— 1,000,000	1,000,000 1,000,000
Sub-total		43,500,000	78,000,000	121,500,000
Employees	2010A 2011A 2011B	4,500,000 — —	— 50,000,000 7,000,000	4,000,000 50,000,000 7,000,000
		4,500,000	57,000,000	61,000,000
Consultants	2010B	27,000,000	—	27,000,000
Total		75,000,000	135,000,000	209,500,000

The fair values of the 2010A, 2010B, 2010C, 2011A, 2011B, and 2012A share options were calculated using the Binomial model prepared by an independent valuer. The inputs into the model were as follows:

	2010A	2010B	2010C	2011A	2011B	2012A
Exercise price	HK\$1.164	HK\$1.24	HK\$2.00	HK\$0.72	HK\$0.72	HK\$0.72
Volatility	83%	82%	55%	50%	55%	49%
Expected option life	4 years	4 years	3 years	3 years	4 years	4 years
Annual risk-free rate	1.46%	1.502%	0.570%	0.464%	0.649%	0.396%
Expected Dividend yield	0%	0%	0%	0%	0%	0%

For the eighteen months ended 30 June 2012, the Company recognised the total expense of HK\$17,498,000 (year ended 31 December 2010: HK\$41,812,000, twelve months ended 30 June 2012: HK\$14,791,000, twelve months ended 30 June 2011: HK\$36,051,000) in relation to the share options granted by the Company.

Share option scheme of Brockman Resources

An employee share option plan ("Brockman Resources Employee Share Option Plan") was adopted by the Board of Directors of Brockman Resources, a subsidiary of the Company, on 26 August 2008. Employee options can be exercised utilising the Employee Loan Scheme ("ELS") as approved by shareholders at the November 2008 Annual General Meeting of Brockman Resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

33 SHARE OPTION SCHEME *(Continued)*

Share option scheme of Brockman Resources *(Continued)*

Under the terms of the ELS security over the loan shares is retained until the associated loan amount and related interest is repaid. Interest is charged on the loans at statutory rates. Upon the Takeover Offer, the employee shares held as security against the unpaid employee loans were sold to the Company through the Takeover Offer and the outstanding employee loans are secured by 28,107,000 shares of the Company as at 30 June 2012. Due to the limited recourse nature of the ELS, accrued interest and the Loan shares contribution to equity are not recorded.

34 DEFERRED INCOME TAX

The following is the major deferred income tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior period:

	Tax losses HK\$'000	Accelerated tax depreciation HK\$'000	Fair value gain on available-for- sale investments HK\$'000	Intangible asset HK\$'000	Mining properties in Australia HK\$'000	Total HK\$'000
At 1 January 2010	337	(4,112)	(46,847)	(2,115)	—	(52,737)
(Charged)/credited to consolidated income statement for the year	(337)	430	—	264	—	357
Charged directly to equity	—	—	(171,119)	—	—	(171,119)
At 31 December 2010	—	(3,682)	(217,966)	(1,851)	—	(223,499)
Arising from acquisition of subsidiaries	—	—	—	—	(1,786,519)	(1,786,519)
Credited to consolidated income statement for the period	—	269	—	132	—	401
Credited directly to equity	—	—	214,084	—	—	214,084
Exchange differences	—	(5)	(143)	—	(25,490)	(25,638)
At 30 June 2011 (Unaudited)	—	(3,418)	(4,025)	(1,719)	(1,812,009)	(1,821,171)
Credited to consolidated income statement for the period	—	331	—	1,126	717,538	718,995
Credited directly to equity	—	—	3,808	—	—	3,808
Exchange differences	—	(3)	217	—	96,519	96,733
At 30 June 2012	—	(3,090)	—	(593)	(997,952)	(1,001,635)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to approximately HK\$924 million as at 30 June 2012 (30 June 2011: HK\$707 million; 31 December 2010: HK\$33 million) to be carried forward for deduction against future taxable profits, including tax losses of HK\$635 million acquired through business combination (note 39). Tax losses of HK\$813 million (30 June 2011: HK\$660 million; 31 December 2010: Nil) relating to overseas subsidiaries are available indefinitely for offset against future taxable income subject to the satisfaction of the loss recoupment rules in respective tax jurisdiction while tax losses of HK\$58 million (30 June 2011: HK\$28 million; 31 December 2010: HK\$26 million) will expire in two to five years from 30 June 2012.

35 PROVISIONS

	HK\$'000
Balance as at 1 January 2010	472
Exchange differences	17
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Balance as at 31 December 2010	489
Provision for the period	579
Exchange differences	18
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Balance as at 30 June 2011 (unaudited)	1,086
Provision for the period	65
Exchange differences	(25)
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Balance as at 30 June 2012	1,126

In accordance with relevant PRC rule and regulations, the Group is obliged to accrue the cost for land restoration for the existing mine starting from 2007. The provision for restoration cost represents the estimation of its liability for land restoration by the directors of the Company of HK\$507,000 at 30 June 2012 (30 June 2011: HK\$500,000, 31 December 2010: HK\$489,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36 CASH USED IN OPERATING ACTIVITIES

	Note	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Cash flows from operating activities			
Loss before income tax		(2,417,397)	(226,394)
Adjustments for:			
Impairment losses	12	2,521,714	153,000
Finance costs	13	12,183	4,001
Depreciation of property, plant and equipment	19	31,005	15,770
Amortisation of intangible asset	9	2,403	1,602
Amortisation of mining properties	9	13,671	5,421
Share-based compensation		17,498	41,812
Gain on disposal of financial assets at fair value through profit or loss		(1,576)	—
Gain on disposal of available-for-sale investments		(4,921)	—
Provision for inventories		1,163	—
Dividend income from financial assets at fair value through profit or loss		—	(91)
Dividend income from available-for-sale investments		(2,449)	—
Interest income		(28,730)	(115)
Unrealised gain on financial assets at fair value through profit or loss		—	(1,790)
Loss on disposal of property, plant and equipment		1,004	556
Release of available-for-sale investments reserve upon step acquisition		(513,243)	—
Release of available-for-sale investments reserve upon disposal of available-for-sale investments		(13,355)	—
Exchange gain		(1,013)	(1,300)
Operating cash flows before movements in working capital		(382,043)	(7,528)
Increase in inventories		(2,391)	(4,834)
Decrease/(Increase) in trade and other receivables		5,521	(12,950)
Decrease in provisions		(599)	—
(Increase)/decrease in trade and other payables		(12,144)	4,978
(Increase)/decrease in amounts due from related parties		(124)	13,294
Increase in amounts due to related parties		4,265	—
Cash used in operating activities		(387,515)	(7,040)

	Note	Twelve months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Cash flows from operating activities			
(Loss)/profit before income tax		(2,875,791)	404,738
Adjustments for:			
Impairment losses	12	2,521,714	—
Finance costs	13	11,355	1,543
Depreciation of property, plant and equipment	19	21,678	17,670
Amortisation of intangible asset	9	1,602	1,602
Amortisation of mining properties	9	9,349	8,485
Share-based compensation		14,791	36,051
Gain on disposal of financial assets at fair value through profit or loss		—	(1,576)
Gain on disposal of available-for-sale investments		(4,921)	—
Release of available-for-sale reserve		(13,355)	(513,243)
Provision for inventories		1,163	—
Dividend income from financial assets at fair value through profit or loss		—	(91)
Dividend income from available-for-sale investments		(2,449)	—
Interest income		(27,175)	(1,642)
Unrealised gain on financial assets at fair value through profit or loss		—	(2,000)
Loss on disposal of property, plant and equipment		766	624
Exchange gain		2,408	(2,699)
Operating cash flows before movements in working capital		(338,865)	(50,538)
Increase in inventories		(70)	(4,697)
(Increase)/decrease in trade and other receivables		(105)	1,165
Increase/(decrease) in trade and other payables		13,819	(16,205)
Decrease in provisions		65	—
Increase in amounts due to related parties		(3,292)	—
(Increase)/decrease in amounts due from related parties		(4)	6,054
Cash used in operating activities		(328,452)	(64,221)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

37 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

As at the balance sheet date, the Group had commitments mainly for future minimum lease payments under non-cancellable operating lease in respect of office premises, car parks, and counters in the Hong Kong international Airport which fall due as follows:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Not later than 1 year	14,630	7,354	4,926
Later than 1 year and no later than 5 years	24,292	4,755	1,654
	38,922	12,109	6,580

Leases are negotiated for an average of two to four years and rentals are fixed for the lease period.

(b) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Property, plant and equipment contracted but not provided for	6,576	5,950	8,152

(c) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements in Australia, the Group is required to perform minimum exploration work to meet the minimum expenditure of A\$1,755,000 (equivalent to approximately HK\$13,890,000) over the next twelve months.

Exploration expenditure commitments for subsequent years are contingent upon future exploration results. Obligations are subject to change upon expiry of the exploration leases or when application for a mining lease is made and have not been provided for in the consolidated financial statements.

(d) Joint venture commitments

The Group is involved in a number of joint venture arrangements. The Group's share of this commitment is A\$120,000 (equivalent to approximately HK\$950,000).

(e) Contingencies

Financial guarantee

During the eighteen months ended 30 June 2012, the Company had given corporate guarantees to several banks in relation to banking facilities granted to certain wholly-owned subsidiaries. At 30 June 2012, such facilities were drawn by those wholly-owned subsidiaries to the extent of HK\$21,271,000 (30 June 2011: HK\$34,611,000, 31 December 2010: HK\$32,622,000) and the maximum liability of the Company under the guarantees was HK\$75,200,000 (30 June 2011: HK\$75,200,000, 31 December 2010: HK\$75,200,000).

Native title claims

Native title claims have been made with respect to areas which include tenements in which controlled entities of the Group have interests, and these controlled entities are unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect them or their projects.

38 PLEDGE OF ASSETS

At 30 June 2012, the Group pledged the motor vehicles with a carrying value of approximately HK\$8,950,000 (30 June 2011: HK\$13,167,000, 31 December 2010: HK\$15,093,000) to secure general banking facilities granted to a subsidiary of the Group.

At 30 June 2012, a subsidiary of the Company has entered into arrangements with its bank to provide guarantees to its lessor and the Department of Mines and Petroleum in Australia. The arrangements were supported by term deposits for the amounts of A\$372,000 (equivalent to approximately HK\$2,944,000) (30 June 2011: HK\$2,692,000, 31 December 2010: HK\$Nil) which were considered as restricted cash and classified as non-current assets.

39 BUSINESS COMBINATION

Prior to the commencement of the takeover bid, the Group was a substantial shareholder of Brockman Resources, holding 32,347,405 ordinary shares, representing 22.34% of the entire issued and paid up capital in Brockman Resources. On 16 June 2011, the Group completed the acquisition of an additional 32.99% equity interest in Brockman Resources by allotment and issue of 1,432,980,840 ordinary shares as consideration for the acquisition and control over Brockman Resources passed to the Group on the same date. This acquisition has been accounted for using the acquisition method, as shown below:

	HK\$'000
Consideration transferred (<i>note a</i>)	2,549,431
Plus: Non-controlling interests (<i>note b</i>)	2,058,253
Less: Net identifiable assets acquired (<i>note c</i>)	(4,607,684)
	—

(a) The consideration for the acquisition comprises the following:

	HK\$'000
Consideration shares (<i>note i</i>)	1,576,279
Fair value of previously held interest in Brockman Resources (<i>note ii</i>)	973,152
Total consideration	2,549,431

Notes:

- (i) The fair value of the 1,432,980,840 ordinary shares issued by the Company has been determined using the opening share price of the Company as at 16 June 2011. The issue of shares represents a major non-cash transaction of the Company for the eighteen months ended 30 June 2012.
- (ii) The previously held interest of 22.34% in Brockman Resources held by the Group prior to the completion of the acquisition was recognised as available-for-sale investments. The fair value has been re-measured as HK\$973,152,000, using the opening share price of Brockman Resources as at 16 June 2011. The cumulative fair value gain recognised in the available-for-sale investments reserve of HK\$513,243,000 has been released to the income statement as "Other gains, net" (note 11).
- (b) Non-controlling interests are measured at the non-controlling interests' proportionate share (44.67%) of the fair value of net identifiable assets acquired at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39 BUSINESS COMBINATION (Continued)

- (c) Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition are as follows:

	HK\$'000
Plant and equipment	2,325
Mining properties	5,955,062
Cash and cash equivalents	482,964
Other receivables	14,717
Other payables	(57,576)
Provision for employee benefits	(3,289)
Deferred income tax liability	(1,786,519)
Net identifiable assets acquired	4,607,684

A deferred income tax liability of HK\$1,786,519,000 was brought to account using the Australian income tax rate of 30% applied to the value attributed to the mining properties acquired in the business combination.

Mining properties, being the mineral assets comprising the exploration projects in Australia, including the Marillana project and other exploration projects undertaken by Brockman Resources, were valued as of the date of acquisition (16 June 2011) with reference to the advice obtained from an independent valuer.

The fair value of Marillana project as of 16 June 2011 was estimated by applying discounted cash flow approach. Key assumptions adopted are summarised as follows:

Estimated mine life	25 years from 2014
Production capacity	17 Million Tonne per year
Price forecast (Per Dry Metric Tonne unit, dmtu)	2011: US\$172.00 per dmtu 2012: US\$149.55 per dmtu 2013: US\$133.35 per dmtu 2014: US\$136.50 per dmtu 2015 to 2038: US\$136.50 per dmtu
Discount rate	13.7%

- (d) The total acquisition-related cost of the above transaction was HK\$22,806,000. It has been excluded from the consideration transferred and has been recognised as an expense in the consolidated statement of comprehensive income for the eighteen months ended 30 June 2012.
- (e) The acquired business contributed to a net loss of HK\$262,070,000 for the period from 16 June 2011 to 30 June 2012 to the consolidated statement of comprehensive income. If the acquisition had occurred on 1 January 2011, the consolidated loss of the Group for the eighteen months ended 30 June 2012 would have been HK\$204,522,000.
- (f) The Group launched a second takeover bid which successfully concluded 14 June 2012. In light of the final consideration required to secure the remaining shares in Brockman Resources and the weak iron ore price, infrastructure alternatives, project timing and world economic uncertainty the Group undertook an impairment assessment as part of its preparation of the 30 June 2012 financial statements (see note 18).

40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Following the completion of the acquisition of 55.33% equity interest in Brockman Resources as detailed in note 39, on 12 December 2011, the Company lodged another takeover offer to acquire the remaining 44.67% equity interest in Brockman Resources (the "Takeover Offer"). On 14 June 2012, the Takeover Offer was closed with the Group acquiring an additional 42.79% of the issued share capital of Brockman Resources bringing the total holding to 98.12% of the entire issued share capital in Brockman Resources. On 19 June 2012 the Group gave notice of Compulsory Acquisition to the Australian Securities and Investments Commission ("ASIC"). The Compulsory Acquisition was completed on 15 August 2012. For the purpose of preparing these consolidated financial statements, the Group is deemed to have acquired the remaining 1.88% equity interest in Brockman Resources and therefore hold the entire issued share capital in Brockman Resources which is now a wholly-owned subsidiary of the Group. This acquisition of additional interest in Brockman Resources has been accounted for as transaction with non-controlling interests, as shown below:

	HK\$'000
Carrying amount of non-controlling interests acquired	1,952,699
Consideration paid to non-controlling interests (note a)	(1,354,493)
Transaction costs for transactions with non-controlling interests (note b)	(127,410)
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Excess over consideration paid recognised within equity	470,796

Notes:

- (a) The consideration for the acquisition of additional interests in Brockman Resources comprises the following:

	HK\$'000
Consideration shares (note i)	574,447
Cash consideration (note ii)	780,046
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Total consideration	1,354,493

Notes:

- (i) The fair value of the 1,179,714,924 ordinary shares issued by the Company has been determined using the closing share price of the Company as at the respective dates of acceptance under the Takeover Offer. The issue of shares represents a major non-cash transaction of the Company for the eighteen months ended 30 June 2012.
- (ii) The fair value of the cash consideration was determined based on AUD1.5 per Brockman Resources share and translated into HK\$ using the exchange rate prevailing as at the respective dates of acceptance under the Takeover Offer.

At 30 June 2012, the total consideration payable to non-controlling interests amount to HK\$58,939,000, including HK\$32,449,000 in cash and HK\$26,490,000 fully paid ordinary shares of the Company.

- (b) The transaction costs included stamp duty, external legal fees and other professional fees.

The Group recognised a decrease in non-controlling interests of HK\$1,952,699,000 and an increase in equity attributable to equity holders of the Company of HK\$470,796,000. The effect of this acquisition of additional interest in Brockman Resources on the equity attributable to equity holders of the Company during the period is summarised as follows:

	HK\$'000
Total comprehensive loss for the period attributable to equity holders of the Company	(2,287,277)
Changes in equity attributable to equity holders of the Company arising from acquisition of additional interests in subsidiaries	470,796
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	(1,816,481)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41 JOINT VENTURES

Details of the Group's interest in the joint ventures are as follows:

Name of joint venture	Interest held in share of output	Principal activities
North West Infrastructure Pty Ltd <i>(note a)</i>	37%	Port and related infrastructure
Irwin-Coglia JV <i>(note b)</i>	40%	Nickel exploration

Notes:

- (a) North West Infrastructure Pty Ltd is a jointly controlled entity incorporated in Australia which is seeking to develop port and related infrastructure on behalf of the North West Iron Ore Alliance ("NWIOA") members. All contributions to the NWIOA are expensed as incurred as part of exploration and evaluation expenditure.
- (b) Irwin-Coglia is an unincorporated joint venture operating in Australia for the purpose of exploration activities and holding of tenement interests.

Summary financial information on joint ventures — Group's effective interest:

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000
Non-current assets	264	275	—
Current assets	4,079	4,637	—
Non-current liabilities	—	—	—
Current liabilities	2,467	1,915	—
Net assets	1,876	2,997	—

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Income	174	—
Expenses	(34,213)	—
Loss for the period	(34,039)	—

41 JOINT VENTURES (Continued)

	Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Income	169	5
Expenses	(33,805)	(408)
Loss for the period	(33,636)	(403)

42 RETIREMENT BENEFITS SCHEMES — GROUP

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The Group contribute 5% of the employees' basic salaries to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute an average 23% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The employees of the Group subsidiaries in Australia are entitled to superannuation through a defined contribution plans under which fixed contributions of up to 9% are required to be made to a superannuation fund with no further legal or constructive obligation to pay.

The total cost charged to the consolidated income statement of approximately HK\$7,725,000 (year ended 31 December 2010: HK\$2,358,000, twelve months ended 30 June 2012: HK\$7,008,000, twelve months ended 30 June 2011: HK\$2,241,000) represents contributions to these schemes by the Group in respect of the current accounting period.

43 RELATED PARTY DISCLOSURES

(a) Material related party transactions

Save as disclosed elsewhere in this consolidated financial statements, the Group has the following related party transactions during the period/year:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
Administrative expenses paid to related companies (note i)	982	—
Consultancy fees paid to related parties (note ii)	1,009	—
Motor vehicle with passenger service licence purchased from a related company (note iii)	2,400	—
Motor vehicle hiring charges paid to a related company (note iii)	450	251
	4,841	251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43 RELATED PARTY DISCLOSURES *(Continued)*

(a) Material related party transactions *(Continued)*

	Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Administrative expenses paid to related companies <i>(note i)</i>	952	30
Consultancy fees paid to related parties <i>(note ii)</i>	1,009	—
Motor vehicle with passenger service licence purchased from a related company <i>(note iii)</i>	2,400	—
Motor vehicle hiring charges paid to a related company <i>(note iii)</i>	400	78
	4,761	108

Note:

- (i) Administrative expenses were paid to companies in which Mr. Peter Luk, the director of the Company, has beneficial interest.
- (ii) Consultancy fees were paid to the Brierley Family Trusts and Richard M Wright. Mr. Brierley, the beneficial owner of the Brierley Family Trusts, and Mr. Wright were directors of a subsidiary of the Company.
- (iii) A motor vehicle with passenger service licence was purchased from and motor vehicle hiring charges were paid to a company in which one of the key management personnel of the Group has beneficial interests.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at fair market terms mutually agreed between the Group and the respective related parties.

(b) Related party balances

The amounts due from/to related parties included as current assets or current liabilities are unsecured, interest-free and repayable on demand. For the amount due to a related party classified as a non-current liability, it is unsecured, interest-free and is not repayable within the next twelve months.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period/year were as follows:

	Eighteen months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000
	Short-term employee benefits	49,403
Share-based compensation	13,911	26,095
	63,314	33,683

43 RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel (Continued)

	Twelve months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (Unaudited and unreviewed)
Short-term employee benefits	45,771	8,118
Share-based compensation	13,208	25,130
	58,979	33,248

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44 INTERESTS IN SUBSIDIARIES – COMPANY

	30 June 2012 HK\$'000	30 June 2011 HK\$'000 (Unaudited and unreviewed)	31 December 2010 HK\$'000
	Investments in subsidiaries		
Unlisted shares, at cost	202,419	202,419	202,419
Less: provision for impairment	(138,384)	(134,665)	(134,665)
	64,035	67,754	67,754
Amounts due from subsidiaries			
Amounts due from subsidiaries	4,891,496	3,365,300	1,790,462
Less: provision for impairment	(1,523,599)	(318,895)	(318,895)
	3,367,897	3,046,405	1,471,567
Less: current portion	(39,033)	(14,297)	(14,053)
Non-current portion	3,328,864	3,032,108	1,457,514

The amounts due from subsidiaries included under non-current portion are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from a subsidiary of HK\$2,666,718,000 at 30 June 2012 (30 June 2011 and 31 Dec 2010: HK\$Nil) which bears interest at 4.6631% per annum. In the opinion of the directors of the Company, the balance of HK\$662,146,000 is considered as quasi-equity loan to the subsidiary.

The amounts due from subsidiaries included under current portion are unsecured, interest free and expected to be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

44 INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Details of the principal subsidiaries held by the Company as at 30 June 2012, except otherwise specified, are as follows:

Name of subsidiary	Country/place of incorporation or establishment	Place of operation	Issued and fully paid share/registered capital	Proportion ownership interest held by the Company		Proportion of voting power held by the Company	Principal activities
				Directly	Indirectly		
Perryville Group Limited	BVI	Hong Kong	US\$50,000	100%	—	100%	Investment holding
Parklane Limousine Service Limited <i>(note a)</i>	Hong Kong	Hong Kong	HK\$5,000,000	—	100%	100%	Limousine rental services
Airport Shuttle Services Limited <i>(note a)</i>	Hong Kong	Hong Kong	HK\$10,000	—	100%	100%	Airport shuttle bus services
Golden Genie Limited	BVI	Hong Kong	US\$1	100%	—	100%	Investment holding
Smart Year Investments Limited	BVI	Hong Kong	US\$10,000	—	100%	100%	Investment holding
綠春鑫泰礦業有限公司 Luchun Xingtai Mining Company Limited <i>(note b)</i>	PRC	PRC	RMB20,000,000	—	90%	90%	Exploitation, processing and sales of copper ore concentrates
Wah Nam International (HK) Limited	Hong Kong	Hong Kong	HK\$1	100%	—	100%	Investment holding
Wah Nam Iron Ore Limited	BVI	Hong Kong	US\$1	100%	—	100%	Investment holding
Wah Nam International Australia Pty Ltd	Australia	Australia	AU\$12	—	100%	100%	Investment holding
廣州市百聯汽車租賃有限公司 Guangzhou Parklane Limousine Service Ltd <i>(note b)</i> ¹	PRC	PRC	RMB5,000,000	—	100%	100%	Limousine rental services
廣州市柏寧信息諮詢有限公司 Guangzhou Parklane Consultancy Ltd <i>(note b)</i> ¹	PRC	PRC	HK\$2,000,000	—	100%	100%	Investment holding
百聯汽車租賃(深圳)有限公司 Parklane Limousine Service (Shenzhen) Ltd <i>(note b)</i> ¹	PRC	PRC	HK\$5,000,000	—	100%	100%	Limousine rental services
威信汽車租賃(上海)有限公司 Parklane Limousine Service (Shanghai) Ltd <i>(note b)</i> ¹	PRC	PRC	US\$4,800,000	—	100%	100%	Limousine rental services
Brockman Resources Limited	Australia	Australia	AU\$145,053,151	—	100%	100%	Investment holding
Brockman Iron Pty Ltd	Australia	Australia	AU\$1	—	100%	100%	Exploration and evaluation
Brockman Exploration Pty Ltd	Australia	Australia	AU\$1	—	100%	100%	Exploration and evaluation
Brockman Infrastructure Pty Ltd	Australia	Australia	AU\$1	—	100%	100%	Rail infrastructure company
Brockman East Pty Ltd	Australia	Australia	AU\$1	—	100%	100%	Exploration and evaluation
Yilgarn Mining (Wa) Pty Ltd	Australia	Australia	AU\$841,001	—	100%	100%	Exploration and evaluation

Notes:

- (a) The subsidiaries have accounting year end date of 31 March. These subsidiaries prepare, for the purpose of consolidation, financial statements as at the same date as the Group.
- (b) The subsidiaries have accounting year end date of 31 December. These subsidiaries prepare, for the purpose of consolidation, financial statements as at the same date as the Group.

¹ The English name is for identification purpose only.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the period.

In the opinion of the directors, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

45 RESERVES — COMPANY

	Share premium HK\$'000	Convertible notes reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2010	953,645	154,757	—	(348,952)	759,450
Comprehensive income:					
Loss for the year	—	—	—	(217,878)	(217,878)
Transactions with equity holders:					
Issue of shares (note 31)	663,150	—	—	—	663,150
Transaction costs attributable to issue of shares (note 31)	(18,391)	—	—	—	(18,391)
Issue of shares upon conversion of convertible notes (note 31)	188,640	(154,757)	—	—	33,883
Share-based compensation (note 33)	—	—	41,812	—	41,812
At 31 December 2010	1,787,044	—	41,812	(566,830)	1,262,026
Comprehensive income:					
Loss for the period	—	—	—	(32,434)	(32,434)
Transactions with equity holders:					
Issue of shares (note 31)	1,432,981	—	—	—	1,432,981
Share-based compensation (note 33)	—	—	2,707	—	2,707
At 30 June 2011 (Unaudited and unreviewed)	3,220,025	—	44,519	(599,264)	2,665,280
Comprehensive income:					
Loss for the period	—	—	—	(1,127,135)	(1,127,135)
Transactions with equity holders:					
Issue of shares (note 31)	4,288	—	—	—	4,288
Acquisition of additional interest in a subsidiary	434,892	—	—	—	434,892
Placing of new shares (note 31)	277,550	—	—	—	277,550
Issue of convertible notes (note 32)	—	34,464	—	—	34,464
Issue of shares upon conversion of convertible notes (note 31)	68,567	(8,917)	—	—	59,650
Share-based compensation (note 33)	—	—	14,791	—	14,791
At 30 June 2012	4,005,322	25,547	59,310	(1,726,399)	2,363,780

46 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the eighteen months and twelve months ended 30 June 2012 is dealt with in the financial statements of the Company to the extent of a loss of approximately HK\$1,159,569,000 and HK\$1,127,135,000 respectively (Year ended 31 December 2010: HK\$217,878,000, twelve months ended 30 June 2011: HK\$82,826,000).

47 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 19 June 2012, the Group lodged with the Australian Securities and Investments Commission ("ASIC") a notice of compulsory acquisition of the remaining Brockman Resources shares that it does not already own (the "Compulsory Acquisition"). On 15 August 2012, the Group has completed the Compulsory Acquisition.

The Company has passed a special resolution in a special general meeting held on 28 August 2012 to change the name of the Company from Wah Nam International Holdings Limited to Brockman Mining Limited.

On 21 September, 2012, the Company has issued bonds of aggregate principal amount of HK\$156,000,000. Interest is payable on the date of redemption at the rate of 12% per annum of the outstanding principal amount, accruing from the date of issue of the bonds on daily basis. The bonds are due on 23 December 2013.

FINANCIAL SUMMARY

The Group

	18 months ended 30 June 2012 HK\$'000	Year ended 31 December 2010 HK\$'000	Year ended 31 December 2009 HK\$'000	Year ended 31 December 2008 HK\$'000	Year ended 31 December 2007 HK\$'000
RESULTS					
Revenue	200,796	131,996	95,374	142,222	25,380
Loss before income tax	(2,417,397)	(226,394)	(79,396)	(291,180)	(5,329)
Income tax credit/(expense)	719,310	(338)	(608)	8,718	(700)
Loss for the period/year	(1,698,087)	(226,732)	(80,004)	(282,462)	(6,029)
Attributable to:					
Equity holders of the Company	(1,579,652)	(210,644)	(78,935)	(296,660)	(5,243)
Non-controlling interest	(118,435)	(16,088)	(1,069)	14,198	(786)
Loss per share	(1,698,087)	(226,732)	(80,004)	(282,462)	(6,029)
— Basic (HK cents)	(29.77)	(5.99)	(3.44)	(28.06)	(0.77)
— Diluted (HK cents)	(29.77)	(5.99)	(3.44)	(28.06)	(0.77)
ASSETS AND LIABILITIES					
Total assets	4,607,247	2,715,481	1,465,620	1,237,562	442,375
Total liabilities	(1,508,231)	(365,568)	(247,039)	(379,507)	(156,188)
	3,099,016	2,349,913	1,218,581	858,055	286,187
Equity attributable to equity holders of the Company	3,029,382	2,267,615	1,123,156	761,552	208,309
Non-controlling interest	69,634	82,298	95,425	96,503	77,878
Total equity	3,099,016	2,349,913	1,218,581	858,055	286,187

ASX ADDITIONAL INFORMATION



Additional information in accordance with the listing requirements of the Australian Securities Exchange Limited are as follows:

A. DISTRIBUTION OF SHAREHOLDINGS AT 5 SEPTEMBER 2012

Category	Listed		Unlisted				
	Shares	A\$0.20 options	HK\$0.72 options	HK\$1.164 options	HK\$1.24 options	HK\$2.00 options	5% Convertible Bonds
1- 1,000	770	—	—	—	—	—	—
1,001 - 5,000	240	—	—	—	—	—	—
5,001 - 10,000	110	50	—	—	—	—	—
10,001 - 100,000	901	125	—	—	—	—	—
100,001 and over	457	19	16	6	2	1	1
Total number of security holders	2,478	194	16	6	2	1	1

The number of shareholders holding less than a marketable parcel of shares as at 5 September is 1,013.

As at 5 September 2012, a total of 15,000,000 units of options were quoted and listed, expiring 30 September 2014.

Unquoted Securities

As at 5 September 2012, unlisted options granted amounted to a total of 209,500,000 units, including:

- 8,500,000 share options, expiring 17 Jan 2014 EX HK\$1.164
- 27,000,000 share options, expiring 10 Feb 2014 EX HK\$1.240
- 39,000,000 share options, expiring 10 Nov 2013 EX HK\$2.00
- 50,000,000 share options, expiring 31 Dec 2014 EX HK\$0.72
- 85,000,000 share options, expiring 13 Dec 2015 EX HK\$0.72

ASX ADDITIONAL INFORMATION *(continued)*

Convertible Bond

- (i) 5% Convertible Bond, convertible on or before 10 Jan 2014 with a principal amount of HK\$95,940,000, which is convertible into 159,900,000 ordinary shares (subject to adjustment).
- (ii) 5% Convertible Bond, convertible on or before 19 Apr 2015 with a principal amount of HK\$78,000,000, which is convertible into 130,000,000 ordinary shares (subject to adjustment).

B. TWENTY LARGEST SECURITY HOLDERS AT 5 SEPTEMBER 2012

Name	Number of shares	Percentage %
OCEAN LINE HOLDINGS LTD & MR. KWAI SZE HOI & SPOUSE	1,048,872,862	14.52%
THE HONGKONG AND SHANGHAI BANKING	827,589,823	11.46%
THE XSS GROUP LIMITED	376,032,276	5.21%
SUN HUNG KAI INVESTMENT SERVICES LTD	314,373,401	4.35%
CORNERSTONE PACIFIC LIMITED	250,000,000	3.46%
ROSS STEWART NORGARD AND LONGFELLOW NOMINEES PTY LTD	243,054,000	3.36%
DEUTSCHE BANK AG	240,431,018	3.33%
DBS BANK LTD	211,161,070	2.92%
REORIENT FINANCIAL MARKETS LTD	210,912,800	2.92%
EVERCREST CAPITAL LIMITED	208,000,000	2.88%
BOCI SECURITIES LTD	196,182,569	2.72%
SHIMMER EXPERT INVESTMENTS LIMITED	179,548,000	2.49%
BARWICK INVESTMENTS LIMITED	174,668,000	2.42%
NOMURA SECURITIES (HK) LTD	152,599,576	2.11%
KINGSTON SECURITIES LTD	137,823,000	1.91%
TOP ABLE INVESTMENTS LIMITED	128,452,000	1.78%
HING WONG SECURITIES LTD	119,233,000	1.65%
GREATER INCREASE INVESTMENTS LIMITED	100,000,000	1.38%
GUOYUAN SECURITIES BROKERAGE (HONG KONG)	99,686,800	1.38%
STANDARD CHARTERED BANK (HONG KONG) LTD	93,781,384	1.30%
Total	5,312,401,579	73.54%
Total Remaining Holders Balance	1,911,692,748	26.46%

The above list was compiled based on the information available to the Company, including the register of shareholders, the shareholding search in the Central Clearing and Settlement System ("CCASS") of the Hong Kong Exchanges and Clearing Limited, and the disclosure of interests by respective substantial Shareholders under the Securities and Futures Ordinance of Hong Kong.

Twenty largest option holders — Listed Options

Rank	Name	Number held	Percentage %
1	NEFCO NOMINEES PTY LTD	2,480,000	16.53%
2	MR JAMES LEONARD MILLETT	2,235,000	14.90%
3	GOFFACAN PTY LTD <KMM FAMILY A/C>	718,250	4.79%
4	MR GORDON ROGER BARRATT + MRS MARYLEEBARRATT <BARRATT FAMILY A/C>	630,000	4.20%
5	MR YAN PETER WANGKAR + MRS YETI SOPANDI	500,000	3.33%
6	MR GORDON ROGER BARRATT + MRS MARYLEEBARRATT <BARRATT SUPER FUND A/C>	450,000	3.00%
7	KOOKCOM PTY LTD <CORBET FAMILY A/C>	295,000	1.97%
8	CRITICAL HOLDINGS PTY LTD <FELGAR A/C>	250,000	1.67%
9	DADDO BARRATT BROKING PTY LTD	250,000	1.67%
10	MR MARIO GIOSUE FRANCO + MRS IMMACOLATA FRANCO <THE MARIO FRANCO S/F A/C>	250,000	1.67%
11	NEW ENGLAND SPECIALTY POULTRY PTY LTD <SUPER BENEFITS FUND A/C>	225,000	1.50%
12	MR SOW HO CHIN + MRS PATRICIA WHEE LIAN CHIN <THE SOHO SUPER FUND A/C>	200,000	1.33%
13	MR VICTOR LAWRENCE JOYCE + MRS SUSAN JOAN ABRA <VICTOR L JOYCE S/F A/C>	200,000	1.33%
14	MRS BEVERLEY JULIA PEPPER + MR TREVOR WILLIAM PEPPER <B PEPPER FAMILY SUPER A/C>	200,000	1.33%
15	TIM BARTON NOMINEES PTY LTD <BARKIN FAMILY A/C>	200,000	1.33%
16	MR MARIO PAUL DALL'EST	179,750	1.20%
17	MS SALLY JUDITH MOLYNEUX	150,000	1.00%
18	MR JOHN PAUL WELBORN + MS CAROLINE ANNE WELBORN <WELBORN FAMILY A/C>	125,000	0.83%
19	RICHSHAM NOMINEES PTY LTD	112,000	0.75%
20	CAPITAL INVESTMENT PARTNERS PTY LTD	100,000	0.67%
	Total	9,750,000	65.00%
	Total Remaining Holders Balance	5,250,000	35.00%

C. SUBSTANTIAL SHAREHOLDERS

Please refer to P.48 of this annual report for details of substantial shareholders.

ASX ADDITIONAL INFORMATION *(continued)*

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

a) Ordinary shares

Each shareholder present in person or by proxy, attorney or representative in a meeting shall have one vote on a poll for each share held.

b) Options

No voting rights.

E. STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

F. INCOME TAX

Brockman Mining Limited is taxed as a public company.

G. SCHEDULE OF TENEMENTS AS AT 5 SEPTEMBER 2012

Project	Tenement Type	Tenement number	Commodity	Status	Interest held
Bruten Hill	E	04/2190	Iron Ore	Pend	100%
Canning Basin	E	04/2036	Iron Ore	Pend	100%
Canning Basin	E	04/2037	Iron Ore	Pend	100%
Canning Basin	E	04/2038	Iron Ore	Pend	100%
Canning Basin	E	04/2039	Iron Ore	Pend	100%
Canning Basin	E	04/2040	Iron Ore	Pend	100%
Cheela Plains	E	08/2264	Iron Ore	Pend	100%
Chichester Range	E	45/3693	Iron Ore	Pend	100%
Coongan	E	45/3453	Iron Ore	Live	100%
Coongan	E	45/3455	Iron Ore	Pend	100%
Coongan	E	45/3451	Iron Ore	Live	100%
Coongan	E	45/3452	Iron Ore	Live	100%
Duck Creek	E	47/1725	Iron Ore	Live	100%
Duck Creek	E	47/2446	Iron Ore	Live	100%
Duck Creek	E	47/1936	Iron Ore	Live	100%
Duck Creek	E	47/1937	Iron Ore	Live	100%
Ethel Creek	E	46/0921	Iron Ore	Live	100%
Fitzroy River	E	04/2066	Iron Ore	Pend	100%
Fitzroy River	E	04/2067	Iron Ore	Pend	100%
Irwin Hills	E	39/1284	Nickel/Cobalt	Live	40%
Irwin Hills	E	39/1307	Nickel/Cobalt	Live	40%
Irwin Hills	E	39/1471	Nickel/Cobalt	Live	40%

Project	Tenement Type	Tenement number	Commodity	Status	Interest held
Irwin Hills	L	39/0163	Nickel/Cobalt	Live	40%
Irwin Hills	P	39/4594	Nickel/Cobalt	Live	40%
Irwin Hills	P	39/4595	Nickel/Cobalt	Live	40%
Irwin Hills	P	39/4682	Nickel/Cobalt	Live	40%
Lalla Rookh	E	45/3144	Iron Ore	Live	100%
Lalla Rookh	E	45/3379	Iron Ore	Live	100%
Lalla Rookh	E	45/3380	Iron Ore	Live	100%
Marillana	E	47/1408	Iron Ore	Live	100%
Marillana	L	45/0225	Iron Ore	Pend	100%
Marillana	L	45/0235	Iron Ore	Pend	100%
Marillana	L	45/0236	Iron Ore	Pend	100%
Marillana	L	45/0237	Iron Ore	Pend	100%
Marillana	L	45/0238	Iron Ore	Pend	100%
Marillana	L	46/0097	Iron Ore	Pend	100%
Marillana	L	47/0369	Iron Ore	Pend	100%
Marillana	L	47/0389	Iron Ore	Pend	100%
Marillana	L	47/0408	Iron Ore	Pend	100%
Marillana	L	47/0544	Iron Ore	Pend	100%
Marillana	L	47/0566	Iron Ore	Pend	100%
Marillana	L	47/0567	Iron Ore	Pend	100%
Marillana	L	52/0124	Iron Ore	Pend	100%
Marillana	M	47/1414	Iron Ore	Live	100%
Marillana	E	47/2176	Iron Ore	Pend	100%
Mt Florence	E	47/1738	Iron Ore	Live	100%
Mt Goldsworthy	E	45/3931	Iron Ore	Pend	100%
Mt Lockyer	E	47/2650	Iron Ore	Pend	100%
Mt Stuart	E	47/1845	Iron Ore	Live	100%
Mt Stuart	E	47/1850	Iron Ore	Live	100%
Mt Stuart	E	47/2215	Iron Ore	Live	100%
Newman	E	52/2376	Iron Ore	Live	100%
Newman	E	52/2377	Iron Ore	Pend	100%
Nimingara	E	45/4051	Iron Ore	Pend	100%
Ninghan	E	59/1423	Iron Ore	Live	100%
Ninghan	E	59/1424	Iron Ore	Live	100%
Noreenna Downs	E	46/0954	Iron Ore	Pend	100%
Ophthalmia	E	47/1598	Iron Ore	Live	100%
Ophthalmia	E	47/1599	Iron Ore	Live	100%
Ophthalmia	E	47/2621	Iron Ore	Pend	100%
Ophthalmia	E	47/2622	Iron Ore	Pend	100%
Ophthalmia	E	47/2623	Iron Ore	Pend	100%
Pannawonica	E	47/2409	Iron Ore	Pend	100%
Pannawonica	E	47/2410	Iron Ore	Pend	100%
Panorama	E	45/3538	Iron Ore	Pend	100%
Panorama	E	45/3539	Iron Ore	Pend	100%
Paraburdoo	E	47/1942	Iron Ore	Live	100%
Paraburdoo	E	47/2019	Iron Ore	Pend	100%

ASX ADDITIONAL INFORMATION *(continued)*

Project	Tenement Type	Tenement number	Commodity	Status	Interest held
Paraburdoo	E	47/2081	Iron Ore	Live	100%
Peedamulla	E	08/2337	Iron Ore	Live	100%
Pippingarra	E	45/3948	Iron Ore	Pend	100%
Port Hedland	E	45/3939	Iron Ore	Pend	100%
Port Hedland	L	45/0295	Iron Ore	Pend	100%
Port Hedland	L	45/0296	Iron Ore	Pend	100%
Red Hill	E	08/2006	Iron Ore	Pend	100%
Red Hill	E	08/2011	Iron Ore	Live	100%
Red Hill	E	08/2297	Iron Ore	Live	100%
Red Hill	P	08/0628	Iron Ore	Live	100%
Red Hill	P	08/0629	Iron Ore	Live	100%
Red Hill	P	08/0630	Iron Ore	Pend	100%
Red Hill	P	08/0631	Iron Ore	Pend	100%
Red Hill	P	08/0632	Iron Ore	Pend	100%
Red Hill	P	08/0633	Iron Ore	Pend	100%
Red Hill	P	08/0634	Iron Ore	Pend	100%
Red Hill	P	08/0635	Iron Ore	Pend	100%
Red Hill	P	08/0636	Iron Ore	Pend	100%
Red Hill	P	08/0637	Iron Ore	Pend	100%
Red Hill	P	08/0638	Iron Ore	Pend	100%
Red Hill	P	08/0639	Iron Ore	Pend	100%
Red Hill	P	08/0640	Iron Ore	Pend	100%
Red Hill	P	08/0641	Iron Ore	Pend	100%
Red Hill	P	08/0642	Iron Ore	Pend	100%
Red Hill	P	08/0643	Iron Ore	Pend	100%
Red Hill	P	08/0644	Iron Ore	Pend	100%
Red Hill	P	08/0645	Iron Ore	Pend	100%
Shovelanna	E	46/0781	Iron Ore	Live	100%
Shovelanna	E	52/2238	Iron Ore	Live	100%
Wallareenya	E	45/3766	Iron Ore	Live	100%
Wallareenya	E	45/3808	Iron Ore	Live	100%
West Hamersley	E	47/1603	Iron Ore	Live	100%
West Hamersley	E	47/2667	Iron Ore	Pend	100%
Table Hill	E	47/2556	Iron Ore	Pend	100%
Tom Price	E	47/2098	Iron Ore	Live	100%
Tom Price	E	47/2353	Iron Ore	Pend	100%
Tom Price	E	47/2354	Iron Ore	Pend	100%
Tom Price	E	47/2455	Iron Ore	Pend	100%
Tom Price	E	47/2698	Iron Ore	Pend	100%
Tom Price	E	47/2699	Iron Ore	Pend	100%
Tom Price	E	47/2700	Iron Ore	Pend	100%
Yarraloola	E	08/2236	Iron Ore	Pend	100%
Yeeda	E	04/2148	Iron Ore	Pend	100%

BROCKMAN