

HEEMSKIRK

Quarterly Report



For the period ending
30 September 2014 (unaudited)

Initial Construction Stage for Frac Sand Project approved and underway

KEY POINTS

- 🚧 Corporate cash, cash equivalents and other financial assets total \$16.5m at quarter end
- 🚧 The Frac Project has advanced with development of plant footings underway
- 🚧 Reserves and Resources update released 28 October 2014

SUMMARY

Group Safety

- There were no safety incidents during the quarter

Corporate

- Cash and cash equivalents \$11.4m
- Equity investments \$4.1m
- Unsecured Convertible Notes: \$2.74m is payable in cash no earlier than 30 December 2014 and no later than 30 March 2015

Frac Project

- The final elements of detailed engineering are currently being completed to allow for "shovel ready" activity to commence in the current favourable weather climate. This element of work is anticipated to cost approximately A\$0.3m.
- On 14 October 2014 the Board approved the first stage of construction of its strategically located, permitted and engineered Moberly frac sand processing and distribution asset. Mobilisation is underway.
- Subsequent to the initial joint venture approach and expiration of the exclusivity period (15 October 2014), Heemskirk has received further confidential approaches to fund the Project which the Board is currently considering. Heemskirk will pursue all approaches. The Board cannot form a view as to the certainty or prospects of the new interest at this stage (refer to separate ASX announcement of 31 October 2014).

For further information, please
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Peter Bird
Managing Director





Company Safety

There were no safety incidents during the quarter. Currently the Company LTI and MTI frequency rates are both at zero.

Cash Movements

The base line cash expenses for Canada and Corporate overheads for the September quarter were approximately \$0.381m per month.

Operations

Canadian Industrial Minerals (100% owned)

As at the close of the quarter, the business includes an administrative office in Calgary, Alberta and the Moberly operation (including the Project) in British Columbia.

The Moberly operation produces a variety of silica products and has a significant permitted undeveloped project, subject to financing, to produce frac sand.

Project Performance Summary

Table 1: Project Key Operating Statistics

	Sep Qtr 2014	Jun Qtr 2014	YTD 2014	YTD 2013
Canadian Industrial Minerals Production (tonnes)	167	322	50,993	77,098
Cost of Sales (C\$m)	0.33	0.71	16,513	22,084

Production

The production of industrial minerals in the September quarter was 167 tonnes. This was 48% lower than the June quarter. This is largely a result of the sale of the Lethbridge asset at the beginning of the June quarter.

Exploration

No exploration activity was undertaken at the Canadian operations over the quarter.



Key Investments

The Company holds 5.56m shares in Almonty Industries, a TSX Listed tungsten producer. The shares were received as part payment for the sale of Heemskirk's Los Santos Tungsten Mine to Almonty in April 2011. The market value of the holding as at 30 September 2014 was C\$4.0m (A4.0m).

Corporate

Cash and cash equivalents

- Cash and cash equivalents \$11.4m

Other financial assets

- At the end of the quarter the Company held \$4.1m in equity investments including 5.56m shares in Almonty Industries (TSXV:AI) at C\$0.70

Interest bearing loans and borrowings

- On 31 March 2011 the Company issued 1,889,000 unsecured convertible notes with an issue price of \$2.00. Each unsecured convertible note will be converted into 3 fully paid ordinary shares in the Company and \$1.45 cash. In total 5,667,000 fully paid shares will be issued. Unsecured convertible notes will be converted at maturity on 30 March 2015 and may be converted every six months which commenced from 31 December 2012. The unsecured convertible notes attract interest at 10.25% per annum paid semi-annually. \$2.74m is payable in cash no earlier than 31 December 2014 and no later than 30 March 2015.

About the Moberly Project

The Moberly Project is a redevelopment of an existing permitted open pit mine and facility to produce high quality API Specification Frac Sand Product for supply into the Western Canadian Oil and Gas industry.

General Project Parameters are as follows:

- The capital cost estimate is C\$26m₂₀₁₃
- Initial design production rate is 300,000 tonnes per annum of saleable frac sand at full production (year 2 onwards)



- Project is readily expandable to double the initial production capacity once all initial operational and product sales milestones have been met
- Estimated Project NPV_{7.5%} C\$66m, NPV_{10%} C\$48m
- Total net assets of the project are valued at \$8.0m as at 31 March 2014
- Estimated Internal Rate of Return of 30%
- The Payback Period from start of production is approximately 3 years
- Construction time estimate 9 - 12 months from a development decision



Figure 1 Moberly Plant Site Location



Figure 2 Planned Layout - Moberly Plant Site