

Heemskirk Consolidated Limited
ABN 18 106 720 138



HEEMSKIRK
CONSOLIDATED

Annual Report 2014



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LETTER FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

HEEMSKIRK CONSOLIDATED
ANNUAL REPORT 2014

Dear Shareholder

The Company's key corporate performance indicators have been to:

- operate in a safe manner;
- rationalise assets;
- advance our frac sand Moberly project;
- reduce overhead costs to a minimum; and
- focus on value generation.

The cash generated from the sale of the Lethbridge asset allowed the Company to accelerate the development phase of the Moberly Frac Sand Project.

Lethbridge was a profitable experience for the Company with an initial purchase price of CAD 5.6 million for both the Lethbridge barite and Moberly sand assets in July 2005 and a sale price of the Lethbridge asset of approximately CAD 10.5 million.

Both the Lethbridge transaction and the Moberly sand acceleration saw some value recognition in the Company's stock price.

The plant development of Moberly has now moved to the initial stage of foundations establishment at the plant site and engagement of key staff and contractor personnel. Funding alternatives have also improved since September 2014.

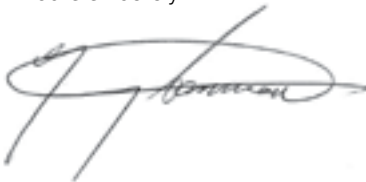
The re-sizing of the business also resulted in a strong focus on overall corporate costs with a reduction from \$2.879 million to \$2.329 million year on year. Director and staff numbers were reduced. The corporate team is very lean and efficient and we thank all staff for their continued effort and commitment throughout 2014.

The Moberly facility continued operating through 2014 with an exemplary safety performance and staff have been commended for adherence to good work practices.

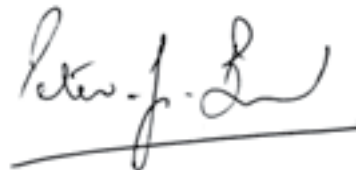
In closing we would like to extend our thanks to all stakeholders for their patience and support as we seek to bring Moberly forward as quickly as possible but in a financing framework that adds to shareholder returns. We recognise this has been a frustration, it is one that has been common for many mining projects over the past few years, but the merits of the Moberly frac project are now being recognised.

During the year Mr Graham Lenzner retired as Chairman and a Director of the Company. We note his important leadership role over three years and thank him for his significant contribution.

Yours sincerely



Garry Cameron
Chairman



Peter Bird
Managing Director



1. MOBERLY SILICA DEPOSIT (100% OWNED BY HEEMSKIRK)

The Moberly silica deposit occurs on the flank of Mount Moberly approximately 7km north of the regional centre of Golden, British Columbia and about 215km west of Calgary.

The material that is mined at Moberly is the Ordovician Mount Wilson Quartzite unit. Near Golden it reaches a maximum thickness of 480 metres at Horse Creek (less in the mine area) and Mount Moberly is the northern limit of the unit, where it is terminated by a thrust fault. The quartzite occupies a faulted syncline in the Beaverfoot Range and outcrops in parallel, structurally repeated layers. The quartzite is typically grey to buff coloured massive orthoquartzite with some evidence of crudely laminated and cross laminated beds near the base.

At the mine site the geology is simple. Bedding generally strikes around 118° magnetic and is vertical to steeply NE dipping. The rock consists of an orthoquartzite mostly but variably de-cemented (ie by removal of the silica 'cement' binding the grains) so that most of the area exposed consists of 'altered' quartzite, said to be friable or 'sandy' to varying degrees. Only a small percentage of the rock could be described as 'quartzite' in hand specimen; mostly there is a siliceous skeletal texture with beds, blebs and irregular masses of sand which flows freely when the rock is dug. There appears to be no systematic variation or control of the de-cementing. The composition of the rock is +98% SiO₂ as quartz, with the remainder being silicate clays and very rare other silicate minerals.

Petrological studies show that the sand grains within the rock vary between 0.841mm to 0.105mm in diameter (20 mesh to 100 mesh on the US scale).

The deposit was mined from the early 1980s to 2009 for silica processed to silica sand for glass making, golf course sand and similar products. Over these almost 25 years, the resource has been exposed and mined over 200m in vertical extent (along bedding), about 800m in strike (along bedding) and over 250m across strike (perpendicular to bedding) and for at least the last 10 years, no portion of the pit varied from silica quality suitable for glass making, confirmed by customer analyses every shipment. The north-east margin of the quartzite unit has not been exposed in the mine area and it can be traced in air photos to the south-east for at least double the exposed length in the mine area.

Criteria for sand for glass making are SiO₂ +99.5% with Al₂O₃ <0.25%, Fe₂O₃ <0.1% and Cr₂O₃ <0.005%. The Moberly deposit and plant consistently delivered within spec during its operation.

During 2010 – 12 Heemskirk investigated, via an internal pre-feasibility and then a feasibility study (incorporating metallurgical testing which determined a 64% recovery

factor for frac sand products), the possibility of treating the quartzite to produce a 'frac sand' suitable for use in the oil & gas sector as a proppant¹. The studies found the project to be economically viable and the project moved to engineering design of a new frac sand plant on the existing plant site and an increased mining rate, within the same mine footprint, with at least a 35 year mine life. The plant engineering is now substantially complete. Non frac sand residues are saleable either as silica flour (with additional treatment) or additives for cement making.

Frac sand is defined within a range of qualities (such as grain size, roundness, sphericity, acid solubility, turbidity, crush resistance and conductivity), each measured to ISO or API (American Petroleum Institute) specifications, rather than a single pass/fail specification, with customers defining the range of each quality that is acceptable for their particular use at a particular time (ie well depth, well location, availability of other product, well logistics).

In the past year Heemskirk continued to negotiate finance arrangements to build the new plant and other works to allow the expanded mining operation. A major asset was sold earlier in 2014 towards completing finance. These negotiations are on-going and the project remains financially robust.

Resources and Reserves of silica at Moberly are unchanged from last year.

Resources and Reserves of silica at Moberly in 2014 are reported separately for the traditional markets of Moberly silica – firstly for glass making, sand golf course sand, silica flour and other silica products and separately for frac sand (with residues suitable for silica flour as a complimentary resource). These estimates are largely for the same area of the deposit, but utilising potentially different processing routes and end markets. Therefore the resource estimates are not additive, but rather alternatives to one another. Due to the simplicity of the geometry of the resource blocks, traditional cross-sectional techniques were able to be used, based on volumes estimated from AutoCad applied to a digital terrain model (DTM) of the deposit and a 35 year mine plan.

Further information is contained in the JORC defined 'Table 1' which is Appendix 1 here.

¹ Frac sand consists of silica sand which, having certain characteristic roundness, sphericity, strength and certain other properties is suitable to act as a proppant in oil and gas wells. Proppants are injected into such wells in order to keep fractures open, allowing the continued free flow of the gas or oil from the reservoir. Frac sand is usually used by customers in certain size brackets, e.g. 20 mesh to 40 mesh, 40 mesh to 70 mesh and 70 mesh to 140 mesh.

RESERVES AND RESOURCES UPDATE

A. Silica for frac sand and silica flour markets

These Resources and Reserves are for an alternative processing route and market to the glass sand and other products reported in Part 1B. Resources and Reserves presented in this Section A are therefore not additive to those presented in Section B but rather are alternatives.

In-situ silica destined for the frac sand market has an estimated 64% yield to 20 mesh to 140 mesh sized sand, with the balance (frac sand residues) suitable for silica flour. Therefore the frac sand is expressed as a tonnage and percent frac sand yield, with the frac sand residue Mineral Resource expressed as in-situ tonnage.

Table 1: In situ Identified Mineral Resources of silica suitable for 20 mesh to 140 mesh frac sand, at 30 June 2014

Resource Category	Dry tonnes	
	2013	2014
Measured*^	10.8 million tonnes @ 64% frac sand	10.8 million tonnes @ 64% frac sand
Indicated*^	21.6 million tonnes @ 64% frac sand	21.6 million tonnes @ 64% frac sand
Total Measured + Indicated*^	32.4 million tonnes @ 64% frac sand	32.4 million tonnes @ 64% frac sand

* Mineral Resources for frac sand include that proportion modified to produce Ore Reserves of frac sand.

^ Frac sand Resources are not additive to Resources for glass making etc

Columns may not add up due to rounding

Residues from the production of frac sand (ie -140 mesh) are suitable for the production of silica flour for various uses, so the following Mineral Resources for frac sand residues are in addition to the Mineral Resources for frac sand.

Table 2: In situ Identified Mineral Resources of silica as frac sand residues, at 30 June 2014

Resource Category	Dry tonnes (millions)	
	2013	2014
Measured*^	3.9	3.9
Indicated*^	7.8	7.8
Total Measured + Indicated*^	11.7	11.7

* No proportion of these Resources are contained in the frac sand Ore Reserves below

^ Frac sand residue Resources are not additive to Resources for glass making etc

Columns may not add up due to rounding

All permits to produce frac sand are in place, except for an amendment to the one pertaining to dust emissions. This amendment application cannot be made until the precise dust filtration equipment specifications and locations of that equipment are known. The amended permit is not required until production commences. The mine haul road needs to be upgraded before production commences and engineering plans and costings are in place. The plan has been approved as part of the Mining Permit.

A Feasibility Study in 2012 found the Moberly frac sand project to be economically robust.

From the estimated Mineral Resources for frac sand were estimated the following Ore Reserves of frac sand (20 mesh to 140 mesh). Frac sand residue resources have not been converted to Ore Reserve status.

Table 3: Ore Reserves of silica suitable for 20 mesh to 140 mesh frac sand, at 30 June 2014

Reserve Category	Dry tonnes	
	2013	2014
Proved^	8.9 million tonnes @ 64% frac sand	8.9 million tonnes @ 64% frac sand
Probable^	4.6 million tonnes @ 64% frac sand	4.6 million tonnes @ 64% frac sand
Total Proved + Probable^	13.5 million tonnes @ 64% frac sand	13.5 million tonnes @ 64% frac sand

^ Frac sand Reserves are not additive to Reserves for glass making etc

Columns may not add up due to rounding

B. Silica for glass sand, golf course sand and silica flour markets

These Resources and Reserves are for an alternative processing route and market to the frac sand reported in Part 1A. Resources and Reserves presented in this Section B are therefore not additive to those presented in Section A but rather are alternatives.

In-situ silica for glass making, golf course sand and silica flour and other silica products produces 100% saleable product and so is expressed as in-situ tonnes.

There was no significant mining in the reporting period and no activities that would extend the Mineral Resource, so there is no change in the Mineral Resources of silica for glass making etc as at 30 June 2014 versus 30 June 2013.

Table 4: Identified Mineral Resources for silica for glass making and golf course sand, silica flour markets at 30 June 2014

	Dry tonnes (millions) of silica product	
Resource Category	2013	2014
Measured*	21.6	21.6
Indicated*	21.6	21.6
Total Measured + Indicated*	43.2	43.2

* Mineral Resources include that proportion modified to produce Ore Reserves.

Columns may not add up due to rounding

From the above in-situ Mineral Resources were estimated the Ore Reserves given in Table 5. These are contained within a fully Permitted and engineered pit of 35 years duration at a mining rate of 400,000 tpa.

Table 5: Ore Reserves for silica suitable for glass making, golf course sand and silica flour markets at 30 June 2014

	Dry tonnes (millions) of silica product	
Reserve Category	2013	2014
Proved	12.8	12.8
Probable	0.7	0.7
Total Proved + Probable	13.5	13.5

Columns may not add up due to rounding

2. PRINCETON ZEOLITE DEPOSIT AND CACHE CREEK ZEOLITE DEPOSIT

The Princeton Zeolite deposit, where Heemskirk had exclusive mining rights, and the Cache Creek zeolite deposit which was 100% owned by Heemskirk were disposed of in September 2014 and August 2014 respectively. Therefore no Mineral Resources of zeolite are reported here.

The information in this report that relates to Mineral Resources or Ore Reserves is based upon information compiled by Malcolm Ward, BSc (Hons), MSc (Queen's), who is a Member of the Australasian Institute of Mining and Metallurgy.

Malcolm Ward is employed by and is Principal of Mining Advisory Pty Limited. Malcolm Ward and Mining Advisory Pty Ltd are retained under contract by Heemskirk to provide geological and other services, including the estimation of Ore Resources and Mineral Reserves. The work on Ore Reserves and Mineral Resources is undertaken independently. No remuneration is contingent on the outcome of that aspect of work and Heemskirk is not permitted to review or comment on the Ore Reserves and Mineral Resources estimate and accompanying technical documentation during preparation.

Malcolm Ward 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Malcolm Ward consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 1

JORC Code, 2012 Edition – ‘Table 1’

Preamble: Please refer to the geological description of the Moberly silica deposit in the main body of this report. Sand for glass making and frac sand come from essentially the same areas of the deposit.

For the industrial mineral sand for glass making and frac sand, the concept of ‘grade’ as a percent or ppm of the material sought within the host rock is not applicable. Both these types of sand are bulk industrial products. Silica for glass making is required to be +98% SiO₂ with specified low levels of aluminium, iron and chrome. Silica for frac sand is defined by a number of qualities, measured by ISO and API specified techniques, including grain roundness, sphericity, acid solubility, turbidity, crush resistance and conductivity, with each quality determined for certain grain sizes such as 20/40, 30/50, 40/70 and 70/140 mesh. The range of acceptable values for each quality varies and the customer will define the requirements for each particular shipment. Thus, other than being in a size range between 20 mesh (0.841mm diameter) to 140 mesh (0.105mm diameter) there is no set ‘hurdle’ as to whether a sand is frac quality or not.

Sand produced for frac sand could be sold for glass making and tests have found that sand previously produced for glass making is largely frac quality.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation
Sampling techniques	<ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> <p>The Moberly silica sand deposit was drilled by four cored holes in 1982 with logging was largely done on a qualitative basis and indicates the homogeneity of the deposit at depth, although this would be essentially down-dip of the sandstone beds.</p> <p>Extensive exposure and mining in three dimensions by open cut mining in the subsequent 25 years, with processing through the former sand plant (producing silica sand for glass making) has attested to the purity and homogeneity of the silica in the deposit. During this time, every silica shipment to customers was analysed by the customer with very few quality issues. Forward mining will be in the same area as previous mining.</p> <p>Sampling for frac sand quality and feasibility comprised several phases. Firstly, five bulk (+300kg) samples were taken by excavator. The first was of ‘random’ run-of-mine ore from a stockpile, then four were taken from in situ representing various degrees of alteration/sand production within the pit and also spread over the extent of the existing pit. A second phase of sampling took 15 samples, each approx. 20kg from a 3D network across the mine area. From these samples, sub samples were taken for petrological description and some SEM work. Petrological studies show that the sand grains within the mine area vary entirely between 0.841mm to 0.105mm in diameter (20 mesh to 100 mesh on the US scale), that is, all within the range for frac sand.</p>

Criteria	JORC Code explanation
	<p>The sampling was done under geological supervision and control to cover variability in the critical component of the frac sand quality which is the degree of cementation of the grains ('alteration').</p> <p>The bulk samples were submitted to an independent metallurgical laboratory to produce sand under the proposed frac sand wet circuit conditions (essentially crush, then 'scrub' or attrition). After consideration of recoveries for the various bulk samples, an overall recovery factor of 64% of 'frac sand' (sized from 20 mesh to 140 mesh) was determined by the met laboratory. The 36% non-frac sand product (mostly <140 mesh) is saleable as cement additive, and/or silica flour, grouting products or other silica sand applications.</p> <p>The laboratory produced sand from the bulk samples (approximately 40kg each) was split and about 5kg sieved to the standard mesh size ranges of 20/40, 40/70 and 70/140 mesh and examined under the microscope, photographed and described. The various fractions were then sent to accredited laboratory StimLabs of Oklahoma, USA for thorough testing for frac sand quality according to ISO and American Petroleum Institute (API) standards for roundness, sphericity, bulk density, acid solubility, turbidity and crush resistance ('K value'). A composite sample from several of the sands from the bulk samples was made to simulate the characteristics of ore to be mined in the early phases of the new operation, and similarly tested, with frac sand 'conductivity' also measured under ISO standard methodology for the various mesh sizes. This is a very exacting 'stress' test for frac sand material.</p> <p>The Moberly sands satisfy all the ISO/API criteria for frac sands. A sample of the plain 'glass sand' from an existing stockpile, without any scrubbing or attrition ('polishing') also qualified as frac sand.</p> <p>A number of sand samples, including the above, were sent to customers for their in-house testing and assessment. All customers reported their satisfaction, although the results of their testing were not disclosed.</p>

RESERVES AND RESOURCES UPDATE

Criteria	JORC Code explanation	
Drilling techniques	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<p>The deposit has not been drilled in recent times as the open cut area, on the side of a mountain, yields a 3 dimensional exposure and sampling opportunity much more effective than a drilling program would produce. Also, due to the orientation of the beds, drilling would sample along or across the bed planes only, which can be done on the 3D pit surface. Bulk samples via excavator under geological control were taken from the 3D pit area surface and placed in steel drums.</p>
Drill sample recovery	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<p>As noted above, drilling has not been undertaken recently. Bulk samples were taken using an excavator under geological supervision to ensure representivity and sample recovery was 100% in these cases.</p> <p>Grade is not an appropriate concept in this situation however it is possible that sand which might have 'escaped' during bulk sampling could produce a biased sample overall. Care was taken to avoid this situation.</p>
Logging	<ul style="list-style-type: none"> • <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<p>Although core / chip sampling has not been undertaken, the pit has been geologically mapped over a number of years, backed up by microscopic examination of a range of samples by a professional petrologist, including thin section micro photography and some SEM photography. Sample sites were photographed and described geologically. Bulk samples were taken and resultant processed sands also examined, described and photographed. This level of work is appropriate to support Mineral Resource estimation for both glass sand and frac sand.</p> <p>All of this work has confirmed the uniform nature of the deposit, in terms of silica content (or rather, near absence of non-silica grains) and the roundness and sphericity of the grains.</p>

Criteria	JORC Code explanation
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> <p>No sampling specifically for glass sand production has been done recently, however the deposit has been processed successfully for 25 years by the former sand plant and each sand shipment for many years was sampled and analysed with little indication of off-spec product. As noted above, no coring has been done but five bulk samples were taken via excavator for treatment and then very exacting frac sand quality determination.</p> <p>Given the homogeneity of the deposit, and the fact that the samples were +300kg bulk samples, sample duplication was not considered necessary. The samples were taken in sealed steel drums to a metallurgical laboratory in Vancouver, where a sub-pilot scale circuit had been established. The samples were split, with portion crushed to -25mm for grinding in closed circuit with a 1.7mm screen in 10kg batches at 30% solids for 2 hours per batch. Screen oversize was returned to the grinder for treatment, -140 mesh material was discarded to tailings and the product was decanted for settling, drying and weighing. Both the yield of feed reporting to the product fraction from each sample, as well as the size distribution of the product fraction retained was determined from the testing.</p> <p>The optimal scrubber configuration produced about 40kg of sand from each sample, which was then riffle split and sieved down into various mesh sizes for description, photography and laboratory testing for frac sand qualities.</p> <p>Bulk sand from each sample was sent to accredited frac sand testing laboratories in the USA. There, the samples were analysed for bulk mesh size, then the various size ranges such as 20-40 mesh, 40-70 mesh and 70-140 mesh for each sample were analysed for cluster presence, roundness, sphericity, bulk density, acid solubility, turbidity, crush resistance ('K value') according to ISO and API standards and methodologies. Two samples from the area to be mined initially were composited and again tested, this time including and long term conductivity and permeability.</p> <p>The size of the samples at all stages was appropriate to the grain size of the deposit and the proposed processing circuit. The samples were damp when collected, later dried but scrubbing was done with a wet circuit, therefore the moisture state is largely irrelevant.</p>

RESERVES AND RESOURCES UPDATE

Criteria	JORC Code explanation
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> <p>Historically, sand for glass making was analysed for % SiO₂, and deleterious element oxides Al₂O₃, Fe₂O₃ and Cr₂O₃ each shipment and each month by broad spectrum ICP/AA (total analysis). This is considered appropriate.</p> <p>The analyses for frac sand quality were conducted by StimLabs is a thorough test of frac sand quality and is one of two major laboratories that conducts these tests for the industry in North America. Test are conducted to exacting ISO 13503-2 and API RP19C standards and protocols, specifically Sections 6, 7, 8, 9, 10, 11; some included conductivity and permeability.</p> <p>Analytical procedures are given in the ISO standard: https://www.iso.org/obp/ui/#iso:std:iso:13503:-2:ed-1:v1:en (Subscription may be required; full text available from Heemskirk.)</p> <p>This testing is entirely industry standard and those including conductivity can be regarded as a total test. Whether or not conductivity is included, the testing regime is considered appropriate.</p> <p>No geophysical tools have been used.</p> <p>Measurements for frac sand properties are conducted under strict ISO/API procedures. Calibrations at the StimLabs facility are done weekly to annually depending on the piece of equipment; major equipment is calibrated by an independent contractor. Many tests are repeated up to three times and if repeats vary by a certain fraction of SD, the test is repeated. An internal standard is run as a 'blind' sample three times per month.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> <i>The use of twinned holes.</i> <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> <i>Discuss any adjustment to assay data.</i> <p>The results obtained in the StimLabs testing were returned to Heemskirk Canada and separately analysed and interpreted by several people, including the Competent Person and their interpretations and conclusions were the same. This analysis and interpretation is equivalent to the calculation of 'significant intersections'.</p> <p>The results were also shown to potential clients and industry experts and no doubts were expressed that saleable frac quality sand had been produced.</p> <p>No twinning or duplicate sampling was undertaken, however the samples were bulks of ~330kg each.</p>

Criteria	JORC Code explanation	
Location of data points	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<p>StimLabs reports were received in hard copy at the company office in Calgary and filed appropriately. The results did not require transferal into any digital database.</p> <p>No adjustments to the data were done.</p> <p>Although a historical grid exists at the silica open pit, it is not currently used. The sample locations were recorded by GPS and transferred to Google Maps and aerial imagery. The scale of the sampling and homogeneity of the silica within the pit means that this location accuracy was sufficient.</p> <p>The hand held GPS uses WGS 84 datum and spheroid and displays latitude and longitude to one decimal point of seconds.</p> <p>The pit is surveyed periodically via GPS by licenced surveying contractors although the lack of mining in recent years has meant that a full survey has not been conducted in the past year. The current survey control is adequate for the sampling exercise described above and for resource and reserve estimation.</p>
Data spacing and distribution	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> 	<p>The sampling was not undertaken for Exploration.</p> <p>As the silica content and grain sizes are totally and reasonably homogenous throughout the mine area respectively, data spacing and distribution was adequate for the purposes of establishing the continuity of frac sand and also glass sand quality for the Mineral Resource and Ore Reserve estimation procedures, using the recovery process(es) to be employed.</p> <p>Although the samples were not composited, the frac sand recovery factor determined by the metallurgical lab was a single figure, determined by the met lab to be appropriate across the deposit.</p> <p>Resources and Reserves are not estimated and reported to the level of the ISO testing described above, but to the recovery level of 20 mesh to 140 mesh frac sand.</p> <p>Sample compositing was applied in one round of ISO quality testing. Sands from two of the bulk samples representing the area to be first mined for frac sand were composited and tested for a full suite of frac sand characteristics, including conductivity and porosity, with good results.</p>

RESERVES AND RESOURCES UPDATE

Criteria	JORC Code explanation	
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<p>Although the deposit is bedded, there is no discernible variation in silica composition or trends in grain size either across bedding or along strike. The samples taken did represent an unbiased sampling along and across structures.</p> <p>The deposit was not sampled for frac sand quality by drilling. The bulk sampling took account of the bedding structures.</p>
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<p>Samples were sealed in steel drums during transport to the metallurgical laboratory and the resultant sands sent by courier between the laboratory and Calgary office in sealed plastic drums and from there to the sand testing laboratory.</p> <p>These measures are adequate for the type and size of the samples in question.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<p>The sampling program was reviewed by a consultant firm on behalf a second party investigating the deposit and the amount and locations of the samples were questioned (eg 'unknown' sample locations). However it became apparent that the reviewer was not given access to several critical documents, such as the geological report on the sampling program, which included sample locations and descriptions nor the last detailed Mineral Resources and Ore Reserves estimation report.</p> <p>Heemskirk and the Competent Person are confident that the sampling was well controlled and adequate and has rejected or addressed most of the reviewer's comments.</p>

Section 2 – not applicable

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	<p>The data relating to this silica / sand / frac sand deposit is relatively simple. Hard copy reports were handled entirely by professional persons and figures produced in spreadsheets relating to averages etc were reviewed internally. There is no database involved.</p> <p>As no database is employed, no validation procedures were employed other than re-checking results received in hard copy from the laboratory against sample numbers and descriptions sent.</p>

Criteria	JORC Code explanation	Commentary
Site visits	<ul style="list-style-type: none"> • <i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i> • <i>If no site visits have been undertaken indicate why this is the case.</i> 	<p>The site is visited several times a year by the Competent Person, including one visit annually specifically in relation to Mineral Resource and Ore Reserve Estimation. No unusual features or occurrences have been noted. The CP also visited the metallurgical laboratory in Vancouver at the time of initial frac sand recovery test work.</p>
Geological interpretation	<ul style="list-style-type: none"> • <i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i> • <i>Nature of the data used and of any assumptions made.</i> • <i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i> • <i>The use of geology in guiding and controlling Mineral Resource estimation.</i> • <i>The factors affecting continuity both of grade and geology.</i> 	<p>The mineral deposit is a simple bedded sandstone/orthoquartzite deposit, broadly folded so bedding is near vertical throughout the mine area, with no hinge zone apparent, well exposed in the open cut. Variation in the de-cementing of the grains occurs on a mm to metre scale, but this does not affect the frac or glass making sand quality except to the degree that silica shards may remain on the grains in the less altered rock (and which are removed in the scrubbing stage). Confidence in the geological interpretation of the deposit is high.</p> <p>Data used is geological mapping and petrological examination of samples taken across the mine area. The main assumption made is that the deposit continues in its present form for a further 100m or so at depth; note that this direction is along bedding and that more than this vertical extent is already exposed within the open cut workings.</p> <p>There is no other reasonable geological interpretation to the deposit; the entire deposit is exposed in three dimensions, over hundreds of metres in each direction.</p> <p>Geology controls the Mineral Resource estimation in that the resource lies entirely within a consistent bedded sandstone/quartzite unit. There are no other rock types involved.</p> <p>'Grade' is not a quality associated with glass sand or frac sand deposits but various, separate, glass and frac sand qualities are determined. The factors affecting the continuity of these qualities and geology relate to primary sedimentary deposition processes. Any variations which are present are not material to the Mineral Resource estimation.</p>

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Criteria	JORC Code explanation	Commentary
Dimensions	<ul style="list-style-type: none"> <i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i> 	<p>Within the exposed and previously mined area of the altered orthoquartzite (800m plan length (along bedding), 250m plan width (perpendicular to bedding) and 200m in vertical extent below surface (along bedding), the frac sand resource has been estimated and reported for a length of 600m in plan length (along bedding), between 220 and 180m in plan width (perpendicular to bedding) and 25m for Measured then a further 50m for Indicated Resource below surface (along bedding).</p> <p>The glass making silica resource has been estimated and reported for a plan length of 700m (along bedding), between 220 and 180m plan width (perpendicular to bedding) and 50m for below surface for Measured and a further 50m for Indicated Resource (again, along bedding).</p> <p>Both the Mineral Resource and Ore Reserves are estimated entirely within the quartzite unit; no country rocks or non-resource lithotypes are within the Mineral Resource or Ore Reserves envelopes.</p>

Criteria	JORC Code explanation	Commentary
Estimation and modelling techniques	<ul style="list-style-type: none"> <i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i> <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i> <i>The assumptions made regarding recovery of by-products.</i> <i>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</i> <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i> <i>Any assumptions behind modelling of selective mining units.</i> <i>Any assumptions about correlation between variables.</i> <i>Description of how the geological interpretation was used to control the resource estimates.</i> <i>Discussion of basis for using or not using grade cutting or capping.</i> <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i> 	<p>As the deposit is massive and largely homogenous, the cross section technique is employed for Mineral Resource estimation, with sections 100m apart and Mineral Resource outlines projected 50m either side of a section line. No domaining is used. This is considered appropriate to the type of deposit. No computer software is employed, other than Autocad, by the pit engineer to derive the pit shape.</p> <p>For silica for glass making, the resources were extended in the Measured category for 50m from the surface (ie along strike) and for Indicated category, a further 50m. For silica for frac sand the Mineral Resources were extrapolated 25m from the surface for Measured category and for Indicated category, a further 50m.</p> <p>Prior to the current phase and methodology of resource estimation, commencing in 2006, no resources were estimated at the deposit. Production and customer records before and subsequent to 2006 confirm the purity of the deposit with respect to silica and lack of significant deleterious elements.</p> <p>By products from both glass making and frac sand are silica 'fines' – variably defined depending on the use to which the silica sand is used. The recovery of -140 mesh proportion in the frac sand was determined by metallurgical testing and the equipment design. The fines from either processing route can be sold for cement additive, or made into silica flour. A silica flour circuit is in operation at the plant site.</p> <p>There are no deleterious elements in the deposit expected to impact product sales. Iron occurs occasionally as small pisolites but is eliminated in the initial magnetic scalping of the mill feed or in the washing process. Historically deleterious elements iron, aluminium and chrome have all been analysed routinely and have not been a customer issue in sand for glass making.</p> <p>Block modelling is not employed and no selective mining is employed (the pit lies entirely within 100% resource rock).</p> <p>No assumptions between variables are made.</p> <p>Geology is used to control resource estimates to the extent that the entire unit is homogenous and the resource is contained entirely within the geological unit.</p>

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Criteria	JORC Code explanation	Commentary
		Grade cutting or capping is not applicable because the resource is based on +98% silica with a homogenous spread of sand grain sizes. Validation is not made to a computer model, but the assumption of +98% SiO ₂ is validated against historic shipments of product as glass sand, with each shipment tested by customers.
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	Estimation is on a dry basis.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	The concept of cut-off grade is not applicable to this bulk sand deposit; see above. Quality parameters such as the amount of in-situ sand development is used in surface mapping, but is not used in Mineral Resource estimation.
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<p>The deposit has been mined by open cut mining since the early 1980s and it is reasonable to assume that this will continue to be the most appropriate method for a very long time. The margins of the geological unit being mined have not been fully exposed on the surface, so it is reasonable to expect that all the current resource will be accessible eventually.</p> <p>Mining occurs entirely within the resource geological unit, with no 'waste rock', so mining recovery factors do not come into play.</p> <p>The 35 year mine plan of 2012 which is still current, is the basis for current mining assumptions.</p>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<p>The deposit has been processed and sold for glass making silica for about 25 years. It has a simple composition of +98% SiO₂ as sand grains and the silica variably cementing the grains. Most of the remainder is silicate clay minerals. It is easily produced into sand feed for glass plants by crushing, washing, drying and screening, which makes it ideal for this purpose. Residues are suitable for cement additives or silica flour.</p> <p>A metallurgical laboratory test program was initiated to look at the recovery of frac sand from the deposit. Across a number of bulk (+300kg) samples, this found a 64% recovery as frac sized sand (20 mesh to 140 mesh), the balance being silica fines, amenable to sale as concrete additive, or silica flour. ISO standard measurement of frac sand qualities of the sand produced gave good to very good results.</p>

Criteria	JORC Code explanation	Commentary
Environmental factors or assumptions	<ul style="list-style-type: none"> <i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i> 	<p>The mine site, in operation since the early 1980s, is fully permitted for planned operations.</p> <p>The plant site also began operation for sand processing in the early 1980s. It is currently fully permitted for glass making sand and frac sand production, except a permit amendment relating to dust emissions, which regulators advise will not be an issue with the dust collection measures planned to be employed.</p> <p>All of the material trucked to the plant site is ultimately saleable, including the fines/residues. Any lag in sales of the latter can be accommodated by stockpiling on site (which has been done previously), for which there is ample room. Permission has been given by agricultural authorities for that part of the site not zoned industrial to be used for 'non-farm use' including stockpiling and rail sidings. No environmental permitting for this is required, other than dust suppression.</p>
Bulk density	<ul style="list-style-type: none"> <i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i> <i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</i> <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i> 	<p>Bulk density of the feedstock for both glass making and frac sand silica has been determined by several phases of laboratory determination. A number of approximately 10kg samples were submitted in 2006 and in 2008 to a certified laboratory, representing varying degrees of silica de-cementing ("% sand") across the deposit. Each sample was sawn in half. One half was dried in an oven (ie removing adsorbed water), coated in wax and had its bulk density measured by the water displacement method. The other half was placed uncoated in water and then had its bulk density measured by the same water displacement method. A computation of the bulk density of the samples if the pores and voids were removed was also made. Thus a matrix of bulk densities was determined from wet, dry and voids excluded, and for the range of almost no to almost complete silica de-cementing.</p> <p>The dry bulk densities ranged from 2.26 to 2.64 and the bulk density without voids ranged from 2.39 to 2.65.</p> <p>Given the non-systematic nature of the de-cementing across the deposit a, uniform bulk density of 2.50 was adopted.</p>

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Criteria	JORC Code explanation	Commentary
Classification	<ul style="list-style-type: none"> <i>The basis for the classification of the Mineral Resources into varying confidence categories.</i> <i>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i> <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> 	<p>The basis of classification into Measured and Indicated categories is based on the depth below current pit surface. The current pit surface (on the slopes of a mountain) is well exposed in 3 dimensions and is the product of open cut mining for over 25 years, all of which has yielded the same quality silica. Bedding is vertical or very close to it.</p> <p>For sand for glass making, Measured category is taken from surface to 50m below surface, and Indicated category for a further 50m below that. For frac sand, the Measured category is taken only 25m below surface, with Indicated category a further 50m.</p> <p>This takes appropriate account of the historic homogeneity of the deposit in respect of silica content and grain sizes, the location of bulk samples used to determine recoveries for frac sand and the vertical attitude of bedding.</p> <p>Appropriate account has been taken of the various factors, continuity and the distribution of data, and reflects the view of the Competent Person.</p>
Audits or reviews	<ul style="list-style-type: none"> <i>The results of any audits or reviews of Mineral Resource estimates.</i> 	<p>The 2012 Mineral Resource estimate, which remains unchanged to date, was reviewed by an independent geologist for a third party company undertaking due diligence. Although the report of the geologist has not been sighted, another independent reviewing report states that the independent geologist 'agreed with the methodology and result' of the Heemskirk Competent Person's estimations. Further, discussions with the independent geologist at the mine site by the Competent Person revealed no material issues of contention.</p>

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>The deposit is one of a massive, bedded quartzite/sandstone unit with no waste rock within the pit. No geostatistical manipulation has been used in the Mineral Resource estimates. The estimate is accurate as there is no waste rock within the geological unit and all rock is suitable for saleable products.</p> <p>The Resource estimate is for a single body of rock hosting a single pit, so the estimate is considered global.</p>

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<p>The Mineral Resource estimate for the massive silica deposit was via simple cross sectional method, from surface to a reasonable depth based on geological and continuity factors. The conversion to Ore Reserves was by application of the Mining Plan, other Modifying Factors and the frac sand Feasibility Study.</p> <p>The Mineral Resources for silica for glass making etc and for frac sand are inclusive of the Ore Reserves for each respective type of use.</p>
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	<p>The Competent Person visited the site on a number of occasions in the past year, most recently in September 2014. As no mining has taken place in the past year, nor any change to mining or processing options, no different conclusions or observations in respect of Mineral Resources and Ore Reserves were drawn.</p>

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Criteria	JORC Code explanation	Commentary
Study status	<ul style="list-style-type: none"> <i>The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</i> <i>The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.</i> 	<p>A Feasibility Study was undertaken in 2011 to determine the economics and feasibility of producing frac sand from the silica resource, which had previously been mined for decades for glass making sand. The outcome of the study was economically positive and robust.</p> <p>The most recent Mine Plan was an update to that in the Feasibility Study, and takes account the planned, permitted increase in mining rate.</p>
Cut-off parameters	<ul style="list-style-type: none"> <i>The basis of the cut-off grade(s) or quality parameters applied.</i> 	<p>For bulk mining of this massive silica deposit, there are no cut-off parameters applied as the deposit and all material is ultimately saleable, irrespective of grain size.</p>
Mining factors or assumptions	<ul style="list-style-type: none"> <i>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</i> <i>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.</i> <i>The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.</i> <i>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</i> <i>The mining dilution factors used.</i> <i>The mining recovery factors used.</i> <i>Any minimum mining widths used.</i> <i>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</i> <i>The infrastructure requirements of the selected mining methods.</i> 	<p>A 25 year Mine Plan (open pit) was completed with detailed designs in July 2009 by Clifford Lusby P.Eng, a licensed professional engineer in British Columbia. Although this was a mine plan for mining silica for glass sand, it was adopted in the FS for frac sand as the material mined, and the mining technique was no different, because the deposit is massive and all material in the pit is ultimately saleable via either processing route.</p> <p>The Mine Plan was revised in 2012 as a 35 year plan, mining 400,000 tpa silica ore for frac sand (which is also saleable as glass making sand). Permits are in place to accommodate the increased mining rate.</p> <p>This is an appropriate mining technique, as the open cut mine plan occurs entirely within the known boundaries of the silica resource; there is no waste rock within the pit. There is no pre strip required (although some soil will need to be removed) and access will be via the existing access and haul road, which will be up-graded along its full length.</p> <p>The Mine Plan contains detailed consideration of geotechnical aspects, including a detailed separate, earlier, geotechnical report. Benches: 12m high; 78 degree face angle, 48.7 degree inter-ramp angle, 8m wide catchment berms, 15m wide ramps and 12 percent ramp grade. There will be no pre-production drilling, as there is abundant pre-existing exposure.</p> <p>Mining dilution factor is 0%, as all material excavated and trucked is ultimately saleable. Mining recovery factor is 100% as the pit lies entirely within the silica resource.</p>

Criteria	JORC Code explanation	Commentary
		<p>There is no minimum mining width.</p> <p>The Mine Plan is insensitive to the inclusion of Inferred Resources.</p> <p>The open cut will require only the infrastructure already in place, namely the haul road, which will be upgraded (and engineering and permits are in place for this work).</p>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> <i>The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.</i> <i>Whether the metallurgical process is well-tested technology or novel in nature.</i> <i>The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.</i> <i>Any assumptions or allowances made for deleterious elements.</i> <i>The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.</i> <i>For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?</i> 	<p>It is proposed to utilise VSI crushing to liberate the sand grains from the sandstone/quartzite (which is already de-cemented in large part), then scrub or 'polish' the grains to remove adhering silica cement/over-growths, dry the sand and screen it into appropriate size categories. This type of processing is appropriate to the type of ore feed, and product required.</p> <p>Overall the process is conventional and well tested however it includes a VSI in combination with a mill or scrubber stage which is not conventionally used in frac sand plants which are usually based around less consolidated feedstock mainly in Wisconsin and nearby states in the USA. It is included in the Moberly circuit at the recommendation of the met lab testing.</p> <p>For frac sand testing, in addition to a random 'ROM' sample, four 'variability' samples of about 330 kg each from various silica de-cementing and geographic areas were taken from the deposit, representing variations of characteristics spread over the resource. The samples were supplied to an independent met testing laboratory in Vancouver who derived the 'VSI and mill/scrubber' component of the flow sheet and reported on frac sand recoveries, arriving at a single recovery figure across the deposit (as the de-cementing is not systematic). The sand samples derived from this testing were supplied to specialized laboratories for ISO standard testing for frac sand qualities, and all produced satisfactory results for all sand size fractions.</p> <p>Due to the irregular nature of the 'de-cementing' (natural in-situ 'sand' production), processing domaining has not been possible and it is recognized that commissioning will need to be cognisant of the source of the early feedstock and plant settings adjusted accordingly.</p>

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Criteria	JORC Code explanation	Commentary
		<p>Deleterious elements are generally absent from the deposit, although there are ferruginous zones, mainly along the footwall contact of the sedimentary unit. In past processing of these zones for glass making silica, the ferruginous particles (nodules up to 5mm) were eliminated in the magnetic scalping or the washing stage. Mining for frac sand will not occur in this area for many years. No allowances have been made for deleterious elements, except for the inclusion of scalping magnets after the crush stage.</p> <p>The met testing of the ~330kg 'variability' samples could probably not be characterised as pilot scale testing but the samples were bulk samples covering the spectrum of differences in de-cementing. The 'variability' samples were representative of the extremes of the variation in the deposit (which is the amount of de-cementing or alteration, not of inherent composition), as well as surface geographic extremes of the deposit and combined with the 'ROM' bulk sample is regarded as representative of the deposit as a whole.</p> <p>The Ore Reserve has been based on the appropriate mineralogy, as well as the qualities of that mineralogy.</p>
Environmental	<ul style="list-style-type: none"> <i>The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.</i> 	<p>An independent 'Phase 1' environmental report (carried out to ISO and British Columbia Ministry standards) was carried out in 2011 and was incorporated into the Feasibility Study. It covered both the existing open cut and the processing plant site, which hosted the de-commissioned glass sand processing plant.</p> <p>Several relatively minor issues at the plant site were identified, most of which were rectified before a follow-up visit in March 2013. Any remaining issues will be rectified as the site is redeveloped for frac sand.</p> <p>As the open cut is entirely within silica sandstone/quartzite, no 'acid' type drainage issues are present either at the open cut or at the processing plant. Both sites have porous silica sand substrates and most run-off drains naturally into the ground.</p>

Criteria	JORC Code explanation	Commentary
		<p>All material taken to the processing plant is ultimately saleable and no waste stockpile is planned. Fines generated in the frac sand process are saleable for cement manufacture, or can be consumed in the existing silica flour plant on site. A stockpile of fines may grow if sales lag production but no permit is required for this. A stockpile of fines from the old glass making process already exists on site and is being slowly consumed in the silica flour plant. Approval from the Agricultural Land Commission has been granted to store fines etc on the portion of the plant site not already classified for industrial use.</p> <p>All permits required for frac sand production by the planned process circuit are in place, except for an amendment to that relating to dust emission. The amendment cannot be sought until the final equipment specifications and locations are known; discussions with regulators indicate that it will be a minor amendment, and is not required until the new plant is commissioned.</p>
Infrastructure	<ul style="list-style-type: none"> <i>The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.</i> 	<p>The plant site was in operation for over 25 years to 2009 for glass sand production and remains in operation producing silica flour. It is fully serviced by grid electricity and a 300m access road to the Trans-Canada Highway. It has its own rail spur off the main line Canadian Pacific Railway which also runs by the plant. Water can be drawn under an existing Permit from the Blaeberry River which runs by the plant, and two new water bores have been sunk and pump tested demonstrating an adequate availability of process water for 24/7 operation. The current plant site, owned under freehold, is easily large enough to accommodate the new frac sand plant, ROM stockpiles, the existing fines pile, a proposed extended rail spur and any new temporary stockpiles.</p> <p>The plant is about 16km north-west via the Trans-Canada Highway of the regional centre of Golden, a town of about 4,000 people and a focus for skiing, lumber and rail industries. All except technical specialists and senior management are expected to be sourced from Golden.</p>

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Criteria	JORC Code explanation	Commentary
Costs	<ul style="list-style-type: none"> <i>The derivation of, or assumptions made, regarding projected capital costs in the study.</i> <i>The methodology used to estimate operating costs.</i> <i>Allowances made for the content of deleterious elements.</i> <i>The source of exchange rates used in the study.</i> <i>Derivation of transportation charges.</i> <i>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</i> <i>The allowances made for royalties payable, both Government and private.</i> 	<p>Capital costs have been established by a combination of a) detailed quotes from suppliers based on engineering drawings and specifications for specific equipment items, b) engineering cost specialists for items such as concrete and steel and c) contractor quotes for labour and project management (checked by engineering cost specialists).</p> <p>Operating costs were estimated via a combination of quotes from contractors and suppliers (mining, electricity, gas, labour) and historical and current operating costs from the plant and mine already in place.</p> <p>Allowance for deleterious elements is not appropriate as the ore is processed to final product on site and deleterious 'elements' are not present.</p> <p>The study was costed in Canadian dollars. Costs quoted in US dollars were converted at spot at the date of their receipt.</p> <p>Transport charges were derived from contractor quotes and historic and current contract costs.</p> <p>TC/RCs are not applicable as the ore is processed on site to final product. Off spec material would be returned to the plant but for frac sand it is likely to have been used by the purchaser in an application requiring the lower spec.</p> <p>No royalties are payable.</p>
Revenue factors	<ul style="list-style-type: none"> <i>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</i> <i>The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.</i> 	<p>Frac sand is not subject to long term supply contracts and prices are struck as prevailing rates for the quality and size fraction of the sand being purchased, the market availability for a particular spec of sand derived from a particular source and its intended use (including location).</p> <p>The finished product is produced on site at Moberly so TC/RCs or 'smelter penalties', and 'net smelter returns' are not applicable. The finished product is mainly defined in terms of US mesh size (eg 20-40 mesh, 30-50 mesh, 40-70 mesh, 70-140 mesh) with acceptable frac qualities, although the benchmark of these qualities can vary depending on the location (oil/gas field) that the customer is operating in, and the availability of alternatives.</p> <p>Prices used for frac sand in the FS model were based on extensive personal consultations with potential customers, who had been supplied with examples of the sand product from the met testing.</p>

Criteria	JORC Code explanation	Commentary
		<p>No revenue has been assumed in the Feasibility Study for the fines by-product, which would either be sold to the cement industry or consumed in the existing silica flour plant and then sold as a high value product.</p> <p>No revenue has been assumed for the silica flour product, although the flour plant is currently operational and sales are being made.</p>
Market assessment	<ul style="list-style-type: none"> <i>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</i> <i>A customer and competitor analysis along with the identification of likely market windows for the product.</i> <i>Price and volume forecasts and the basis for these forecasts.</i> <i>For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.</i> 	<p>Currently the demand for frac sand in North America is rising every year as horizontal drilling and completion techniques are yielding higher production rates compared to vertical wells and each well is using more frac stages, on average.</p> <p>Frac sand consumption in 2013 was estimated to be about 37 million tonnes, up from 15 million tonnes in 2010 and 5 million tonnes in 2007.</p> <p>In Canada, emphasis is now on the export of liquefied gas from planned new export facilities on the coast of British Columbia, underpinning the increase in exploration for gas (drilling of wells requiring frac sand) in western Canada.</p> <p>Supply of frac sand from the traditional USA suppliers to Canada is often squeezed by USA demand; shortages are not unknown. Heemskirk is targeting the Western Canadian Sedimentary Basin oil and gas fields (Yukon, northern British Columbia and Alberta).</p> <p>Although there are local competitors in western Canada, Heemskirk will have the better quality frac sand according customer technical reviews. The sands from the United States are of superior quality but location and logistical advantages of Heemskirk to service the western Canadian drilling market are significant. Heemskirk has direct access to the Canadian Pacific Railway via its own siding and frontage to the Trans-Canada Highway. These are logistical advantages unmatched by competitors in Canada.</p> <p>The price for sand is currently reported at \$55-85 per ton in the US. HCA plans on being competitive with pricing using the transportation differential to provide value to its customers.</p>

RESERVES AND RESOURCES UPDATE

Criteria	JORC Code explanation	Commentary
		<p>There is no specific specification for frac sand, but customer requirements on a general or per-shipment basis are dictated by a matrix of sand qualities, including grain size (eg 20-40 mesh, 30-50 mesh, 40-70 mesh, 70-140 mesh), roundness, sphericity, acid solubility, turbidity, crush resistance and conductivity. These qualities are defined in the ISO 13503 and API RP19C standards but the customer determines the actual values required for any particular shipment.</p> <p>Potential customers have been supplied with sands from Heemskirk's test work and have been satisfied with the quality. On-going customers will generally test sand product periodically and form a view about the general acceptability of the producer's sand for specific, or general usages by them.</p>
Economic	<ul style="list-style-type: none"> <i>The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.</i> <i>NPV ranges and sensitivity to variations in the significant assumptions and inputs.</i> 	<p>General Project Parameters: capital cost estimate is C\$26m2013; initial design production rate is 300,000 tonnes of saleable frac sand per annum 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 NPV7.5 C\$66m, NPV10 C\$48m; total net assets of project 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.</p> <p>Product pricing used is commercial in confidence.</p>
Social	<ul style="list-style-type: none"> <i>The status of agreements with key stakeholders and matters leading to social licence to operate.</i> 	<p>The Moberly mine and plant has been operating from the early 1980s, although the scale of both has been substantially reduced since 2009. Local people and townspeople are aware of the proposed new development and are generally welcoming of it, as it will bring welcome economic activity and employment opportunities. No formal agreements exist with 'stakeholders' (including First Nations).</p>

Criteria	JORC Code explanation	Commentary
Other	<ul style="list-style-type: none"> <i>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:</i> <i>Any identified material naturally occurring risks.</i> <i>The status of material legal agreements and marketing arrangements.</i> <i>The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.</i> 	<p>There are no material naturally occurring risks; the area is not seismically active and the slopes of Mt Moberly around the pit are heavily vegetated and have proved stable during the over 25 years of prior operation. The Blaeberry River could flood the plant site under very exceptional circumstances however this has not occurred in the memory of the operators and flood bunding is planned for the new plant.</p> <p>There are no sand supply contracts in place, as frac sand is supplied on short term, as needed basis. However customers have been supplied with sand product and are satisfied with the quality, and the Moberly project occupies a niche to supply the northern British Columbia/ Alberta market, with excellent infrastructure, both highway and rail. Letters of Intent to buy have been received from likely customers. No change to material legal or marketing arrangements, to the extent that they exist, is likely to impact the Ore Reserves.</p> <p>All Permits required to operate the new frac sand plant and the expanded mining operation at the open pit / quarry are in place, except for an amendment to the dust emission permit which is necessary as several aspects of the operation will change. Discussions with the regulators indicates that the amendment will be processed as a relatively easy 'minor amendment', which will be submitted once final specifications for the dust collection equipment are known. The new Permit is not required until the new plant is operational.</p> <p>The mine haul road must be upgraded before mining/hauling is re-commenced (engineering and approvals are complete) and negotiations with a contractor are on-going. There is nothing to indicate that a satisfactory price won't be arrived at. The mining contract for the new operation has yet to be struck but is expected to be with the former, long term operator, who may also upgrade the haul road and no difficulty in renewing the mining contract at a satisfactory price is expected.</p>

RESERVES AND RESOURCES UPDATE

Criteria	JORC Code explanation	Commentary
Classification	<ul style="list-style-type: none"> <i>The basis for the classification of the Ore Reserves into varying confidence categories.</i> <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> <i>The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).</i> 	<p>Proved Ore Reserves are derived from that portion of Measured Resources that lie within the 35 year, open cut Mine Plan after consideration of Modifying Factors. Probable Ore Reserves are derived from that part of the Indicated Resources that lie within the 35 year, open cut Mine Plan after consideration of Modifying Factors.</p> <p>The classifications accurately reflect the Competent Person's view of the deposit.</p> <p>No Probable Ore Reserve has been derived from Measured Resources.</p>
Audits or reviews	<ul style="list-style-type: none"> <i>The results of any audits or reviews of Ore Reserve estimates.</i> 	<p>The 2012 Ore Reserve estimate, which remains unchanged to date, was reviewed by an independent geologist for a third party company. Although the report of the geologist has not been sighted, another independent reviewing report states that the independent geologist 'concurred with' the Heemskirk Competent Person's estimates. Further, discussions with the independent geologist at the mine site by the Competent Person revealed no material issues of contention.</p>

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>The Ore Reserve is based on and is entirely contained within a large, massive silica resource with is relatively homogenous in respect of silica / sand grain content, but varies in respect of de-cementing of the silica grains ('alteration'). As such, confidence is high that silica for both glass making and frac sand Ore Reserves have been adequately, appropriately and accurately assessed via application of the 35 year Mine Plan and other Modifying Factors to the Mineral Resources estimated by the relatively simple cross sectional method. No geostatistical manipulation has been used.</p> <p>The estimation is considered to be a global one. Modifying Factors which could affect the relative accuracy and confidence of the method would be hitherto un recognized zones of, say, variable mechanical strength of the silica grains, as this may affect the quality of the frac sand product. There is no indication that such zones exist at the moment and if such zones did exist, on the basis of current sampling, it would be unlikely to account for such a large proportion of the deposit so as to make the deposit unviable. Furthermore the weak grains would probably report to 70-140 mesh, which still constitutes saleable frac sand.</p> <p>Historically, no material unsuitable for silica for glass sand has been mined at the site. Silica for glass sand was tested and found to be of frac sand quality.</p> <p>The Company is now focused on completion of project financing.</p>



Main image: Moberly plant site, British Columbia, Canada
Inset image: Silica stockpile at plant site (foreground). Moberly open pit (background).

2014 KEY PERFORMANCE HIGHLIGHTS

- Net profit from sale of Lethbridge mineral products plant is \$2.607 million, sale price CAD 10.492 million
- Financing initiatives progressed but incomplete for the Moberly Frac Sand Project (the Project)
- \$0.541 million invested in developing the Frac Project
- Cash and cash equivalents held is \$12.101 million
- Value of 15% equity investment in Almonty \$3.983 million

KEY STRATEGIES FOR 2015

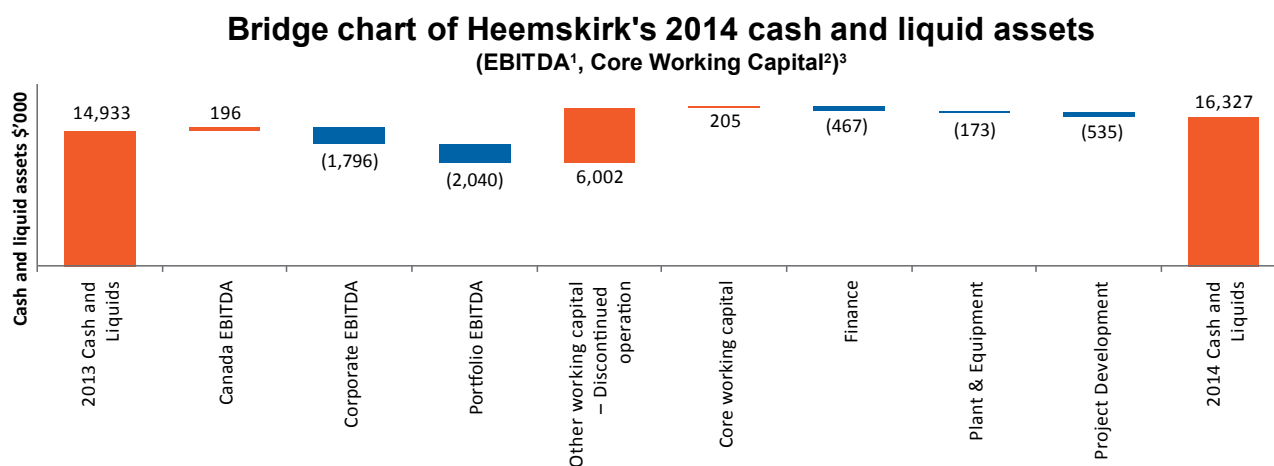
- Complete financing for the Moberly Frac Sand Project
- Commence construction of the facility (at the time of writing the first stage is underway)
- Invest in Canada's safety, efficiency and capacity
- Continuous monitoring of corporate expenditure
- Subsequent to successful execution of the frac initiative pursue and focus on other assets

FINANCIAL OVERVIEW

The Company recorded a net loss after income tax of \$2.379 million in 2014 compared with \$3.917 million for 2013. Included within the net loss after income tax of \$2.379 million is a gain on sale after income tax of \$2.607 million relating to the sale of the Lethbridge operations.

Corporate and Portfolio segments recorded a total loss after tax of \$3.660 million which included unrealised losses of \$1.266 million. Net assets totalled \$21.162 million compared with net assets of \$24.297 million at the end of 2013.

The Company ended the year with cash and cash equivalents of \$12.101 million and \$4.226 million in other financial assets, representing total cash and liquid assets of \$16.327 million. The movement in cash and liquid assets over the last 12 months is represented in the bridge chart below:



1 EBITDA is defined in Note 25 of the Financial Statements. EBITDA is non-IFRS financial information and is based on audited financial information. The Company believes this non-IFRS information is relevant to the users understanding of the results.

2 Core working capital is Trade and other receivables plus Inventories minus Trade and other payables and has been extracted directly from the consolidated balance sheet.

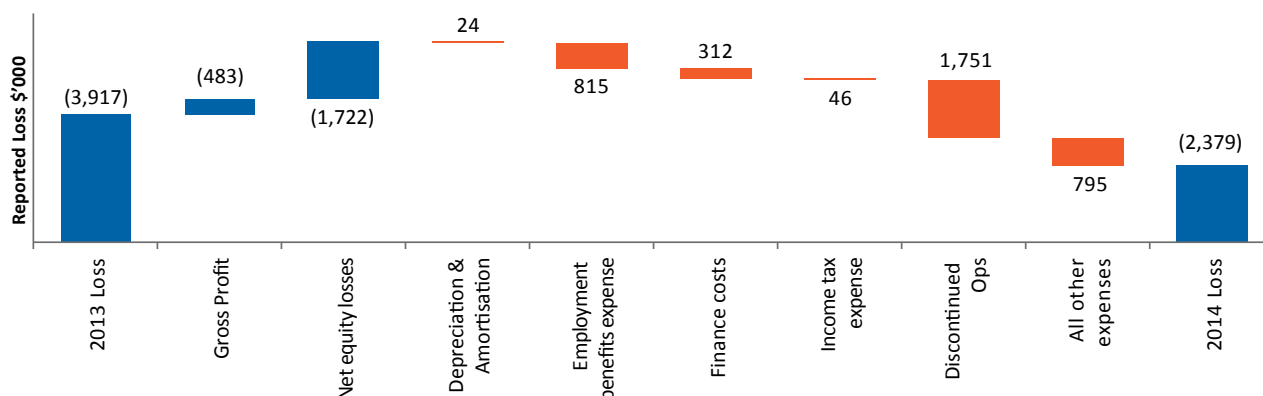
3 This is non-IFRS financial information and has not been subject to review of audit by the Company's external auditor, but is considered relevant for users of the financial statements.

A. FINANCIAL PERFORMANCE

PROFIT DRIVERS (2014 VERSUS 2013)

The following bridge chart summarises the main drivers of the 2014 profit result and is explained in the commentary that follows.

Bridge chart of Heemskirk's 2014 reported loss after tax



Gross profit – the discontinued Lethbridge operation and lower interest income from the continuing operation reduced profit.

Net equity losses – Almonty dividend income of \$0.126 million was offset by unrealised losses of \$1.266 million mainly from the decrease in Almonty share price to 0.670 (2013: 0.969). Almonty warrants expired during the year resulting in a realised loss of \$0.664 million.

Employee benefits expense – a lower headcount in the corporate segment drove the reduction in employee benefit expenses from \$2.097 million in 2013 to \$1.282 million.

Other costs – cost cutting strategies reduced corporate, consultants and finance costs.

Profit from discontinued operations – the Lethbridge operation was sold on 31 March 2014 at a net profit of \$2.607 million. Tax expense for discontinued operation was \$0.501 million.

OUTLOOK

Oil and gas horizontal well drilling activity remains strong despite a reduction in the oil price in the September 2014 quarter. Hence, demand for frac sand in these wells remains strong. Wells are completing more stages with consumption per well averaging between 2,800-4,000 tonnes. Total wells completed in the past year in the Western Canadian Sedimentary Basin were 9,712 (actual completions in 2013).

SAFETY

The health and safety of the Heemskirk workforce is of fundamental importance. The Company's safety policies and reporting procedures are reviewed continually in order to identify areas which can be improved and changes are implemented accordingly.

At the end of the year the Company's medically treated injury (MTI) and lost time injury (LTI) frequency rates were both at zero.

In March 2014 the Moberly operation received an award at the BC Mines Annual Mine Safety Awards for completing 2013 without an LTI. The Moberly operation also received a Certificate of Achievement at the Open Pit Mine and Quarry Awards for completing over 15,000 worker hours with a zero injury frequency rate.

Heemskirk will continue to promote an intrinsic safety culture throughout all levels of the Company and endeavour to maintain zero MTI and LTI frequency rates.

CORPORATE

Corporate costs for the year were \$2.329 million, slightly less than the estimate of approximately \$2.400 million.

	2010	2011	2012	2013	2014
Segment assets (A\$m)	16.488	23.424	12.636	8.497	11.564
Segment revenue ¹ (A\$m)	0.226	0.836	0.760	0.413	0.531
Segment costs (A\$m)	9.359	3.660	3.484	2.879	2.329
Segment EBITDA ² (A\$m)	(9.133)	(2.824)	(2.724)	(2.466)	(1.796)
Segment revenue as a percentage of Segment asset	1%	4%	6%	5%	5%

1. Segment Revenue is per Note 25 of the audited Financial Statements.

2. Segment EBITDA is per Note 25 of the audited Financial Statements.

Finance costs for the year were \$0.322 million (2013: \$0.437 million).

CANADA

Heemskirk Canada (HCA) is a wholly owned subsidiary of the Company which has been a producer of industrial mineral products for over 30 years. HCA now has an administrative office in Calgary and an operation in British Columbia. During the year the Company sold its operating Lethbridge mineral product plant in Alberta and an optioned barite exploration interest in Nevada in the United States.

The company is currently redeveloping the Moberly British Columbia operation to be able to produce high quality frac sands, glass sands and other high purity silica sands.

MINING

Over the year revenue was \$16.707 million compared to \$23.582 million in the previous year, reflecting the Lethbridge asset sale on 1 April 2014. The balance of the Canadian business has moved to a development phase.

	2010	2011	2012	2013	2014
Industrial minerals sold (tonnes)	56.481	60.583	68.324	77.773	51.951
Segment revenue ¹ (A\$m)	13.164	14.305	18.425	23.582	16.707
Segment revenue per tonne sold (A\$/t)	233	236	270	303	322
Segment EBITDA ² (A\$m)	1.310	1.528	2.422	1.733	0.196
Segment EBITDA as a percentage of Segment revenue	10%	11%	13%	7%	1%

1. Segment Revenue is per Note 25 of the audited Financial Statements.

2. Segment EBITDA is per Note 25 of the audited Financial Statements.

B. REVIEW OF OPERATIONS AND ACTIVITIES

SALE OF LETHBRIDGE

On 20 March 2014, Heemskirk shareholders approved the sale of the Lethbridge mineral products plant in Alberta, Canada and optioned barite mineral claims in the United States to a wholly owned subsidiary of Marquis Alliance Energy Group Inc.

The sale consideration was announced on 21 January 2014 as CAD8.440 million plus inventory of CAD3.560 million, a total of CAD12.000 million. The final consideration receivable consisted of CAD8.440 million plus CAD2.052 million for inventory at 31 March 2014, a total of CAD10.492 million. The inventory for sale had reduced by CAD1.508 million due to sales to customers.

The sale agreement also made provision for an adjustment to be made to the purchase price in respect of any earnings (which belonged to Marquis Alliance) that was generated by the business between 1 February 2014 and the closing date of the sale. The earnings adjustment payable to Marquis Alliance was CAD0.519 million.

Sale transaction costs of CAD0.759 million were paid in 2H 2014. The profit on sale before tax is CAD3.140 million, income tax payable on the sale of approximately CAD0.499 million is due for payment by 30 November 2014. The sale was finalised with a net profit of CAD2.641 million.

MOBERLY

The Moberly frac sand processing and distribution asset is strategically located within the Western Canadian Sedimentary Basin (WCSB) at Golden, British Columbia (see figure 1).

Moberly has its own rail siding adjacent to Canadian Pacific Railways' main East West rail line, the Trans-Canada Highway, and on the western edge of the WCSB in British Columbia (figure 2), providing customers with logistical flexibility for delivery.

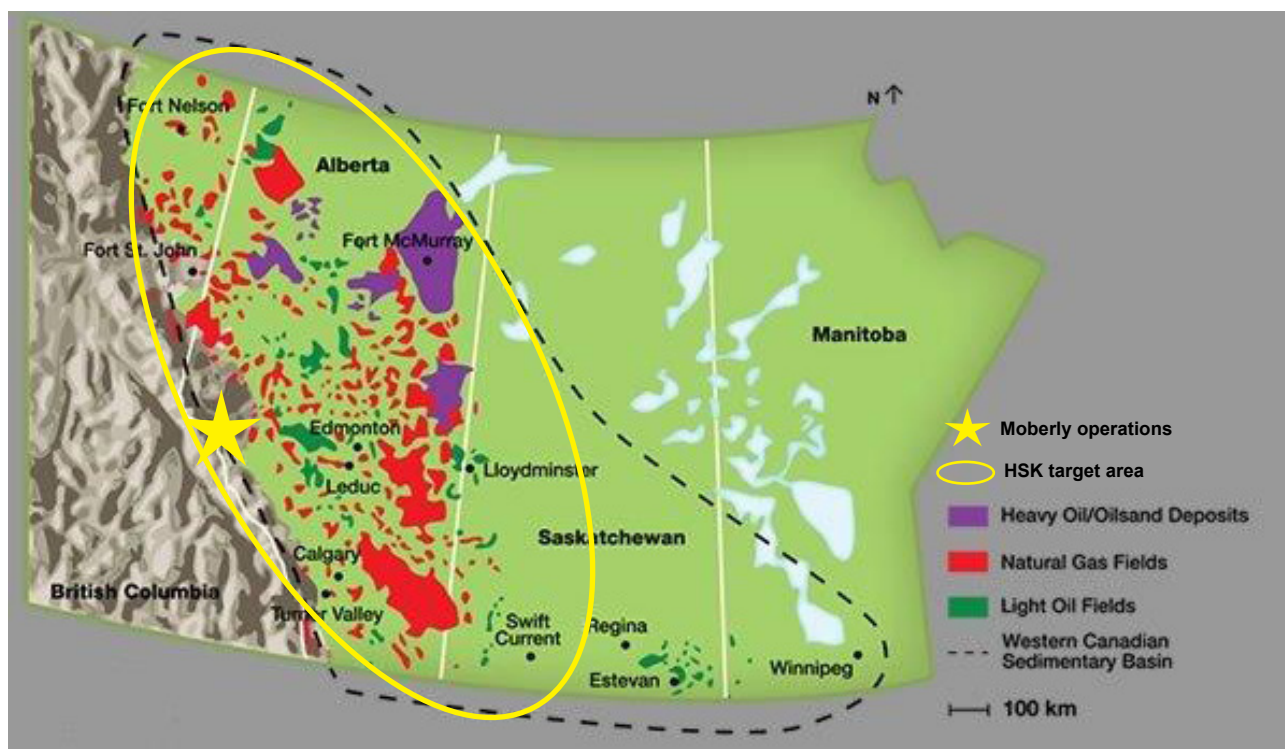


FIGURE 1: MOBERLY LOCATION IN THE WCSB - NORTH AMERICAN AREAS OF USE



FIGURE 2: LAYOUT OF PROPOSED PLANT AT EXISTING MOBERLY PLANT SITE

This project will service the oil and gas drilling industry's frac sand requirements in British Columbia. On 14 October 2014 Heemskirk announced that the Board had approved the first stage of construction of the Moberly asset. The Company was able to break ground at Moberly in order to pour concrete footings before winter set in. This provides the option of moving to the next stage of construction over the colder months.

Demand for frac sand is growing strongly and is expected to accelerate as the oil and gas exploration companies expand the search for and development of gas resources immediately adjacent to Moberly. Gas demand is expected to rise from the LNG export facilities under construction on Canada's Pacific coast.

Initial plans are for a 300,000 tonne a year facility servicing the Canadian drilling market of approximately 3.0 million tonnes a year. The Moberly plant is located approximately 16km from the mine which has a 32.4 million tonne measured and indicated resource of 64% frac sand as reported on 28 October 2014.

Independent tests have verified that the project, as designed can produce American Petroleum Institute (API) specification 20/40, 30/50, 40/70 and 100 mesh Frac sands capable of meeting the requirements of exploration and development companies operating in Canada. Located approximately 700km from Grand Prairie, Alberta, an oil and gas hub, Moberly is well situated to provide a logistical advantage to its customers in the WCSB. Trucks can travel between Moberly and almost any wellsite in the WCSB in one day if the rail lines are busy or disrupted.

Heemskirk will use local construction and engineering group Maple Reinders to establish footings for the processing operations situated on the freehold owned and permitted plant site at an estimated capital cost of C\$2.14m.

This work will be internally funded and remains within the overall budget.

Whilst this work is underway the subsequent construction elements will be subject to final detailed pricing and award.

B. REVIEW OF OPERATIONS AND ACTIVITIES

Throughout the year the Company has explored a variety of funding alternatives for developing the Project to maximise shareholder value. Heemskirk has received a number of confidential approaches to fund the Project. At the time of writing the Board is undertaking due diligence on these approaches.

The Company invested CAD0.541 million (2013: CAD 1.110 million) in developing the Project, bringing the total cumulative exploration and evaluation expenditure on the project since inception to CAD 5.449 million (2013: CAD 4.908 million). No minor capital works were incurred in 2014 (2013: CAD 0.038 million).

The Company has received a number of confidential approaches to fund the Moberly Frac Sand Project. These proposals are preliminary and are currently undergoing due diligence on a non exclusive basis. Heemskirk is aware that its main business risk is funding the Moberly Project. To facilitate mitigating this risk, the Company has employed a Financial Advisor with appropriate experience to assist evaluate a number of potential strategic alternatives to fund the Moberly Project and create value for our shareholders. Other types of risks facing this project include: safety; stakeholder engagement; engineering execution; commodity pricing; key personnel engagement and retention; and exchange rate.

PORTFOLIO

From time to time the Company undertakes investments in both listed and unlisted companies in the resource industry. This allows us to gain good geological and geographical reach and foster key strategic relationships in this industry.

The Company holds 5.55m shares in Almonty Industries Inc (Almonty) (TSXV:All), 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 \$3.98m. The Company also received 3.70 million warrants at CAD 1.25 per share to buy an additional 7.5% equity in Almonty. The Company's right to exercise these warrants expired on 23 September 2014 without any of the warrants being exercised. Hence, \$0.664 million of the realised loss on equity investments is from the expiration of these warrants.

Future Portfolio performance is dependent on individual company performance and overall market conditions.

LOOKING TO 2015

Despite a difficult mining finance environment in 2014, confidence returned in the September quarter of 2014. We are therefore looking to 2015 with ongoing commitment to develop and complete the Moberly Project. Upon its commissioning we will examine new opportunities to grow shareholder value by targeting undervalued resource companies with exceptional growth opportunities and close to generating positive cash flow.

(INCLUDING REMUNERATION REPORT)

Your Directors submit their report for the period 1 October 2013 to 30 September 2014.

Directors and Directors' Profiles

The names and details of the Directors of the Company in the office during the financial year and until the date of this report are:

- Garry Cameron, Non Executive Chairman
- Peter Bird, Managing Director
- William A (Lex) Hansen, Non Executive Director
- John Taylor, Non Executive Director
- Graham Lenzner, Non Executive Chairman (retired 20 March 2014)

The Directors' qualifications, experience and special responsibilities are disclosed below.

Garry Cameron PSM

BBus(A/c), BEc(Hons), MEc, FAICD, FCPA

Non Executive Chairman

Garry was Managing Director of a listed property group for 10 years and prior executive roles include Executive Director Finance for Telstra. He is currently a Non Executive Director with ANZ Specialised Asset Management. The ANZ roles over the past eight years have been in funds management of energy and infrastructure projects particularly focused on large coal, gas and biofuels projects from exploration to delivery.

Garry was formerly a Non Executive Director of Molopo Energy Limited.

Garry was recognised in 1992 on the Australia Day Honours list for his contributions to the Finance and Telecommunications industries.

Garry joined the Board on 24 February 2011 and was appointed Chairman on 20 March 2014.

Peter Bird

BSc(Hons), MAICD, AFin

Managing Director

Peter has worked in the resource industry for over 20 years. He brings operational and corporate experience combined with a strong understanding of company analysis and global investment markets.

Peter is a geologist and has held technical, management, investment and human resource positions with major companies such as Western Mining Corporation Limited, Merrill Lynch Equities and Newmont Mining Corporation and executive positions with Normandy Mining Limited and Newcrest Mining Limited. Peter is Non Executive Chairman of Excelsior Gold Limited.

Peter is a Founding Director of the Company and was appointed Managing Director on 1 December 2011.

William A (Lex) Hansen

BSc, MBA, FAusIMM, FAICD

Non Executive Director

Lex has more than 45 years' experience within the mining industry. He was an Executive Director of Corporate Finance (Mining) at HSBC Bank Australia Limited with regional responsibility for resources debt and equity investment appraisals and underwriting transactions.

Lex was a Director and Partner of share-broking firm Roach & Co. Prior to that, he held technical and finance positions with CSR Limited, Tenneco Corp and Utah Development Company. Lex has been a Non Executive Director of Endocoal Limited and was previously a Non Executive Director of Platinum Australia Limited.

Lex joined the Board on 1 March 2004.

John Taylor

BE(Chem), MBA, FICHEM.

Non Executive Director

John Taylor was Managing Director of Outotec Australasia Pty Ltd (previously Outokumpu Technology and prior to that, Lurgi Australia). He has held senior positions in management, process engineering and plant construction, primarily in the mining, minerals processing and environmental sectors.

John is a Non Executive Director of KGL Resources Limited and was previously a Non Executive Director of listed companies Ticor Ltd, Environmental Group Ltd and Ausmelt Limited.

He is a part time consultant to Outotec South East Asia Pacific.

John joined the Board on 9 May 2011.

Graham Lenzner – retired 20 March 2014

BEc, FAICD

Non Executive Chairman

Graham has had a career spanning four decades with particular involvement in funds management and financial markets. Additionally he worked as an executive for some years in the insurance, building products and construction industries.

He was an Executive Director of the Armstrong Jones Group for 12 years, the last four as Joint Managing Director. Previous roles include Finance and Deputy MD of Aquila Steel and GM Finance and Investments of MMI Insurance Ltd.

C. DIRECTORS' REPORT

(INCLUDING REMUNERATION REPORT)

Graham has served on the Board of a number of public and private companies. He is Chairman of Device Technologies Australia Ltd, a Director of 360 Capital Group Limited and former Chairman of Aevum Limited.

Graham joined the Board of Heemskirk as Chairman on 24 February 2011 and retired on 20 March 2014.

Andrew Metcalfe

B.Bus, CPA, FGIA, MAICD

Company Secretary

Andrew has over 25 years of corporate experience across a range of industry sectors holding the position of Company Secretary, Governance Advisor and Chief Financial Officer

for a number of ASX listed entities, unlisted public entities and not-for-profit organisations operating in Australia, Canada, UK and China; operating in resource/energy, property, retail, telecommunications/technology and media industries, as well as adviser to independent schools.

Andrew is employed by Accosec & Associates, a professional Chartered Secretary and Governance Advisory Firm, and assists HSK in company secretarial practice and governance policies and procedures.

Andrew was appointed Company Secretary on 27 August 2014.

DIRECTORS' MEETINGS

Attendance at Board and Committee meetings throughout the year is tabled below.

- A Number of meetings held during the time the Director held office during the period
 B Number of meetings attended
 C Number of meetings attended by invitation

Director	Board Meetings		Audit & Risk Meetings ²			Remuneration & Nomination Meetings ³		
	A	B	A	B	C	A	B	C
Garry Cameron	16	16	2	2		3	3	
Peter Bird	16	15	2		2	3		3
William A (Lex) Hansen	16	16	2	2		3	3	
John Taylor	16	15	2	2		3	3	
Graham Lenzner ¹	10	10	2		2	3	3	

1. Graham Lenzner retired on 20 March 2014.

2. The Audit & Risk Committee was disbanded on 20 March 2014. The Board assumed the responsibilities of the Audit & Risk Committee from this date.

3. The Remuneration & Nomination Committee was disbanded on 6 May 2014. The Board assumed the responsibilities of the Remuneration & Nomination Committee from this date.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were industrial minerals exploration, evaluation, development, production and marketing and corporate investments in the resource industry.

CONSOLIDATED RESULTS

The Company recorded a net loss after income tax of \$2.379 million in 2014 compared with a net loss of \$3.917 million in 2013.

REVIEW OF OPERATIONS

A review of operations of the Company during the financial year and the results of those results are set out on pages 33 to 36.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The review of operations (pages 33 to 36) sets out a number of matters which have had a significant effect on the state of affairs of the Company during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances which have arisen since 30 September 2014 that have significantly affected or may affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS

In general terms, the review of operations of the Company gives an indication of likely developments and the expected results of the operations. In the opinion of the directors, disclosure of any further information would likely result in unreasonable prejudice to the Company.

ENVIRONMENTAL COMPLIANCE

The Company holds licences issued by the relevant environmental protection authorities of the various countries in which the Company operates. These licences specify limits and regulate the management of mining and processing operations.

The Company has permits to enable the Moberly Frac Sand Project to proceed and these are being progressively amended as required to maintain compliance, no material issues have arisen to date.

There have been no significant known breaches of the Company's licence conditions.

DIVIDENDS

During the year, no dividends were paid in respect of the 2013 year.

No dividend has been declared in respect of the 2014 year.

C. DIRECTORS' REPORT

(INCLUDING REMUNERATION REPORT)

REMUNERATION REPORT (AUDITED)

1. Introduction

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations for the year ending 30 September 2014.

For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Parent Company.

For the purpose of this report, the term 'executive' encompasses the Managing Director, Senior Executives, General Managers and Secretaries of the Parent Company and the Company.

Non-Executive Directors (NEDs)	
Graham Lenzner	Chairman (non-executive) – retired 20 March 2014
Garry Cameron	Chairman (non-executive) – appointed as Chairman 20 March 2014
William A (Lex) Hansen	Director (non-executive)
John Taylor	Director (non-executive)
Executive Director	
Peter Bird	Managing Director
Other KMP	
Stephen Gray	Financial Controller and Company Secretary – terminated 27 August 2014
Alan Minty	President Heemskirk Canada – resigned 1 April 2014
Mark Connors	President Heemskirk Canada – appointed 1 April 2014

2. Remuneration Governance

Remuneration & Nomination Committee (RNC)

The Board absorbed the functions of the Remuneration & Nomination Committee on 6 May 2014. Until this date, this Committee of the Board of Directors of the Company was responsible for determining and reviewing remuneration arrangements for the directors and executives and comprised three independent Non-Executive Directors (NEDs). Whilst it was operational, the RNC, assessed the appropriateness of the nature and amount of remuneration of KMP on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality, high performing directors and executive team.

The Board of Directors has fulfilled the RNC responsibilities from 6 May 2014.

The Managing Director attended certain RNC meetings by invitation. The Managing Director was not present during any discussions related to his own remuneration arrangements. Similarly the Managing Director was not present during discussion related to his own remuneration as part of the scheduled Board meeting.

Use of remuneration consultants

To ensure the Board is fully informed when making remuneration decisions, it seeks external remuneration advice.

New legislation was introduced in 2011 that impacts how companies can seek advice which includes a remuneration recommendation in relation to KMP remuneration. Therefore, in 2012 the Board underwent a formal appointment process and Mercer Australia was appointed as the remuneration advisor to the Company.

In order to ensure the former RNC (now the Board) is provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the engagement of Mercer by the RNC was based on an agreed set of protocols that would be followed by Mercer, members of the RNC and members of KMP.

No remuneration recommendations were provided during the 2014 year.

Approach to setting remuneration

In 2014, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined.

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

Non Executive Directors Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Fees paid to NEDs reflect the demands that are made on, and responsibilities of, NEDs in discharging their duties. The fees are fixed and no remuneration is tied to the Company's performance. Each NED receives a fee for being a director of the Company. No additional fee was paid for each Board committee on which a Director sat.

The remuneration of NEDs for the year ended 30 September 2014 is detailed on page 43 of this Report.

The current maximum aggregate sum is \$500,000 per annum. This is intended to provide the Board with scope to appoint new NEDs in the future. It is not intended to distribute this full amount by way of fees in the current year.

In accordance with the Constitution, Directors are permitted to be paid additional fees for special services on execution. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business related expenses, including travel on Company business as may be incurred in the discharge of their duties. Such reimbursements are not included in the remuneration cap.

The table below summarises the NED Board remuneration including superannuation for the year ended 30 September 2014.

Chairman	\$83,889
Directors	\$63,801

Mr Garry Cameron was entitled to the nominal annual fee of \$98,324 as Non Executive Chairman from 20 March 2014 when he was appointed to this position.

The total remuneration for NEDs in 2014 was \$257,640.

Executive and Executive Director Remuneration

The Company aims to reward its Executives and Executive Directors with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward Executives and Executive Directors for Company, business unit and individual performance against targets set by reference to appropriate benchmarks.
- Reward Executives and Executive Directors having regard to the strategic goals and performance of the Company.
- Ensure total remuneration is competitive by market standards.

Remuneration consists of the following key elements:

(i) Fixed Remuneration – Remuneration that is “not at risk”

Fixed Remuneration refers to agreed Base Salary plus associated benefits. This also includes statutory benefits such as superannuation, annual and sick leave. Fixed Remuneration is benchmarked annually against industry and job role comparator groups. Personal performance will influence the changes in Fixed Remuneration.

The level of Fixed Remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Remuneration packages for staff, who report directly to the Managing Director, are based on the recommendation of

the Managing Director subject to the approval of the Board in the annual budget setting process. The remuneration of the Company's Executive Director and Executives for the financial period is set out on page 44 of this Report.

In determining the Fixed Remuneration payable for each subsequent financial year, the Board will have regard to the performance of both the Company and the performance of the relevant individuals.

(ii) Variable Remuneration – Remuneration that is “at risk”

The payment of Variable Remuneration is subject to performance measures which are linked to personal objectives and company strategy to align remuneration with the Company's objectives. The performance measures are subdivided into Personal Performance as determined by the annual Staff Review and Company Performance as determined by the performance of the Company versus appropriate measures. Performance against these measures determines the amount of Variable Remuneration paid on an annual basis. As with Fixed Remuneration, the variable component is benchmarked annually against industry and job role comparator groups.

Variable Remuneration can be subdivided into Short Term Incentives (STI) and Long Term Incentives (LTI).

STI – Short Term Incentives

Short term performance as a basis for compensation will involve a performance evaluation period of 12 months, beginning in October each year.

In structuring the annual incentive, the Company will first determine the business objectives for the next 12 months within the context of a broader 3-5 year strategic plan. Next, appropriate internal performance measures or Key Performance Indicators (KPI) are agreed. The nature of the compensation is in the form of cash.

The relevant KPIs which determined STI awarded were categorised as follows:

- Stakeholder management;
- Financial performance and cost control
- Business management; and
- People management (including safety).

The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Actual STI payments awarded to each executive depends on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering

C. DIRECTORS' REPORT

(INCLUDING REMUNERATION REPORT)

both financial and non financial (such as safety), corporate and individual measures of performance. The targets include Net Profit After Tax (NPAT) and completion of key objectives. A summary of the measures and weightings are set out below.

	Individual KPIs	Company Performance KPIs	Canada Performance KPIs
Executive – Australia	50%	50%	-%
Executive – Canada	50%	-%	50%

These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Board. On an annual basis, after consideration of performance against KPIs, the Board determines the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within three months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period. Managing Director payments are up to 33% of base pay and other KMP STI payments are up to 50% of base pay depending on grade and level. The Board also has the ability to award discretionary cash bonuses to executives.

The following table outlines the business unit performance in relation to the 2013 year.

Business unit	Performance measure	FY13 performance versus budget
Corporate & Portfolio	Net profit after tax (Company)	Under performed
Canada	Net profit after tax (Canada)	Under performed

The following table outlines the proportion of maximum STI that was earned and forfeited in relation to the 2013 year.

Executive Director	Proportion of maximum STI earned in 2013	Proportion of maximum STI forfeited in 2013
P. Bird	15%	85%
Other KMP		
S. Gray	-%	100%
A. Minty (Canada)	27%	73%

The STI related to 2014 has yet to be decided and approved by the Board of Directors.

LTI – Long Term Incentives

The objective of long term incentives is to encourage staff and executive performance to deliver sustained shareholder value. The Company Long Term Incentive (LTI) scheme is designed to reward participants for implementation of the strategic plan and to align the long term interests of the shareholders, senior executive management and the Company by linking a portion of participating employees' remuneration at risk to the Company's future performance. The Heemskirk Consolidated Employee Share Purchase Plan (the Plan) is designed to achieve this outcome.

The Plan involves the issue of shares in the Company. While Plan shares are "restricted shares", they may not be sold or transferred, mortgaged, hedged (or otherwise encumbered) or otherwise dealt with by a participant. The Plan is part of an executive's "at risk" salary component and issues may be made annually. Under the terms of the Plan an initial share allocation may be made after completion of a qualifying period of 12 months. The Company has adopted a four year vesting period for Shares issued under the Plan, Year 1 - 25%, Year 2 - 25%, Year 3 - 25%, and Year 4 - 25%.

Under the Plan an interest free loan is made to the Executive to fund the acquisition of shares in the Company. A portion of dividends are required to be applied to the loan reduction and the loan balance must be paid out from share sale proceeds. If the share sale proceeds are less than the value of the loan, the Executive pays the balance of the loan. If the loan balance is not retired, the employee is unable to receive any benefit from the shares. If an Executive leaves prior to vesting of shares then the shares are forfeited and the loan is cancelled.

Canadian Executives receive the right to acquire shares under the Plan rather than having the shares issued to them. The right to acquire is permitted after each vesting date.

An issue of shares to the Managing Director is a result of executing KPI's from the Company's strategic plan and payments are up to 44% of base pay. Any issue to the Managing Director is subject to shareholder approval. Other KMP LTI payments are up to 50% of base pay depending on level and grade.

Key performances indicators are linked to the strategic plan with key milestones incorporating organic growth, key developments, acquisitions and divestments. For example, key deliverables in relation to developing the Frac Sand Project features prominently in the executive KPI's. On an annual basis, after consideration of performance against KPIs, the Board determines the amount, if any, of the long term incentive to be paid to each executive. This process usually occurs within three months after the reporting date.

The following table outlines the proportion of maximum LTI that was earned and forfeited in relation to the 2013 year.

Executive Director	Proportion of maximum LTI earned in relation to 2013	Proportion of maximum LTI forfeited in relation to 2013
P. Bird	0%	100%
Other KMP		
S. Gray	0%	100%
A. Minty (Canada)	0%	100%

The LTI related to 2014 has yet to be decided and approved by the Board of Directors.

Remuneration of KMP

Non Executive Directors' remuneration for the year ended 30 September 2014

		SHORT TERM BENEFITS	POST EMPLOYMENT	
		Salary, Fees & Commissions	Superannuation	TOTAL
		\$	\$	\$
Garry Cameron	2014	76,735	7,154	83,889
	2013	63,882	5,787	69,669
William A (Lex) Hansen	2014	44,088	19,713	63,801
	2013	48,750	20,919	69,669
Graham Lenzner*	2014	42,242	3,907	46,149
	2013	89,530	17,653	107,183
John Taylor	2014	58,366	5,435	63,801
	2013	63,882	5,787	69,669
Total	2014	211,431	36,209	247,640
	2013	266,044	50,146	316,190

* Mr Lenzner retired on 20 March 2014.

Fees paid to NEDs are fixed and no remuneration is tied to the Company's performance.

C. DIRECTORS' REPORT

(INCLUDING REMUNERATION REPORT)

Executives' remuneration for the year ended 30 September 2014

		Fixed Remuneration			Variable Remuneration				
		Short Term Benefits		Post Employment	Short Term	Share/Rights Based Payments ⁽¹⁾			
		Salary, Fees & Commissions \$	Non-Monetary Benefits \$	Super-annuation \$	Cash Bonus \$	\$	Termination Benefits ⁽²⁾ \$	Total Remuneration \$	Performance Related %
P Bird ⁽⁷⁾	2014	437,512	14,324	19,737	22,707	–	–	494,280	4.6%
	2013	418,880	14,324	16,796	–	6,750	–	456,750	1.48%
M Flook ⁽³⁾	2014	75,458	–	24,460	–	–	–	99,918	0.00%
	2013	270,843	–	28,907	–	2,888	303,062	605,700	0.48%
S Gray ⁽⁴⁾	2014	205,928	–	30,240	–	–	109,535	343,703	0.00%
	2013	173,135	–	17,077	14,403	3,580	–	208,195	8.64%
A Minty ⁽⁵⁾	2014	160,533	9,919	5,957	30,738	–	90,289	297,436	10.33%
	2013	234,564	19,834	11,728	39,659	7,859	–	313,644	15.15%
M Connors ⁽⁶⁾	2014	126,505	6,614	4,706	–	–	–	137,825	0.00%
	2013	–	–	–	–	–	–	–	0.00%
Total	2014	1,005,936	30,857	85,100	53,445	–	199,824	1,373,162	
	2013	1,097,422	34,158	74,508	54,062	21,077	303,062	1,584,289	

(1) Fair value of Long Term Incentives granted to Executive.

(2) Termination benefits include payments in lieu of notice.

(3) Mr Flook retired 31 July 2013. Following completion of 6 months' notice the termination benefits were paid on 31 January 2014.

(4) Mr Gray was terminated 27 August 2014. The termination benefits were paid on 15 September 2014.

(5) Mr Minty resigned 1 April 2014. The termination benefits were paid on 30 April 2014.

(6) Mr Connors met the definition of a KMP on his appointment as President Heemskirk Canada from 1 April 2014.

(7) Mr Bird received an STI payment of \$22,707 relating to the year ended 30 September 2013. This was approved by the Board on 22 October 2013.

Long term incentives movements during the year⁽¹⁾

EXECUTIVE	GRANT DATE	FAIR VALUE PER SHARE/ RIGHT AT AWARD DATE ⁽²⁾	FIRST VESTING DATE	FINAL VESTING DATE	EXERCISE PRICE	NO. SHARES/ RIGHTS GRANTED	NO. VESTED OR EXERCISABLE RIGHTS	NO. SHARES/ RIGHTS LAPSED
P Bird	1.03.13	2.25	1.03.14	1.03.17	12	300,000	75,000	–
M Flook	1.03.13	2.25	1.03.14	1.03.17	12	128,332	–	128,332
	1.03.12		1.03.13	1.03.16		–	–	216,864
S Gray	1.03.13	2.25	1.03.14	1.03.17	12	159,124	39,781	–
	1.03.12		1.03.13	1.03.16		–	27,738	–
	1.03.11		1.03.12	1.03.15		–	24,905	–
A Minty ⁽³⁾	1.03.13	2.25	1.03.14	1.03.17	12	349,312	87,328	–
	1.03.11		1.03.12	1.03.15		–	50,854	–

(1) At the date of this report, there has been no repayment of LTI loans or dividends applied against loans.

(2) Cents per share.

(3) Grant to Mr Minty are rights which are exercisable after each vesting date.

Long term incentives held and granted

Executive	Balance 01.10.13	NO. SHARES AND RIGHTS GRANTED DURING THE PERIOD	BALANCE 30.09.2014		
	NO. HELD		NO. HELD	NO. RIGHTS EXERCISABLE	NO. SHARES VESTED
P Bird	300,000	–	300,000	–	75,000
S Gray	404,106	–	404,106	–	92,424
A Minty ⁽¹⁾	451,020	–	451,020	138,182	–

(1) Grant to Mr Minty are rights which are exercisable after each vesting date.

Long term incentives fair value movements during the year

Executive	Fair value of shares/rights granted during the year \$	Fair value of shares/rights exercised during the year \$	Fair value of vested shares forfeited during the year \$	Remuneration consisting of shares/rights granted during the year %
P Bird	–	–	–	–
S Gray	–	8,940	–	–
A Minty	–	–	–	–
M Connors	–	–	–	–

C. DIRECTORS' REPORT

(INCLUDING REMUNERATION REPORT)

Shareholding of KMP

Balance 01.10.2013										Period ended 30.09.2014					Balance 30.09.2014				
KMP	Ordinary Shares	Class A\$0.25		Class B\$0.50		Employee Share Plan Reserved Shares (vested) ⁽¹⁾		Class A\$0.25		Class B\$0.50		Net Change Employee Share Plan Reserved Shares ⁽³⁾		Class A\$0.25		Class B\$0.50		Employee Share Plan Reserved Shares (vested) ⁽¹⁾	
		Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares	Partly Paid	Ordinary Shares
P. Bird	5,952,659	–	–	–	–	–	–	–	–	–	–	75,000	5,952,659	–	–	–	–	–	75,000
G. Cameron	175,000	–	–	–	–	–	–	–	–	–	–	–	175,000	–	–	–	–	–	–
W. Hansen	268,466	100,000	500,000	–	–	–	–	–	–	–	–	–	268,466	100,000	500,000	–	–	–	–
G. Lenzner	900,000	–	–	–	–	–	–	–	–	–	–	–	900,000	–	–	–	–	–	–
J. Taylor	500,000	–	–	–	–	–	–	–	–	–	–	–	500,000	–	–	–	–	–	–
M. Flook	1,950,001	–	–	54,216	–	–	–	–	–	–	–	(54,216)	1,950,001	–	–	–	–	–	–
S.Gray	39,893	–	–	111,958	–	–	–	–	–	–	–	27,167	–	–	–	–	–	–	139,125
A. Minty	191,734	–	–	50,854	–	–	–	–	–	–	–	87,328	184,171	–	–	–	–	–	138,182
M. Connors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	9,977,753	100,000	500,000	166,174	–	–	–	–	–	–	–	135,279	9,930,297	100,000	500,000	500,000	100,000	–	352,307

(1) Employee share plan reserved shares including vested shares and rights which are exercisable after each vesting date.

(2) Net change ordinary shares refer to ordinary shares purchased or sold on market during the financial year.

(3) Net change employee share plan reserved shares refers to shares and rights vested, forfeited and exercised during the financial year.

Founders' Plan (Executive Bonus Plan)

On 28 July 2010 the Company announced that it had agreed to terminate the Founders' Plan and settlement terms were agreed. This action had the full support of the Founders and the then Heemskirk Board. The settlement provided for all outstanding partly paid shares held by the Founders to be paid up on execution.

In conjunction with the Founder's Plan settlement, loan facilities were made available to the Founder's to assist with discharging any Australian taxation liability as a result of the settlement. The drawdown of the facility as at 30 September 2014 is \$310,657 (2013: \$279,000).

The loan facility is interest-bearing at market rates and repayable by cash or a predetermined number of pledged Company shares at a value of 50 cents per share plus termination payments. Any shortfall in repayments after the value of the loan facility has been reduced by cash, the pledged Company shares and termination payments will be forgiven and treated as an expense. In the unlikely event of a termination for cause, the Company has recognised in the accounts a potential shortfall in relation to the Managing

Director of \$129,688 (2013: \$160,000) as at 30 September 2014.

Details relating to Employment Contracts

Remuneration arrangements for executives are formalised in employment agreements. Details of these contracts are provided below.

Managing Director

The Managing Director is employed under an ongoing contract which can be terminated with notice by either the Managing Director or the Company.

Under the terms of the present contract as disclosed to the ASX on 1 December 2011 the Managing Director:

- receives fixed remuneration of \$450,000 per annum;
- the target STI opportunity is up to 33% of his fixed remuneration; and
- is eligible to participate in the Company's LTI plan on terms determined by the Board up to 44% of his fixed remuneration, subject to receiving any required or appropriate shareholder approval.

The Managing Director's termination provisions are as follows:

	Notice Period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	6 months	6 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination without cause	12 months	12 months	Unvested awards forfeited	Unvested awards forfeited

The employment contract contains a six month post employment restriction which may be exercised at the election of the Company.

Other KMP

For Other KMP, remuneration and other terms of employment are formalised in employment contracts that can be terminated with notice. Each of these agreements provide for an annual review of annual base pay, provision of performance related cash bonuses, other benefits and participation in the Long Term Incentive Plan. The contracts provide for notice ranging from three to six months for resignation by the executive or termination by the Company.

	Notice Period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	3-6 months	3-6 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination without cause	3-6 months	3-6 months	Unvested awards forfeited	Unvested awards forfeited

C. DIRECTORS' REPORT

(INCLUDING REMUNERATION REPORT)

Relationships of Incentives to Company's Performance

At risk LTIs for Other KMP are based on Company performance on net profit after tax and individual KPIs. At risk LTIs for the Managing Director are based on the execution of the Company's strategic plan.

Heemskirk's Financial Performance

Year Ended 30 September	2010	2011	2012	2013	2014
Net Profit After Tax (NPAT) (\$m)	(39.6)	(3.4)	(2.2)	(3.9)	(2.4)
Basic Earnings Per Share (EPS) ⁽¹⁾ (cents)	(29.75)	(6.67)	(2.20)	(2.54)	(3.48)
Dividend declared (cents)	0	0	0	0	0
Share Price at 30 Sep (cents)	26.0	11.0	12.5	6.5	14.0
Share Price increase/ (decrease) ⁽²⁾ (cents)	(25.0)	(15.0)	1.5	(6.0)	7.5

(1) Basic EPS is calculated as net profit after tax from continuing operations divided by weighted average number of ordinary shares

(2) Share Price movement during the financial year

Indemnification and insurance of Directors and Officers

The Company has entered into agreements to indemnify all of the Directors named in this report and the Company Secretary against all liabilities to persons (other than the Company), which arise out of the performance of their normal duties as Directors or Executive Officers unless the liability relates to conduct involving a lack of good faith. The Company has agreed to indemnify the Directors and the Company Secretary against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

Since the close of the financial year, the Company has paid a premium for an insurance policy for the benefit of the Directors and the Company Secretary. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

No payment has been made under this indemnity to Ernst & Young during or since the end of the financial year.

Corporate Governance Statement

This statement, set out in Section 5 of the 2013 Annual Report, summarises the Company's key corporate governance policies that were in place during the year. Details of the Company's corporate governance policies are located on our website www.heemskirk.com.

No significant changes in the state of affairs other than those contained in this report.

Rounding of Amounts

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Non-Audit Services

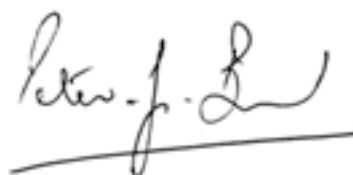
Details of the amounts paid or payable to the external auditors of the Company, Ernst & Young, for audit and non-audit services provided during the year are disclosed in note 24 to the Financial Report. There were no non-audit services provided during the year.

Signed in accordance with a resolution of the Directors



Garry Cameron
Non-Executive Chairman

Melbourne
26 November 2014



Peter Bird
Managing Director

Melbourne
26 November 2014



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Auditor's Independence Declaration to the Directors of Heemskirk Consolidated Limited

In relation to our audit of the financial report of Heemskirk Consolidated Limited for the financial year ended 30 September 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', is written in a cursive style.

Ernst & Young

A handwritten signature in dark ink, appearing to read 'Michael Collins', is written in a cursive style.

Michael Collins
Partner
26 November 2014

**D. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014**

		2014	2013
	Note	\$'000	\$'000
Revenue from continuing operations	4	705	855
Cost of sales	5	(1,146)	(813)
Gross profit/(loss)		(441)	42
Proceeds on sale of equity investments		61	565
Cost of equity investments sold		(281)	(523)
Realised loss on equity investments		(664)	-
Unrealised loss on equity investments		(1,266)	(470)
Net loss on equity investments		(2,150)	(428)
Other income		429	90
Total other expenses		(1,721)	(338)
Depreciation and amortisation expense	5	(399)	(423)
Employee benefits expense	5	(1,282)	(2,097)
Corporate costs		(544)	(847)
Consultants and advisory expense		(519)	(637)
Finance costs	5	(455)	(767)
Impairment expense	5	(11)	(46)
Loss before income tax from continuing operations		(5,372)	(5,113)
Income tax expense from continuing operations	6	2	(44)
Loss after income tax from continuing operations		(5,370)	(5,157)
Profit from discontinued operations (net of income tax)	7	2,991	1,240
Loss after income tax		(2,379)	(3,917)
Other comprehensive income:			
<i>Items that will be subsequently reclassified to the income statement</i>			
Foreign currency translation	21b	(283)	671
Foreign currency translation differences recycled to income statement on disposal of foreign operation		(29)	-
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Asset revaluation		(453)	125
Other comprehensive income/(loss) for the period, net of tax		(765)	796
Total comprehensive income/(loss) for the period		(3,144)	(3,121)
Earnings per share (EPS) from continuing operations			
Basic earnings per share (cents)	9	(3.48)	(3.35)
Diluted earnings per share (cents)		(3.48)	(3.35)
Earnings per share on profit/(loss)			
Basic earnings per share (cents)		(1.54)	(2.55)
Diluted earnings per share (cents)		(1.61)	(2.57)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

The consolidated statement of comprehensive income for the comparative period and notes have been restated to present results from continuing operations only.

E. CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014

		2014	2013
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	12,101	8,502
Trade and other receivables	11	388	3,986
Inventories	12	1,397	5,934
Other financial assets	13	4,226	6,431
Other current assets		256	193
Total current assets		18,368	25,046
Non-current assets			
Property, plant and equipment	14	1,986	6,512
Exploration, evaluation and mine development	15	5,430	5,167
Deferred tax assets	6	2	133
Total non-current assets		7,418	11,812
TOTAL ASSETS		25,786	36,858
LIABILITIES			
Current liabilities			
Trade and other payables	16	707	6,347
Interest bearing loans and borrowings	17	2,776	5,144
Provisions	18	265	520
Income tax payable	6	783	141
Financial derivative liability		-	22
Total current liabilities		4,531	12,174
Non-current liabilities			
Deferred tax liabilities	6	58	295
Interest bearing loans and borrowings	17	-	15
Provisions	18	35	77
Total non-current liabilities		93	387
TOTAL LIABILITIES		4,624	12,561
NET ASSETS		21,162	24,297
EQUITY			
Contributed equity	19	81,184	81,184
Reserves		889	2,987
Retained earnings/(losses)	21	(60,911)	(59,874)
TOTAL EQUITY		21,162	24,297

The above balance sheet should be read in conjunction with the accompanying notes.

F. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Issued capital										Total Equity
	Ordinary shares fully paid	Class A Ordinary shares partly paid	Class B Ordinary shares partly paid	Convertible notes	Reserved shares	Retained earnings	Asset revaluation reserve	Foreign currency translation reserve	Employee share based payment reserve		
Balance at 1 October 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	79,842	1	15	2,003	(677)	(55,957)	1,940	25	193		27,385
Loss for the period	-	-	-	-	-	(3,917)	-	-	-	-	(3,917)
Other comprehensive income net of tax	-	-	-	-	-	-	125	671	-	-	796
Total comprehensive income for the period	-	-	-	-	-	(3,917)	125	671	-	-	(3,121)
Transactions with owners in their capacity as owners											
Employee share based payments	-	-	-	-	-	-	-	-	33	33	33
Balance at 30 September 2013	79,842	1	15	2,003	(677)	(59,874)	2,065	696	226		24,297
Balance at 1 October 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	79,842	1	15	2,003	(677)	(59,874)	2,065	696	226		24,297
Loss for the period	-	-	-	-	-	(2,379)	-	-	-	-	(2,379)
Foreign currency translation differences recycled to income statement on disposal of foreign operation	-	-	-	-	-	-	-	(29)	-	-	(29)
Other comprehensive income net of tax	-	-	-	-	-	-	(453)	(283)	-	-	(736)
Total comprehensive income for the period	-	-	-	-	-	(2,379)	(453)	(312)	-	-	(3,144)
Transactions with owners in their capacity as owners											
Employee share based payments	-	-	-	-	-	-	-	-	9	9	9
Transfer of asset revaluation reserve on disposal of land	-	-	-	-	-	1,342	(1,342)	-	-	-	-
Employee share plan shares quoted as ordinary shares	(85)	-	-	-	85	-	-	-	-	-	-
Balance at 30 September 2014	79,757	1	15	2,003	(592)	(60,911)	270	384	235		21,162

The above statement of changes in equity should be read in conjunction with the accompanying notes.

G. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2014

		2014	2013
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		20,581	21,230
Payments to suppliers and employees		(23,103)	(24,241)
Interest received		234	450
Income tax received/(paid)		(200)	(375)
Finance costs paid		(467)	(841)
Net cash flows used in operating activities	27(a)	(2,955)	(3,777)
Cash flows from investing activities			
Cash deposit for bank investments/guarantees		3	4,157
Proceeds from the sale of equity investments		61	564
Purchases of equity investments		-	(259)
Proceeds from the sale of property, plant and equipment		9,083	65
Purchases of property, plant and equipment		(173)	(673)
Exploration, evaluation and mine development expenditure		(535)	(1,059)
Dividends received		126	-
Net cash flows from investing activities		8,565	2,795
Cash flows from financing activities			
Proceeds/(repayment) of borrowings		(2,285)	58
Net cash flows from/(used in) financing activities		(2,285)	58
Net increase/(decrease) in cash and cash equivalents		3,325	(924)
Cash and cash equivalents at beginning of period		8,502	9,426
Net foreign exchange differences		274	0
Cash and cash equivalents at end of period	10	12,101	8,502

The above statement of cash flows should be read in conjunction with the accompanying notes.

H. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

The financial report of Heemskirk Consolidated Limited and its controlled entities (the Company) for the year ended 30 September 2014 was authorised for issue in accordance with a resolution of the directors on 26 November 2014.

Heemskirk Consolidated Limited (the parent entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company and its controlled entities are resource equity investments, mining and processing of minerals.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, equity investments and land, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The Company is a for profit entity.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Adoption of New Standards and Interpretations

The Company has adopted the following new and/or revised Standards, Amendments and Interpretations from 1 October 2013:

- AASB 10 - Consolidated Financial Statements
- AASB 12 - Disclosure of interests in Other Entities
- AASB 13 - Fair Value Measurement
- AASB 119 - Employee Benefits
- AASB 2012-2 - Amendments to Australian Accounting Standards - Disclosure - Offsetting Financial Assets and Financial Liabilities
- AASB 2011-4 - Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements*

Adoption of the above Standards, Amendments and Interpretations did not have any material effect on the financial position or performance of the Company but resulted in some additional disclosure.

New Accounting Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application.

They have been issued but are not yet effective at 30 September 2014, but have not been applied in preparing this financial report.

Reference and Title	Details of the New Standard/Amendment/Interpretation	Impact on Company	Application date for the Company
AASB 2012-3 Amendments to Australian Accounting Standards	The standards clarifies the meaning of "current has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	(i)	1-Oct-14
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	(i)	1-Oct-14
AASB 9 Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	(ii)	1-Oct-15
Annual Improvements 2010–2012 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</p> <p>IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</p> <p>IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</p> <p>IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</p>	(i)	1-Oct-14
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	<p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	(i)	1-Oct-16

IFRS 15 Revenue from Contracts with Customers	<p>IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>IFRS 15 supersedes:</p> <ul style="list-style-type: none"> (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. 	(ii)	1-Oct-18
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(i) *The adoption of this new standard, amendment or interpretation is not expected have a material impact on the Company's financial statements.*

(ii) *The Company has not yet determined the extent of the impact, if any.*

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Heemskirk Consolidated Limited and its subsidiaries as at 30 September 2014.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its Power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights to an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee,

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Accounting policies of subsidiaries are consistent with the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cashflow or net investment hedge until disposal at which time they are recognised in the statement of comprehensive income. Exchange variations resulting from the translation of subsidiaries functional currency are recognised in the foreign currency translation reserve in equity.

In accordance with the requirements of the accounting standards, foreign currency translation gains/(losses) remain deferred in equity until the disposal of the foreign operation, at which point they are recognised in the statement of comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. The costs of mining stocks include direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

Materials and supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(g) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of recognition in the statement of comprehensive income depends on the nature of the hedge relationship.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges, when they hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Amounts accumulated in equity are transferred to the statement of comprehensive income in the period when the hedged item affects the statement of comprehensive income, for instance when the forecast sale that is hedged takes place.

At the inception of the transaction, the Company formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains deferred in equity until the original forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of comprehensive income.

(h) Investments and other financial assets

The Company classifies its financial assets into the following categories:

- (i) Fair value through profit or loss; and
- (ii) Amortised costs

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

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. The valuation is determined by reference to the current market value of another instrument that is substantially the same. Realised gains or losses are included in the statement of comprehensive income. The Company recognises unrealised gains and losses of equity investments in the statement of comprehensive income under the “fair value through profit and loss” approach.

(ii) Financial assets at amortised cost

These financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial asset. After initial recognition, these assets are measured at amortised cost, using the effective interest method. Gains and losses are recognised in profit or loss when these assets are derecognised or impaired, as well as through the amortisation process.

(i) Property, plant and equipment

Each class of property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(i) Land and Buildings

Freehold land is measured at its fair value. It is the policy of the Company to have an independent valuation every three to five years, with annual appraisals being made by the directors.

Following initial recognition at cost, freehold land is carried at a revalued amount. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income.

Any revaluation decrease is recognised in the statement of comprehensive income, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Buildings are held at cost less any subsequent accumulated depreciation on buildings. Land and buildings are reduced by any subsequent accumulated impairment losses.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to statement of comprehensive income.

(ii) Plant and equipment

Plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses.

The carrying values of plant and equipment are reviewed for impairment annually, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount is assessed on the basis of the expected net cashflows that will be received from the assets employed and subsequent disposal. The expected net cashflows have been discounted to their present values in determining recoverable amounts.

(iii) Depreciation

Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated/amortised over their estimated useful lives.

The Company uses the unit-of-production basis when depreciating mine specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located.

The remainder of assets but excluding freehold land, is depreciated on a straight line basis over their useful lives of 3 - 20 years, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Leases

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised, with a lease asset and a lease liability equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments determined at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability. The finance charge component within the lease payments is expensed. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company or its controlled entities will obtain ownership by the end of the lease term.

Payments made under operating leases are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(k) Impairment of assets

The carrying amounts of all assets are reviewed yearly to determine whether there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units - CGUs).

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred, except when they are included in the costs of qualifying assets.

(n) Share-based payment transactions

The Company may provide benefits to employees of the Company in the form of share based compensation, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). Currently the Company operates an Employee Share Plan. Further details are given in Note 20.

(o) Unsecured converting notes

The component of the unsecured converting notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

On issuance of the unsecured converting notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Interest on the liability component of the instruments is recognised as an expense in the statement of comprehensive income.

Transaction costs are apportioned between the liability and equity components of the unsecured convertible and converting notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(p) Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

- (i) Rights to tenure of the area of interest are current; and

- (ii) (a) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale; or
- (b) Where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in, or in relation to, the area are continuing.

Such expenditure consists of an accumulation of acquisition costs and direct net exploration and evaluation costs incurred by or on behalf of the Company, together with an appropriate portion of directly related overhead expenditure.

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest.

At the commencement of production, all past exploration, evaluation and feasibility expenditure in respect of an area of interest is transferred to mine development where it is amortised over the life of the area of interest to which they relate.

When an area of interest is abandoned or the directors decide it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made. Each area of interest is reviewed at the end of each reporting period and accumulated costs written off to the extent they are not expected to be recoverable in the future.

(q) Mine development

Mine development represents the expenditure incurred in preparing mines for production, and includes stripping and waste removal costs net of revenue recognised before commissioning date. Such expenditure comprises net direct costs and an appropriate allocation of directly related overhead costs.

All expenditure incurred prior to commencement of production from the development property is carried forward to the extent to which it is probable associated future economic benefits will flow to the Company.

When further development expenditure is incurred in respect of the mine property after commencement of production, such expenditure is carried forward as part of the cost of mine property only when future economic benefits are probable, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of mine development being amortised.

The net carrying values of mine development expenditure carried forward are reviewed yearly by directors to determine whether there is any indication of impairment. The carrying value of mine development will be amortised in full by the completion of the mine.

(r) Deferred mining expenditure

The Company defers mining costs incurred during the production stage of its operations, initially as part of determining the cost of mine development and then to inventories. Deferred mining costs for a mine are amortised over the life of the mine against inventories on a unit-of-production basis taking in to consideration the total remaining cost of developing the mine over its life. The life of mine is based on economically recoverable reserves of each mine. The deferred mining costs in inventories are released to the statement of comprehensive income as an amortisation expense.

The life of mine is a function of an individual mine's design and therefore changes to that design will generally result in changes to the amortisation rate. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of mine even if they do not affect the mine's design. Changes to the life of mine are accounted for prospectively.

(s) Provisions for restoration

The Company is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided when the environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in the statement of comprehensive income on a prospective basis over the remaining life of the operation.

(t) Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares and the associated tax are recognised directly in equity as a reduction of the share proceeds received.

Reserved shares

The Company's own equity instruments are reacquired for later use in employee share-based payment arrangements and are deducted from equity. No gain or loss is recognised in the statement of comprehensive income on purchase, sale, issue or cancellation of the Company's own equity instruments.

Unsecured convertible notes

Each unsecured converting note may be converted into 3 ordinary shares and \$1.45 cash every six months commencing 31 December 2012. If there are any unsecured converting notes outstanding at maturity, the Company will redeem them for 3 fully paid ordinary shares and \$1.45 cash per convertible note. The notes will attract interest at 10.25% per annum paid semi annually.

(u) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. Revenue is recognised when the Company's right to receive payment is established.

(iii) Dividends

Revenue is recognised when the Company's right to receive the payment is established.

(iv) Management fees

Revenue is accrued as work is completed and the Company's right to receive payment is established.

(v) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Heemskirk Consolidated Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 27 July 2005.

The parent entity, Heemskirk Consolidated Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, Heemskirk Consolidated Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(w) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cashflows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cashflows.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise equity investments, cash deposits, unsecured converting notes and bank borrowings.

The main purpose of these financial instruments is to provide cash flow and funding for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Company also enters into derivative transactions. The purpose is to manage the currency and commodity risk arising from the Company's operations and its source of finance.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk.

Cash flow interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term overdraft facilities and cash at bank and in hand with a floating interest rate.

The Company's policy is to manage its interest cost using a mix of fixed and variable debt. To manage this mix, the Company issued fixed rate unsecured converting notes.

Foreign currency risk

The Company operates in Canada and Australia, and maintains exposure to the Canadian and the U.S. exchange rates. As such, the Company's balance sheet can be affected by movements in these exchange rates. The policy of the Company is to monitor foreign currency exposures and hedge on a case by case basis.

Price risk

The Company has substantial holdings in mining and extractive industry stocks, the values of which are impacted by commodity price movements. The Company tracks these holdings as equity investments, and closely monitors the performance and values of these investments.

The policy of the Company is to maintain exposure to commodity price movements at its mining operations. The Company may also use put options, forward contracts and commodity sale contracts to manage its downward price risk.

At 30 September 2014, the Company had no forward contracts and no put options in place.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Company trades only with recognised, creditworthy third parties and such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. Note 22(c) discloses credit risk and concentration risk issues.

Liquidity risk

The Company's objective is to use cash and cash equivalents, equity investments at fair value and financial assets at amortised cost, bank loans, converting notes and equity to maintain liquidity.

The Company's policy is to maximise liquidity to enable the development of its projects.

Refer to Note 22 for further disclosure on financial risk management objectives and policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 3: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for restoration. The Company estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the "JORC code"). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Restoration provision

The Company assesses its restoration provision annually in accordance with accounting policy Note 1(t). Significant judgement is required in determining the provision for restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate sites. Factors that will affect the ultimate liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the restoration provision in the period in which they change or become known.

Share based payments

The Company measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using a Binomial Model, using the assumptions detailed in Note 20.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Exploration and evaluation costs

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. At 30 September 2014 capitalised exploration and evaluation expenditure relates to the Moberly Frac Sand project. The Company continues to actively explore viable commercial alternatives to support the development of this project. Nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved.

If new information becomes available that suggest the recovery of the expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 4: REVENUE FROM CONTINUING OPERATIONS

	2014	2013
	\$'000	\$'000
<i>An analysis of the Company's revenue for the year, from continuing operations, is as follows:</i>		
- sale of goods	337	451
- dividends received	126	-
- interest received	242	404
Total revenue	705	855

NOTE 5: EXPENSES FROM CONTINUING OPERATIONS
(excluding Expenses from Discontinued Operations - Refer Note 7)

	2014	2013
	\$'000	\$'000
<i>The Statement of Comprehensive Income for the year includes the following expenses</i>		
(a) Cost of sales		
- sale of goods	1,146	813
	1,146	813
(b) Depreciation and amortisation		
<i>Depreciation of:</i>		
- property, plant and equipment (refer to Note 14)	335	389
<i>Amortisation of:</i>		
- mine development (refer to Note 15)	64	34
	399	423
(c) Finance costs		
- convertible notes, leases, financing initiatives and overdrafts	520	824
- unwind of discount on unsecured convertible notes	(65)	(57)
	455	767
(d) Operating lease payments		
- rental expense on operating leases	139	426
	139	426
(e) Employee benefits expense		
- superannuation expense	86	120
- share based payment expense	9	16
- salaries	1,187	1,961
	1,282	2,097
(f) Impairment losses		
- inventories	-	9
- bad debts	11	37
	11	46

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 6: INCOME TAX

	2014	2013
	\$'000	\$'000
(a) Income tax expense		
The major components of income tax expense are:		
Income statement		
<i>Current income tax</i>		
Current income tax expense	660	394
Under/(over) provision from previous years	(18)	-
	<u>642</u>	<u>394</u>
<i>Deferred tax expense</i>		
Relating to origination and reversal of temporary differences	71	(99)
Under/(over) provision from previous years	73	(29)
	<u>144</u>	<u>(128)</u>
	<u>786</u>	<u>266</u>
Income tax expense reported in the statement of comprehensive income		
Income tax expense/(benefit) attributable to:		
Continuing operations	(2)	44
Discontinued operations	788	222
Income tax expense reported in the statement of comprehensive income	<u>786</u>	<u>266</u>
(b) Amounts charged or credited directly to equity		
<i>Current income tax and deferred income tax related to items charged or credited directly to equity:</i>		
Asset revaluation	(50)	-
Income tax expense/(benefit) reported in equity	<u>(50)</u>	<u>-</u>
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
<i>A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:</i>		
Accounting loss from continuing operations	(5,372)	(5,113)
Accounting profit from discontinued operations	3,779	1,462
Accounting loss before tax	<u>(1,593)</u>	<u>(3,651)</u>
At the Company's statutory income tax rate of 30% (2013: 30%)	(478)	(1,095)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Impact of different foreign tax rates	(102)	(4)
Other expenses	43	108
Under provided for in prior years	(45)	(24)
Derecognition of current and prior year temporary tax losses	475	1,279
Derecognition of current and prior year current tax losses	1,037	
Discontinued operations capital tax on asset disposal	(249)	-
Discontinued operations other tax expenses including prior year overs/unders	102	-
Foreign exchange (gains)/losses and other translation adjustments	3	2
Income tax expense reported in the statement of comprehensive income	<u>786</u>	<u>266</u>

(d) Recognised deferred tax assets and liabilities

	2014 \$'000	2014 \$'000	2013 \$'000	2013 \$'000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(141)	(133)	(148)	(264)
Charged to income	(640)	(144)	(394)	128
Charged to equity	-	50	-	-
Other payments/tax losses not recognised	(2)	225	401	3
Closing balance	(783)	(2)	(141)	(133)
Tax expense in statement of comprehensive income		786		266
Amounts recognised in the statement of financial position:				
Deferred tax asset		2		133
Deferred tax liability		(58)		(295)
		(56)		(162)

	Balance Sheet	
	2014 \$'000	2013 \$'000
Deferred income tax at 30 September relates to the following:		
<i>Deferred tax liabilities</i>		
Mine development	-	(359)
Prepayments	-	-
Accelerated depreciation: plant and equipment, motor vehicles	(58)	(146)
Unrealised (gains)/losses	-	(295)
	(58)	(800)
Less set-off of deferred tax assets	-	505
Net deferred tax liabilities	(58)	(295)
<i>Deferred tax assets</i>		
Property, plant and equipment	2	31
Mine development	-	18
Tax value of tax losses carried forward	-	512
	2	561
Less set-off of deferred tax liabilities	-	(428)
Net deferred tax assets	2	133

(e) Tax Losses

The Company has an unrecognised deferred tax benefit relating to capital and income tax losses of \$12.701 million (2013: \$12.232 million). The Company recognises the benefit of tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions. The gross amount of tax losses carried forward that have not been tax effected expire as follows:

	Australia A\$'000	Canada A\$'000	Total A\$'000
Year of expiry			
<i>Income tax losses</i>			
Not later than twenty years	-	8,980	8,980
Unlimited	34,344	-	34,344
	34,344	8,980	43,324
<i>Capital tax losses</i>			
Unlimited	220	-	220
	220	-	220
Gross amount of tax losses not recognised	34,564	8,980	43,544
Tax effect of total losses not recognised	10,369	2,332	12,701

(f) Tax Consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Heemskirk Consolidated Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 27 July 2005. Heemskirk Consolidated Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on accounting profit, which is not an acceptable method of allocation under AASB Interpretation 1052.10. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 7: DISCONTINUED OPERATIONS

	2014 \$'000	2013 \$'000
Profit after income tax from Lethbridge	384	1,240
Gain on sale after income tax from Lethbridge	2,607	-
Total profit after income tax from Lethbridge	2,991	1,240
Net gain after income tax from discontinued operations	2,991	1,240

Earnings per share (EPS) on net gain after income tax from discontinued operations

Basic earnings per share (cents)	1.94	0.80
Diluted earnings per share (cents)	1.87	0.78

* Corporate charges is the portion of Calgary overhead costs allocated to Lethbridge.

Lethbridge

On 21 January 2014, the Company announced that a Sale Agreement was executed for the sale of its operating mineral products plant in Lethbridge, Canada and barite mineral claims in the United States with Marquis Alliance Energy. The sale was approved by shareholders on 20 March 2014 and completed on 31 March 2014. The gain on sale after tax of Lethbridge was CAD \$2.641 million (\$2.607 million).

The results of Lethbridge are as follows:

	2014 \$'000	2013 \$'000
Revenue	16,467	23,134
Cost of sales	(14,093)	(19,483)
Gross Profit	2,374	3,651
Depreciation and amortisation expense	(73)	(512)
Finance income/(expenses)	2	(5)
Other expenses	(225)	(29)
Impairment losses	(134)	(3)
Corporate charges *	(1,273)	(1,640)
Profit before income tax	671	1,462
Income tax (expense)	(287)	(222)
Profit after income tax	384	1,240

(i)

Gain on Sale:

Consideration received **	10,291	-
Earnings adjustment ***	(495)	-
Net consideration receivable	9,796	-
Carrying amount of net assets sold	(5,944)	-
Transaction costs	(715)	-
Foreign currency translation reserve recycling	(29)	-
Gain on sale before income tax from Lethbridge	3,108	-
Income tax expense	(501)	-
Gain on sale after income tax from Lethbridge	2,607	-

** Consideration comprises CAD8.440 million (\$8.356 million) for the Net Assets excluding Inventories plus CAD2.052 million (\$2.103million) for Inventories. "Inventories" sold represent the final raw materials and finished goods held at the time of sale completion including spare parts, as at 31 March 2014.

*** The purchaser is entitled to Lethbridge earnings after tax from 1 February to 31 March 2014.

(ii)

Carrying amount of net assets sold

	2014 \$'000
Inventories	2,290
Property, plant & equipment	3,597
Mine development	147
Interest bearing liabilities	(17)
Employee liabilities	(73)
Net Assets	5,944

(iii)

The net cash flows of Lethbridge are as follows:

	2014 \$'000	2013 \$'000
Net cash flows from operating activities	2,382	2,295
Net cash flows used in investing activities	9,344	(610)
Net cash flows from/(used in) financing activities	(11,743)	(2,913)
Net cash provided by discontinued operations	(17)	(1,228)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 8: DIVIDENDS PAID AND PROPOSED

	2014 \$'000	2013 \$'000
(a) Recognised amounts		
<i>Declared during the year:</i>		
Dividends on ordinary shares:		
Final fully franked dividend in respect of 2013: 0 cents (2012: 0 cents)	-	-
<i>Paid during the year</i>		
Dividends on ordinary shares:		
Final fully franked dividend in respect of 2013: 0 cents (2012: 0 cents)	-	-
(b) Franking credit balance		
<i>The amount of franking credits available for the subsequent financial year are:</i>		
Franking credit balance as at 1 October	866	866
- Tax paid/(refunded)	-	-
- Franked dividends paid	-	-
- Franked dividends received	-	-
Franking credit balance as at 30 September	866	866
<i>The amount of franking credits available for future reporting periods:</i>		
- Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	-	-
- Franking credits/(debits) that will arise from the payment/(refund) of the amount of the provision for income tax	-	-
	866	866

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 9: EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share

2014	2013
\$'000	\$'000

The following reflects the income used in the basic earnings per share computations:

For basic earnings per share:

Net profit/(loss) from continuing operations	(5,370)	(5,157)
Net profit/(loss) from discontinued operations	2,991	1,240
Net profit/(loss)	(2,379)	(3,917)

For diluted earnings per share:

Net profit/(loss) (from basic EPS) from continuing operations	(5,370)	(5,157)
Tax effect interest on unsecured convertible notes - liability	203	208
Diluted Net profit/(loss) from continuing operations	(5,167)	(4,949)

Diluted Net profit/(loss) from discontinued operations is the same as basic net profit/(loss) from discontinued operations.

(b) Weighted average number of shares

2014	2013
Thousands	Thousands

Weighted average number of ordinary shares for basic earnings per share	154,472	154,139
<i>Effect of dilution:</i>		
Converted debt securities	5,667	5,667
Reserved shares	105	134
Weighted average number of ordinary shares for the effect of dilution	160,244	159,940

(c) Earnings per share (EPS)

2014	2013
Cents per share	Cents per share

Basic EPS from continuing operations	(3.48)	(3.35)
Basic EPS from discontinued operations	1.94	0.80
Diluted EPS from continuing operations	(3.48)	(3.35)
Diluted EPS from discontinued operations	1.87	0.78

Because diluted earnings per share is increased when taking the unsecured converting notes into account, the unsecured converting notes are anti-dilutive and as such are excluded from the calculation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 10: CASH AND CASH EQUIVALENTS

	2014 \$'000	2013 \$'000
Cash at bank and in hand	8,466	982
Short term deposit	3,635	7,520
Total cash and cash equivalents as per the statement of cash flows	12,101	8,502

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

The NAB short term deposit attracts interest at 3.4% (2013: 3.7%) and matures in December 2014.

NOTE 11: TRADE AND OTHER RECEIVABLES

		2014 \$'000	2013 \$'000
Current			
Trade receivables	(i) (ii)	200	3,928
Goods and services tax		34	38
Other debtors		154	20
		388	3,986

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

Refer to Note 22(c) for the Company's material credit risk exposure.

(i) *Allowance for impairment loss*

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. There was a \$0.011million impairment loss for 2014 (2013: \$0.036 million).

(ii) *Employee loan receivable*

Includes related party receivable and provision for impairment loss, details refer to Note 27(d).

NOTE 12: INVENTORIES

	2014 \$'000	2013 \$'000
Current		
Raw materials and stores (at cost or NRV)	1,342	5,468
Finished goods (at cost or NRV)	55	466
Total inventories at cost and net realisable value	1,397	5,934

Inventory expense

Inventories recognised as an expense for continuing operations for the year ended 30 September 2014 totalled \$0.272 million (2013: \$0.304 million) for the Company. This expense has been included in the cost of sales from continuing operations line item as a cost of inventories.

Inventory write-downs recognised as an expense totalled \$nil (2013: \$0.012 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 13: OTHER FINANCIAL ASSETS

		2014 \$'000	2013 \$'000
Current			
Equity investments	(a)	4,144	6,353
Term deposit	(b)	82	78
		<u>4,226</u>	<u>6,431</u>

(a) **Equity investments comprise financial assets measured at fair value through profit and loss**

Current			
Listed investments	(i)	4,144	5,690
Unlisted investments (Almonty warrants)	(ii)	-	663
		<u>4,144</u>	<u>6,353</u>

(i) *Listed shares*

The fair value of listed equity investments has been determined per Note 1(h)(i).

(ii) *Unlisted shares and warrants*

Valuation assumptions

The fair value of warrants was estimated using the Black-Scholes Model taking into account the terms and conditions upon which the warrants were issued. The valuation was determined by reference to comparable share price volatilities.

The warrants expired on 23 September 2014 and a realised loss was recognised in the Statement of Comprehensive Income.

(b) Term Deposits		2014 \$'000	2013 \$'000
Current			
Term Deposit - NAB		<u>82</u>	<u>78</u>

The NAB current term deposit attracts interest at 3.4% (2013: 3.7 %) and matures April 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Freehold Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Computer Hardware and Software \$'000	Motor Vehicles \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 September 2014							
At 1 October 2013, net of accumulated depreciation	2,777	1,045	2,481	72	135	2	6,512
Additions	14	-	125	35	-	-	174
Disposals at written-down value	-	-	(1)	(5)	-	-	(6)
Revaluation	(401)	-	-	-	-	-	(401)
Depreciation charge for the year *	-	(60)	(282)	(52)	(12)	(2)	(408)
Disposals in discontinued operations	(1,863)	(407)	(1,210)	(12)	(105)	-	(3,597)
Foreign currency increase / (decrease)	(121)	(34)	(124)	-	(8)	-	(288)
At 30 September 2014 net of accumulated depreciation	406	544	989	37	10	-	1,987
At 30 September 2014							
Cost or fair value	406	770	2,461	242	77	116	4,072
Accumulated depreciation	-	(226)	(1,472)	(205)	(67)	(116)	(2,086)
Net carrying amount	406	544	989	37	10	-	1,986
Year ended 30 September 2013							
At 1 October 2012, net of accumulated depreciation	2,601	872	2,755	104	56	10	6,398
Additions	18	175	252	28	135	-	608
Disposals at written-down value	-	-	(5)	-	-	-	(5)
Depreciation charge for the year	-	(60)	(703)	(61)	(64)	(8)	(896)
Foreign currency increase / (decrease)	158	58	182	1	8	-	407
At 30 September 2013 net of accumulated depreciation	2,777	1,045	2,481	72	135	2	6,512
At 1 October 2012							
Cost or fair value	2,601	1,083	5,794	237	554	117	10,386
Accumulated depreciation	-	(211)	(3,040)	(133)	(498)	(107)	(3,988)
Net carrying amount	2,601	872	2,754	104	56	10	6,398
At 30 September 2013							
Cost or fair value	2,777	1,334	6,297	267	658	116	11,449
Accumulated depreciation	-	(289)	(3,816)	(195)	(523)	(114)	(4,937)
Net carrying amount	2,777	1,045	2,481	72	135	2	6,512

* Depreciation and amortisation charges for the year includes:

	2014 \$'000	2013 \$'000
Depreciation charge in continuing operation	(335)	(389)
Depreciation charge in discontinued operation	(73)	(507)
Total depreciation	(408)	(896)

Freehold land is measured at its fair value with an independent valuation being performed every 3 to 5 years and annual directors appraisals. The last independent valuation was performed on 9 May 2011. The valuation method used in determining fair value is the direct comparison approach. Fair value determined using this approach is compared against market transactions of similar parcels of land and then adjusted for characteristics specific to the site being valued. Freehold land is categorised as level 3 in the fair value hierarchy as adjustments made to the price per acre are unobservable. The price per acre has been determined as CAD\$5,000. A change in this value would have a corresponding impact on fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 15: EXPLORATION, EVALUATION AND MINE DEVELOPMENT

Reconciliation of carrying amounts at the beginning and end of the period

	Exploration and Evaluation \$'000	Mine Development \$'000	Total \$'000
YEAR ENDED 30 SEPTEMBER 2014			
At 1 October 2013, net of accumulated amortisation	4,628	539	5,167
Additions	530	11	541
Impairment	-	(98)	(98)
Amortisation charge for the year	-	(64)	(64)
Disposal in discontinued operations	(16)	(131)	(147)
Foreign currency increase/(decrease)	46	(15)	31
At 30 September 2014, net of accumulated amortisation	5,188	242	5,430
At 30 September 2014			
Cost or fair value	5,188	386	5,574
Accumulated amortisation	-	(144)	(144)
Net carrying amount	5,188	242	5,430
YEAR ENDED 30 SEPTEMBER 2013			
At 1 October 2012, net of accumulated amortisation	3,253	542	3,795
Additions	988	1	989
Amortisation charge for the year	-	(39)	(39)
Foreign currency increase/(decrease)	387	35	422
At 30 September 2013, net of accumulated amortisation	4,628	539	5,167
At 1 October 2012			
Cost or fair value	3,253	840	4,093
Accumulated amortisation	-	(298)	(298)
Net carrying amount	3,253	542	3,795
At 30 September 2013			
Cost or fair value	4,628	899	5,527
Accumulated amortisation	-	(360)	(360)
Net carrying amount	4,628	539	5,167
	2014 \$'000	2013 \$'000	
Amortisation in continuing operations	(64)	(34)	
Amortisation in discontinued operations	-	(5)	
Total amortisation	(64)	(39)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 16: TRADE AND OTHER PAYABLES

		2014 \$'000	2013 \$'000
Current			
Trade payables	(i)	182	3,045
Sundry creditors and accrued expenses		525	3,302
		<u>707</u>	<u>6,347</u>
 (i) <i>Trade and sundry creditors</i> Trade payables, sundry creditors and accrued expenses are non-interest bearing and are normally settled on 30 to 45 day terms.			

NOTE 17: INTEREST BEARING LOANS AND BORROWINGS

		2014 \$'000	2013 \$'000
Current			
Secured Liabilities			
Obligations under finance leases and hire purchase contracts (Note 23)		-	7
Bank overdraft		-	2,295
Unsecured Liabilities			
Convertible notes - unsecured	(a)	2,776	2,842
Other loans (unsecured)		-	-
		<u>2,776</u>	<u>5,144</u>
Non-current			
Secured Liabilities			
Obligations under finance leases and hire purchase contracts (Note 23)		-	15
		<u>-</u>	<u>15</u>

For terms and conditions attached to each type of borrowing, refer to section (b) below and to Note 23 for finance leases.

(a) Convertible notes - unsecured comprise:

On 31 March 2011, the Company issued 1,889,000 unsecured convertible notes with an issue price of \$2.00. Each unsecured convertible note may be converted into 3 ordinary shares and \$1.45 cash every six months commencing 31 December 2012. If there are any unsecured convertible notes outstanding at maturity, 30 March 2015, the Company will convert them for 3 fully paid ordinary shares and \$1.45 cash per note. The notes attract interest at 10.25% per annum paid semi annually.

Unsecured convertible notes are disclosed based on the potential impact on liquidity, such as when cash payments are due within one year they are disclosed as current liabilities.

The fair value of the unsecured convertible notes approximates its carrying value.

(b) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2014	2013
	\$'000	\$'000
Total facilities:		
Bank overdraft	-	6,254
Loans and finance leasing	-	542
	-	6,796
Facilities used at reporting date:		
Bank overdraft	-	2,295
Letter of credit	-	2,142
Loans and finance leasing	-	21
	-	4,458
Facilities unused at reporting date:		
Bank overdraft	-	1,816
Loans and finance leasing	-	521
	-	2,337

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 18: PROVISIONS

	2014 \$'000	2013 \$'000
Current		
Annual leave	184	375
Long service leave	81	145
	<u>265</u>	<u>520</u>
Non-current		
Long service leave	12	8
Restoration	23	69
	<u>35</u>	<u>77</u>

(a) **Movements in provisions**

Movements in restoration provision during the financial year:

	Restoration \$'000
At 1 October 2013	69
Change in discount rate	7
Utilised during the year	(46)
Disposal during the year	(7)
At 30 September 2014	<u>23</u>
Current 2014	-
Non-current 2014	<u>23</u>
	<u>23</u>
Current 2013	-
Non-current 2013	<u>69</u>
	<u>69</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 19: CONTRIBUTED EQUITY

		2014 \$'000	2013 \$'000
154,438,439 (2013: 154,104,876) fully paid ordinary shares	(a)	79,757	79,842
1,755,297(2013: 2,088,860) reserved shares	(b)	(592)	(677)
100,000 (2013: 100,000) Class A \$0.25 ordinary shares (paid to \$0.01)	(c)	1	1
1,500,000 (2013: 1,500,000) Class B \$0.50 ordinary shares (paid to \$0.01)	(d)	15	15
1,889,000 (2013: 1,889,000) Converting notes unsecured, matures 30/03/2015	(e)	2,003	2,003
		<u>81,184</u>	<u>81,184</u>

Shares thousands	\$'000
---------------------	--------

(a) Ordinary shares

At 1 October 2012	154,105	79,842
At 30 September 2013	<u>154,105</u>	<u>79,842</u>
Reserve shares quoted - vested shares in employee share plan trust	334	(85)
As at 30 September 2014	<u>154,438</u>	<u>79,757</u>

Unissued shares

There are no remaining options over unissued ordinary shares of the parent entity or obligations in contract to issue ordinary shares in the parent entity, other than those attributed to the unsecured converting notes.

Voting and other rights

At meetings of members each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

When managing capital, the Board's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Shares thousands	\$ '000
---------------------	---------

(b) Reserved shares

At 1 October 2012	2,089	(677)
1 March 2013 - ESP shares expired and used for issue	(675)	-
1 March 2013 - ESP - shares issued	(i) 675	-
At 1 October 2013	<u>2,089</u>	<u>(677)</u>
30 September 2014 - ESP vested shares quoted as ordinary shares	(334)	85
At 30 September 2014	<u>1,755</u>	<u>(592)</u>

The Company's own equity instruments are reacquired for later use in employee share-based payment arrangements (reserved shares) and are deducted from equity.

(i) No shares were offered in 2014. Shares were issued 12 cents per share in 2013. Under current accounting standards and pronouncements 'fair value' of the issue is recognised as an employee benefit expense over the term of the benefit. The standards and pronouncements also require that equity be recognised at fair value at the date of the grant and that additional amounts are only recognised upon re-payment of the loan provided.

Vesting

The employee shares issued are under the terms described in Note 20(b).

Voting and other rights

Employee shares

- participate in dividends on the same basis as holders of ordinary shares and the proceeds on winding up of the parent entity in proportion to the number of shares held;
- carry the right to participate in new issues of securities to holders of ordinary shares on the same basis as holders of ordinary shares; and
- do not have the right to vote at meetings of members of the parent entity.

(c) Class A \$0.25 ordinary shares

Partly paid

At 1 October 2013

At 30 September 2014

<i>Shares thousands</i>	<i>\$'000</i>
100	1
100	1

(d) Class B \$0.50 ordinary shares

Partly paid

At 1 October 2013

At 30 September 2014

1,500	15
1,500	15

Issue terms

Each partly paid share:

- was issued at 1 cent;
- at 30 September 2014 has an amount unpaid of:
 - (i) for Class A partly paid shares - 24.00 cents; and
 - (ii) for Class B partly paid shares - 49.00 cents.

(e) Convertible and converting notes - unsecured

At 1 October 2012

At 1 October 2013

At 30 September 2014

<i>Shares thousands equivalent</i>	<i>\$'000</i>
5,667	2,003
5,667	2,003
5,667	2,003

The unsecured convertible and converting notes issued contain both an equity and a debt component. The balance of \$2.003 million (2013: \$2.003 million) represents the component of the notes recognised directly in equity. The liability component of the notes is reflected in interest bearing loans and borrowings (refer to Note 17).

Voting and other rights

- carries the right to participate in new issues of securities to holders of shares (except bonus issues) on the same basis as holders of ordinary shares;
- carries the right to participate in bonus issues of securities in the proportion which the amount paid bears to the total amounts paid and payable;
- carries the right to vote in the proportion which the amount paid bears to the total amounts paid and payable; and
- carries the right upon conversion to ordinary shares to receive dividends and distributions in the proportion which the amount paid bears to the total amounts paid and payable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 20: SHARE BASED PAYMENT PLAN

	2014 \$'000	2013 \$'000
(a) Recognised share-based payment expenses		
<i>The expense recognised for employee services received during the year is shown in the table below:</i>		
Expense arising from equity-settled share-based payment transactions	9	33
Total expense arising from share-based payment transactions	9	33

The share-based payment is described below.

(b) Types of share-based payment**Employee Share Plan ("ESP")**

Shares may be granted to employees, with more than 12 months' service, to align interests with those of share holders to increase the value of the Company's shares. Under the terms of grant, the share price was set by reference to the market price of the shares on the date of grant and previous share issues by the Company. The shares were issued as restricted securities. There are no ongoing performance hurdles governing vesting other than the continued employment of the employee. Subject to that continuing employment the shares issued vest automatically on the anniversary of the issue date at the rate of 25% each year.

If an employee ceases employment prior to the vesting of the shares, the unvested shares are forfeited unless cessation of employment is due to death. In the event of a change of control the vesting period dates may be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period.

Employee Share Loans ("ESL")

Under the ESP an interest free loan is made to the employee to fund the acquisition of shares in the Company. 70% of dividends are required to be applied to the loan reduction and the loan balance must be paid out from share sale proceeds. If the share sale proceeds are less than the value of the loan, the employee pays the balance of the loan. If the loan balance is not retired, the employee is unable to receive any benefit from the shares. If an employee leaves prior to vesting of shares then the shares are forfeited and the loan is cancelled.

(c) Summary of ESP shares granted

The following table illustrates the number (No.) and weighted average issue prices (WAIP) of, and movements in, shares and rights issued during the year:

	2014 No.	2014 WAIP	2013 No.	2013 WAIP
Shares outstanding at the beginning of the year	1,189,442	0.17	620,947	0.26
Shares granted during the year	-	-	674,620	0.12
Shares expired during the year	(345,196)	-	(106,125)	-
Shares sold as employee exercise during the year	(65,257)	-	-	-
Shares outstanding at the end of the year	778,989	0.17	1,189,442	0.17
Rights outstanding at the beginning of the year	955,080	0.05	177,448	0.02
Rights granted during the year	704,116	0.01	777,632	0.05
Rights expired during the year	(474,642)	0.00	-	0.00
Rights outstanding at the end of the year	1,184,554	0.01	955,080	0.05

* No shares were issued in 2014. The weighted average share price at the date of issue, and the 4 days prior to issue, was \$0.11 in 2013. The weighted average of the remaining contractual life of ESP shares granted is 1.5 (2013: 1.5) years.

(d) Weighted average fair value

The provision of the non-recourse loan has required that the ESP shares issued be treated as if the issue was a grant of options on the relevant date. Under those principles the fair value of ESP issued during 2013 year was \$0.02. No shares were issued during 2014.

(e) Fair Value pricing model: ESP

Equity-settled transactions

The fair value of the equity-settled ESP shares issued is estimated as at the date of grant using a Binomial Model taking into account the terms and conditions upon which the shares were issued. The model takes into account the historic share price volatilities and implied dividend yields.

The following table lists the key assumptions to the model used for the year ended 30 September 2014:

Model used	Binomial
Forecast dividend yield (%)	0.00
Expected volatility (%)	69.00
Risk-free interest rate (%)	3.71
Expected life (years)	4.00
Employee exit rate (%)	57.00
Exercise multiple (times)	1.00
Issue price (\$)	0.07
Weighted average share price at measurement date (\$)	0.01

The following table lists the key assumptions to the model used for the year ended 30 September 2013:

Model used	Binomial
Forecast dividend yield (%)	0.00
Expected volatility (%)	110.00
Risk-free interest rate (%)	2.85
Expected life (years)	4.00
Employee exit rate (%)	60.00
Exercise multiple (times)	1.00
Issue price (\$)	0.12
Weighted average share price at measurement date (\$)	0.11

Forecast dividend has been based on dividend history over the previous 3 years. The rate assumed is an expected average over the four-year period and is based on market yields generally found in resource-based operating companies. This may not necessarily be an outcome as the Company has not announced a stated dividend policy. The expected volatility was determined using an historical sample of 80 week-end Company share prices. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the option is equivalent to the maximum period when all shares will vest. Accordingly there is no discount for vesting shares during the term. As the shares have been issued, and not subject to further election to exercise the exercise multiple has been taken as a 1:1 (2013: 1:1) relationship.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 21: RETAINED EARNINGS AND RESERVES

	2014 \$'000	2013 \$'000
(a) Movement in retained earnings were as follows:		
Balance 1 October	(59,874)	(55,957)
Net profit/(loss)	(2,379)	(3,917)
Transfer of asset revaluation reserve on diposal of land	1,342	-
Balance 30 September	(60,911)	(59,874)

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign-controlled subsidiaries.

In accordance with the requirements of the accounting standards, foreign currency translation gains/(losses) remain deferred in equity until the disposal of the foreign operation, at which point they are recognised in the statement of comprehensive income.

Employee equity benefits reserve

The Company has an employee share based payment plan in place. The employee equity benefits reserve is used to recognise the value of equity settled share based payment transactions provided to employees - refer Note 20.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives and policies are outlined in Note 2.

Risk Exposures and Responses

(a) Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's bank overdraft and cash and cash equivalents. The level of debt is disclosed in Note 17.

At balance date, the Company had the following mix of financial assets and liabilities exposed to interest rate risk:

	2014 \$'000	2013 \$'000
Financial Assets		
Cash and cash equivalents	12,101	8,502
	12,101	8,502
Financial Liabilities		
Bank overdrafts	-	(2,295)
	-	(2,295)
Net exposure	12,101	6,207

The Company's policy is to manage its finance costs using a mix of fixed and variable rate debt.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 September 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably movements:				
Consolidated				
+1% (100 basis points)	85	43	85	43
-1% (100 basis points)	(85)	(43)	(85)	(43)

The sensitivity is higher in 2014 than 2013 because of an increase in net exposure.

(b) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The majority of the Company's revenues and costs are denominated in AUD and CAD dollars.

The Company's balance sheet can be affected by movements in the A\$/CAD\$ and CAD\$/US\$ exchange rates.

Approximately nil% (2013: nil%) of sales and nil% (2013: 59%) of costs are denominated in currencies other than the functional currency of the individual entities.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Company's financial position.

At 30 September 2014, the carrying amounts of the Company's CAD\$ and US\$ financial assets and liabilities are as follows:

	Canadian dollars		US dollars	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6,896	301	45	277
Equity investments	3,886	5,807	-	-
	10,782	6,108	45	277
Financial Liabilities				
Trade and other payables	-	-	(10)	(4,134)
	-	-	(10)	(4,134)
Net exposure	10,782	6,108	35	(3,857)

At 30 September 2014, if the Canadian and United States Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Judgements of reasonably possible movements:				
Consolidated				
AUD/CAD +10%	(755)	(427)	(755)	(427)
AUD/CAD -10%	755	427	755	427
 CAD/USD +10%	4	270	4	270
CAD/USD -10%	(4)	(270)	(4)	(270)

The movements in the profit in 2014 is more sensitive than 2013 due to an increase in the net exposure.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial statements.

(c) Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments. The Company's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Company trades only with recognised, creditworthy third parties, and such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

It is the Company's policy that all customers who wish to trade on credit terms are subject to verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

Receivables are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There was a \$0.011 million impairment for 2014 and \$0.036 million for 2013 (refer to Note 11) .

The majority of the Company's receivables are due from customers in Canada, however, as a result of the Company's credit policy, this credit risk is believed to be minimal. At balance date there was one customer that accounted for 5% (2013: 26%) of the Company's receivables.

The Company limits its counterparty credit risk on liquid funds and derivative financial instruments by dealing with banks or financial institutions with credit ratings of at least B+ equivalent.

The ageing of trade and other receivables at the reporting date was as follows:

	Past due not impaired				Total \$'000
	Not Past Due	Between 30 and 90 days	Over 91 days	Considered impaired	
	\$'000	\$'000	\$'000	\$'000	
2014					
Trade Receivables	200	-	-	-	200
Other Receivables	188	-	-	-	188
2013					
Trade Receivables	3,197	716	15	-	3,928
Other Receivables	58	-	-	-	58

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet the Company's financial commitments in a timely and cost-effective manner. The Company's objective is to maintain a balance between continuity and flexibility through the use of bank overdrafts, equity investments and issue of unsecured converting notes.

The Company manages its liquidity risk by monitoring the total cash inflows and outflows by producing monthly cash flow forecasts forward for a minimum of twelve months.

The following maturity analysis reflects all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and recognised financial guarantees as at balance date. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. Where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company is required to pay. When the Company is committed to make amounts available in instalments, each instalment is allocated in the earliest period in which the Company is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Trade payables and other financial liabilities mainly originate from the financing of assets used in the Company's ongoing operations such as mine development, property plant and equipment and investments in working capital (e.g. inventories and receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Company's overall liquidity risk. The Company ensures that sufficient liquid assets are available to meet all required short-term cash payments.

Included in Note 17(b) is a list of undrawn facilities that the Company has had at its disposal to manage liquidity risk.

The following table reflects all contractually fixed repayments and interest resulting from recognised financial assets and financial liabilities.

	Within		Total \$'000
	1	1-5	
	year \$'000	years \$'000	
2014			
Liquid Financial Assets			
Cash and cash equivalents	12,101	-	12,101
Trade and other receivables	388	-	388
Other financial assets	82	-	82
	12,571	-	12,571
Trade and other payables	(707)	-	(707)
Interest loans and borrowings*	(2,990)	-	(2,990)
	(3,697)	-	(3,697)
Net inflow/(outflow)	8,874	-	8,874

*Excludes unsecured converting notes equity component of \$1.039 million.

	Within 1 year \$'000	1-5 years \$'000	Total \$'000
2013			
Liquid Financial Assets			
Cash and cash equivalents	8,502	-	8,502
Trade and other receivables	3,986	-	3,986
Other financial assets	78	-	78
	<u>12,566</u>	<u>-</u>	<u>12,566</u>
Trade and other payables	(6,347)	-	(6,347)
Interest loans and borrowings*	(5,531)	(15)	(5,546)
	<u>(11,878)</u>	<u>(15)</u>	<u>(11,893)</u>
Net inflow/(outflow)	688	(15)	673

*Excludes unsecured converting notes equity component of \$1.039 million.

(e) Fair value

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non market observable inputs (Level 3) \$'000	Total \$'000
2014				
Financial assets				
Equity investments				
Listed investments - current	4,144	-	-	4,144
	<u>4,144</u>	<u>-</u>	<u>-</u>	<u>4,144</u>
Financial liabilities				
Convertible notes	-	-	2,776	2,776
	<u>-</u>	<u>-</u>	<u>2,776</u>	<u>2,776</u>
2013				
Financial assets				
Equity investments				
Listed investments - current	5,690	-	-	5,690
Unlisted investments	-	-	663	663
	<u>5,690</u>	<u>-</u>	<u>663</u>	<u>6,353</u>
Financial liabilities				
Convertible notes	-	-	2,842	2,842
Fx forward contracts	-	22	-	22
	<u>-</u>	<u>22</u>	<u>2,842</u>	<u>2,864</u>

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Reconciliation of Level 3 fair value movements

	2014 \$'000	2014 \$'000
	Unlisted investments	Convertible notes
Opening balance	663	2,842
Total gains/(losses) on warrants	(663)	-
Discount unwinding and transaction costs amortisation	-	(66)
Closing balance	-	2,776

(f) Price risk

The Company's earnings are exposed to price fluctuations, in particular to equity investments.

The following table details the carrying amount of financial instruments as at the reporting date for the group, impacted by price risk:

	2014 \$'000	2013 \$'000
Financial assets		
Equity investments (i)	4,144	6,353
Total financial assets	4,144	6,353
Disclosed as:		
Current	4,144	6,353
	4,144	6,353
Financial derivative liabilities		
Currency forward contracts	-	22
Total financial derivative liabilities	-	22
Disclosed as:		
Current	-	22
	-	22

(i) Equity investments

Price risk arises from the investments in equity securities. The policy of the Company is to maintain exposure to equity price movements. All of the investments are publicly traded either on the ASX or other global exchanges.

At 30 September 2014, if prices had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably movements:				
Prices +10%	290	445	290	445
Prices -10%	(290)	(445)	(290)	(445)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 23: COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Leasing commitments

Operating leases payable:

	2014 \$'000	2013 \$'000
- within one year	154	384
- after one year but not more than five years	23	419
- after more than five years	-	-
Total minimum lease payments	177	803

The operating leases comprise property leases and various equipment leases.

The property leases are non-cancellable leases with five-year terms, with rent payable monthly in advance.

Rental provisions within the Australian property lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the Australian lease at the end of the five-year term for an additional term of five years.

Rental provisions within the Canadian property lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the Canadian lease at the end of the five-year term for an additional term of five years.

The equipment leases are non-cancellable leases with a five-year term, with rent payable either monthly or quarterly in advance.

Finance leases

The finance leases comprise various equipment leases.

	2014 \$'000	2014 Present value of lease payments \$'000	2013 \$'000	2013 Present value of lease payments \$'000
- within one year	-	-	7	7
- after one year but not more than five years	-	-	15	14
Total minimum lease payments	-	-	22	21
Less amounts representing finance charges	-	-	(1)	-
Present value of minimum lease payments	-	-	21	21

(ii) Property, plant and equipment commitments

The Company had \$nil (2013: \$nil) contractual obligations at balance date.

(iii) Exploration commitments

The Company had \$nil (2013: \$nil) exploration commitments at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 24: AUDITORS' REMUNERATION

The auditor of Heemskirk Consolidated Limited is Ernst & Young.

	2014	2013
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	113,600	145,600
<i>Amounts received or due and receivable by Ernst & Young (Canada) for:</i>		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	63,450	69,700
	<u>177,050</u>	<u>215,300</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 25: SEGMENT INFORMATION

Management has determined the operating segments based on reports reviewed by executive management (Chief Operating Decision Maker) for making strategic decisions. The executive management team comprises the Board of directors and executive general managers. The executive management team monitors the business based on product and geographic factors and have identified three reportable segments.

Corporate charges are allocated to the Mining segments on a proportional basis linked to management time spent on each Mining segment.

Mining Canada

This segment covers operations 100% owned by the Company concerned with the mining and processing of Industrial Mineral Products. Lethbridge and Moberly sites have been aggregated on the segment report.

Mining Canada had one customer that accounts for 5% of consolidated revenue (2013: 26%)

Portfolio

This segment covers the investment in listed and unlisted Resource Equities.

Corporate

This segment covers all other corporate activities.

Further information relating to discontinued operations can be found in Note 7.

(a) Segment Results and Segment Assets

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes. The performance of each segment is measured on the net profit or loss after tax.

Segment accounting policies are the same as those applied across the group with the exception of gains/losses on investments which are treated as segment revenue.

Segment information provided to the executive management team for the year ended 30 September 2014 is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 25: SEGMENT INFORMATION CONTINUED

30 September 2014	Mining Canada \$'000	Portfolio \$'000	Corporate \$'000	Consolidated \$'000
Total segment revenue	(b) 16,707	(2,024)	531	15,214
Segment Operating EBITDA*	196	(2,040)	(1,796)	(3,640)
Depreciation & amortisation	(431)	-	(42)	(473)
Finance costs	(132)	-	(322)	(454)
Corporate charges	(579)	-	579	-
Profit/(Loss) on asset disposals	3,146	-	(29)	3,117
Other indirects	(132)	-	(11)	(143)
Profit/(loss) before tax	2,068	(2,040)	(1,621)	(1,593)
Income tax expense	(786)	-	-	(786)
Segment profit/(loss) after tax	1,282	(2,040)	(1,621)	(2,379)
Total Assets	10,077	4,144	11,564	25,785
Total Liabilities	(4,654)	-	31	(4,623)

30 September 2013	Mining Canada \$'000	Portfolio \$'000	Corporate \$'000	Consolidated \$'000
Total segment revenue	(b) 23,582	(428)	413	23,567
Segment Operating EBITDA*	1,733	(1,221)	(2,466)	(1,954)
Depreciation & amortisation	(876)	-	(59)	(935)
Finance costs	(335)	-	(437)	(772)
Corporate charges	(912)	-	912	-
Other indirects	46	-	(36)	10
Profit/(loss) before tax	(344)	(1,221)	(2,086)	(3,651)
Income tax expense	(266)	-	-	(266)
Segment profit/(loss) after tax	(610)	(1,221)	(2,086)	(3,917)
Total Assets	22,008	6,353	8,497	36,858
Total Liabilities	(17,519)	-	4,958	(12,561)

* Operating EBITDA is earnings before interest expense, income tax, depreciation, amortisation charges and other indirect expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 25: SEGMENT INFORMATION (CONTINUED)

(b)

Segment revenue reconciliation to statement of comprehensive income

		30 September 2014 \$'000	30 September 2013 \$'000
Mining Canada	(i)	337	451
Corporate	(ii)	242	404
Portfolio	(iii)	126	-
Total Revenue from continuing operations per statement of comprehensive income		705	855

(i) Mining Canada

Mining Canada Revenue included in revenue from continuing operations		337	451
Other income		128	25
Mining Canada Revenue included in revenue from discontinued operations		16,467	23,134
Other income/(expense)		(225)	(29)
Total Segment Revenue - Mining Canada		16,707	23,581

(ii) Corporate

Interest received		242	404
Corporate Revenue included in revenue from continuing operations		242	404
Other income		289	9
Total Segment Revenue - Corporate		531	413

(iii) Portfolio

Dividends received		126	-
Portfolio Revenue included in revenue from continuing operations		126	-
Net gains/(losses) on equity investments		(2,150)	(428)
Total Segment Revenue - Portfolio		(2,024)	(428)

Total Segment Revenue		15,214	23,566
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(c) Segment net operating profit after tax reconciliation to the statement of comprehensive income

Segment profit/(loss) after tax		(2,379)	(3,917)
Profit/(loss) after tax per statement of comprehensive income		(2,379)	(3,917)

All non-current assets for Canada are disclosed in Notes 14 & 15 except for the computer hardware and software (Australia).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 26: RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Heemskirk Consolidated Limited ("ultimate parent") and the subsidiaries listed in the following table.

	Country of incorporation	% Equity Interest		Investment (\$'000)	
		2014	2013	2014	2013
Heemskirk Technical Services Pty Ltd	Australia	100	100	-	-
HSK Staff Share Plan Pty Ltd	Australia	100	100	-	-
Heemskirk Canada Holdings Ltd	Canada	100	100	428	428
Heemskirk Canada Ltd	Canada	100	100	5,322	5,322
HCA Mountain Minerals (Lethbridge) Ltd	Canada	100	100	-	-
HCA Mountain Minerals (Moberly) Ltd	Canada	100	100	-	-
HCA Mountain Minerals (Nevada) Ltd	USA	100	100	-	-

(b) Remuneration of key management personnel

	2014 \$'000	2013 \$'000
Short-term employee benefits	1,401	1,453
Post-employment benefits	121	125
Termination benefits	200	303
Share-based payment	-	21
Total remuneration	1,722	1,902

(d) Other transactions with directors

On 28 July 2010 Heemskirk announced that it had been decided to terminate the Founders' Plan and settlement terms were agreed (Refer to Remuneration Report page 47). The outcome of the settlement has no net effect on shareholders' equity and no net after tax cash outflows by the Company. The reasonableness of this settlement was confirmed by an independent expert. The action had the full support of the Founders and the then Heemskirk Board.

In conjunction with the Founder's Plan settlement, loan facilities were made available to the Founder's to assist with discharging any Australian taxation liability as a result of the settlement. The draw down by the Managing Director of the facility as at 30 September 2014 is \$0.311 million (2013: \$0.279). This facility is interest-bearing at market rates and repayable by cash or a predetermined number of pledged Company shares at a value of 50 cents per share plus termination payments. Any shortfall in repayments after the value of the loan facility has been reduced by cash, the pledged Company shares and termination payments will be waived or forgiven and treated as an expense. In the unlikely event of a termination for cause, the Company has recognised in the accounts a potential short fall in relation to the Managing Director of \$0.130 million as at 30 September 2014 (2013: \$0.160 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 27: CASH FLOW STATEMENT RECONCILIATION

	2014 \$'000	2013 \$'000
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net (loss) after income tax	(2,379)	(3,917)
<i>Non-cash items</i>		
Depreciation, amortisation and impairments	616	983
Foreign exchange losses/(gains)	(274)	-
Employee benefits taken as equity	9	33
Non cash interest (revenue)	(66)	(24)
Net fair value change on equity investments	1,928	517
Other non cash (revenue)	-	(12)
<i>Items presented as investing or financing activities</i>		
Net (gains)/losses on equity investments	94	(41)
Net (profit)/loss on disposal of fixed assets	(2,607)	(56)
Net (gains)/losses on disposal of subsidiaries	-	1
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade debtors	3,598	(2,383)
(Increase)/decrease in other assets	(4)	55
(Increase)/decrease in inventories	2,247	(1,427)
Increase/(decrease) in trade creditors	(6,492)	2,067
Increase/(decrease) in other receivables	63	261
Increase/(decrease) in accruals and provisions	(224)	275
Increase/(decrease) in income taxes payable	642	(7)
(Increase)/decrease in deferred tax assets	131	(133)
Increase/(decrease) in deferred taxes payable	(237)	31
Net cash from/(used in) operating activities	(2,955)	(3,777)

(b) Disclosure of financing facilities

Refer to Note 17(d).

(c) Non cash financing and investing activities

Share-based payments (Note 20).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

NOTE 28: PARENT ENTITY INFORMATION

Parent	
2014	2013
\$'000	\$'000

The summarised Income statement and Balance sheet in respect of the parent entity ("Company") is set out below.

(a) Income statement

Profit/(loss) after income tax	(2,222)	(3,031)
Total comprehensive income/(loss) for the year	(2,222)	(3,031)

(b) Balance sheet

Current assets	15,784	14,848
Non-current assets	9,348	13,067
Total assets	25,132	27,915
Current liabilities	3,157	3,726
Non-current liabilities	-	-
Total liabilities	3,157	3,726
Net assets	21,976	24,189
Contributed equity	82,320	82,320
Employee share based payment reserve	235	226
Retained earnings/(losses)	(60,579)	(58,357)
Total Equity	21,976	24,189

(c) Commitments

(i) Leasing commitments

Operating leases

Payable

- within one year	61	129
- after one year but not more than five years	23	211
- after more than five years	-	-
Total minimum lease payments	84	340

The operating leases comprise property leases and various equipment leases.

The property leases are non-cancellable leases with five-year terms, with rent payable monthly in advance. Rental provisions within the Australian property lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the Australian lease at the end of the five-year term for an additional term of five years.

The equipment leases are non-cancellable leases with a five-year term, with rent payable monthly.

NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances which have arisen since 30 September 2014 that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

I Directors' Declaration

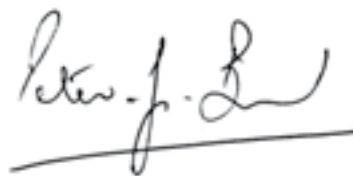
In accordance with a resolution of the directors of Heemskirk Consolidated Limited, we state that:

- 1 In the opinion of the directors:
 - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 September 2014.

On behalf of the Board



Garry Cameron
Non-Executive Chairman
Melbourne, 26 November 2014



Peter Bird
Managing Director
Melbourne, 26 November 2014

Independent auditor's report to the members of Heemskirk Consolidated Limited

Report on the financial report

We have audited the accompanying financial report of Heemskirk Consolidated Limited, which comprises the consolidated balance sheet as at 30 September 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

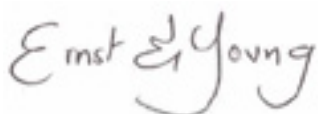
- a. the financial report of Heemskirk Consolidated Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Heemskirk Consolidated Limited for the year ended 30 September 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Michael Collins
Partner
Melbourne
26 November 2014

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules not elsewhere disclosed in the report. The shareholder information set out below was applicable as at 16 December.

CORPORATE GOVERNANCE STATEMENT

The Company has chosen to early adopt the Corporate Governance Principles and Recommendations (3rd edition, March 2014) issued by the ASX Corporate Governance Council in respect of the financial year ended 30 September 2014, prior to the mandatory adoption date.

Accordingly the Company has lodged its Corporate Governance Statement on ASX and not included it within this 2014 Annual Report.

The Company's 2014 Corporate Governance Statement, ASX Appendix 4G (Key to Disclosure of Corporate Governance Principles and Recommendations) and other ancillary corporate governance related documents can be found at the following URL on the Company's Internet website: http://www.heemskirk.com/pages/view/corporate_governance

REGISTER OF SUBSTANTIAL HOLDERS

There are two substantial shareholders in the Company. First Samuel Limited holds 30,604,521 ordinary shares and Taurus Funds Management Pty Limited holds 10,640,000 ordinary shares.

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

Number of Shares Held	Number of Holders	Number of Ordinary Shares	Percentage of Issued Capital
1-1,000	168	33,182	0.021
1,001 – 5,000	218	685,405	0.444
5,001 – 10,000	157	1,278,908	0.828
10,001 – 100,000	454	17,914,726	11.600
100,001 and over	145	134,526,218	87.107
Total	1,142	154,438,439	100.000

There are 349 holdings with less than a marketable parcel of ordinary shares.

UNQUOTED ORDINARY SHARES

There are 1,755,297 unquoted ordinary shares issued by the Company under the Employee Staff Share Plan and on behalf of two staff who are currently participating in that Plan.

DISTRIBUTION OF CONVERTIBLE NOTE (CN) HOLDERS AND CONVERTIBLE NOTE HOLDINGS

Number of CN Held	Number of Holders	Number of CN	Percentage of CN
1-1,000	1	966	0.051
1,001 – 5,000	61	202,531	10.722
5,001 – 10,000	53	378,480	20.036
10,001 – 100,000	43	807,023	42.722
100,001 and over	1	500,000	26.469
Total	159	1,889,000	100.000

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name	Number of Ordinary Shares Held	Percentage of Issued Shares
1 JP MORGAN NOMINEES AUSTRALIA LIMITED	33,093,815	21.428
2 NATIONAL NOMINEES LIMITED	14,069,874	9.110
3 CITICORP NOMINEES PTY LIMITED	14,029,148	9.084
4 BOND STREET CUSTODIANS LIMITED <TAURUS RES LTD PARTNER A/C>	9,639,272	6.241
5 MELLETT SUPER PTY LTD <MELLETT A FUND A/C>	5,332,000	3.453
6 TAMBO TRADING PTY LTD <TREYARNON A/C>	2,813,136	1.822
7 MMS1 PTY LTD <SHALL & HALL P/SHIP A/C>	2,123,199	1.375
8 FW HOLST & CO PTY LTD <FH A/C>	2,021,922	1.309
9 MR PETER JOHN BIRD <THE TREYARNON FAMILY A/C>	1,963,532	1.271
10 MR MARK THOMAS FLOOK & MRS PHILIPPA MARY FLOOK <FLOOK FAMILY S/F A/C>	1,888,501	1.223
11 BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	1,475,000	0.955
12 MR SIMON PAUL DEVLIN & MRS MOIRA ANNE DEVLIN <THE DEV SUPERFUND A/C>	1,400,000	0.907
13 MR DEREK CARTER & MRS CARLSA CARTER <SALAMANCA SUPER FUND A/C>	1,351,386	0.875
14 TAMBO TRADING PTY LTD <BIRD FAMILY SUPER FUND A/C>	1,122,990	0.727
15 DATABRIDGE PTY LTD	1,100,000	0.712
16 GRYPHON PARTNERS PTY LTD	1,089,553	0.705
17 MR RAPHAEL WILLIAM WAI-MING YAN	1,051,480	0.681
18 BOND STREET CUSTODIANS LIMITED <TAURUS RESOURCES TST A/C>	1,000,728	0.648
19 MR WILLIAM DAVID FRANK BIRD & MRS SALLY JANE BIRD <WILLIAM DAVID FRANK S/F A/C>	1,000,000	0.648
20 BRIDES PTY LTD <DGL SUPERANNUATION FUND A/C>	1,000,000	0.648
TOTAL	98,565,536	63.822
21 LG & CV RYAN SUPERANNUATION FUND PTY LTD <LG & CV RYAN SUPER FUND A/C>	1,000,000	0.648

DISTRIBUTION OF PARTLY PAID SHAREHOLDERS AND SHAREHOLDINGS

Name	Ordinary Partly Paid 25 cent shares	Percentage of shares	Ordinary Partly Paid 50 cent shares	Percentage of shares
B & H KAY HOLDINGS PTY LTD <KAY FAMILY A/C>	–	–	1,000,000	66.67
IMPEGI PTY LTD	100,000	100.00	500,000	33.33
Total	100,000	100.00	1,500,000	100.00

The above shares are partly paid to one cent and remain in escrow until fully paid. These are the only partly paid shares on issue in the Company and they are not quoted.

ADDITIONAL SHAREHOLDER INFORMATION

VOTING RIGHTS

Voting rights are governed by the Constitution of the Company provided that each ordinary shareholder present in person or by proxy at a meeting shall have:

- (a) on a show of hands, one vote only
- (b) on a poll:
 - (i) one vote for every fully paid ordinary share held; or
 - (ii) for each share which is not fully paid, a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

Convertible Noteholders do not have voting rights in respect of Convertible Notes held.

Employee shares have the same voting rights as ordinary shares. The vote must be directed through the Trustee in writing.

ON MARKET SHARE BUY-BACK

There is an on market buy-back of ordinary shares currently in place.

CORPORATE DIRECTORY

Registered & Principal Office

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e hsk@heemskirk.com

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Directors

Garry Cameron

(Non-Executive Chairman)

Peter Bird

(Managing Director)

William A (Lex) Hansen

(Non-Executive Director)

John Taylor

(Non-Executive Director)

Company Secretary

Andrew Metcalfe

Stock Exchange

Australian Stock Exchange (ASX)

Level 4, North Tower, Rialto

525 Collins Street

Melbourne Victoria 3000 Australia

ASX Share Code: HSK

Share Registry

Boardroom Pty Limited

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Sydney NSW 2000 Australia

T: 1300 737 760 (within Australia)

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Principal Legal Adviser

Grillo Higgins Lawyers

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