

26 February 2015



Heemskirk Annual General Meeting

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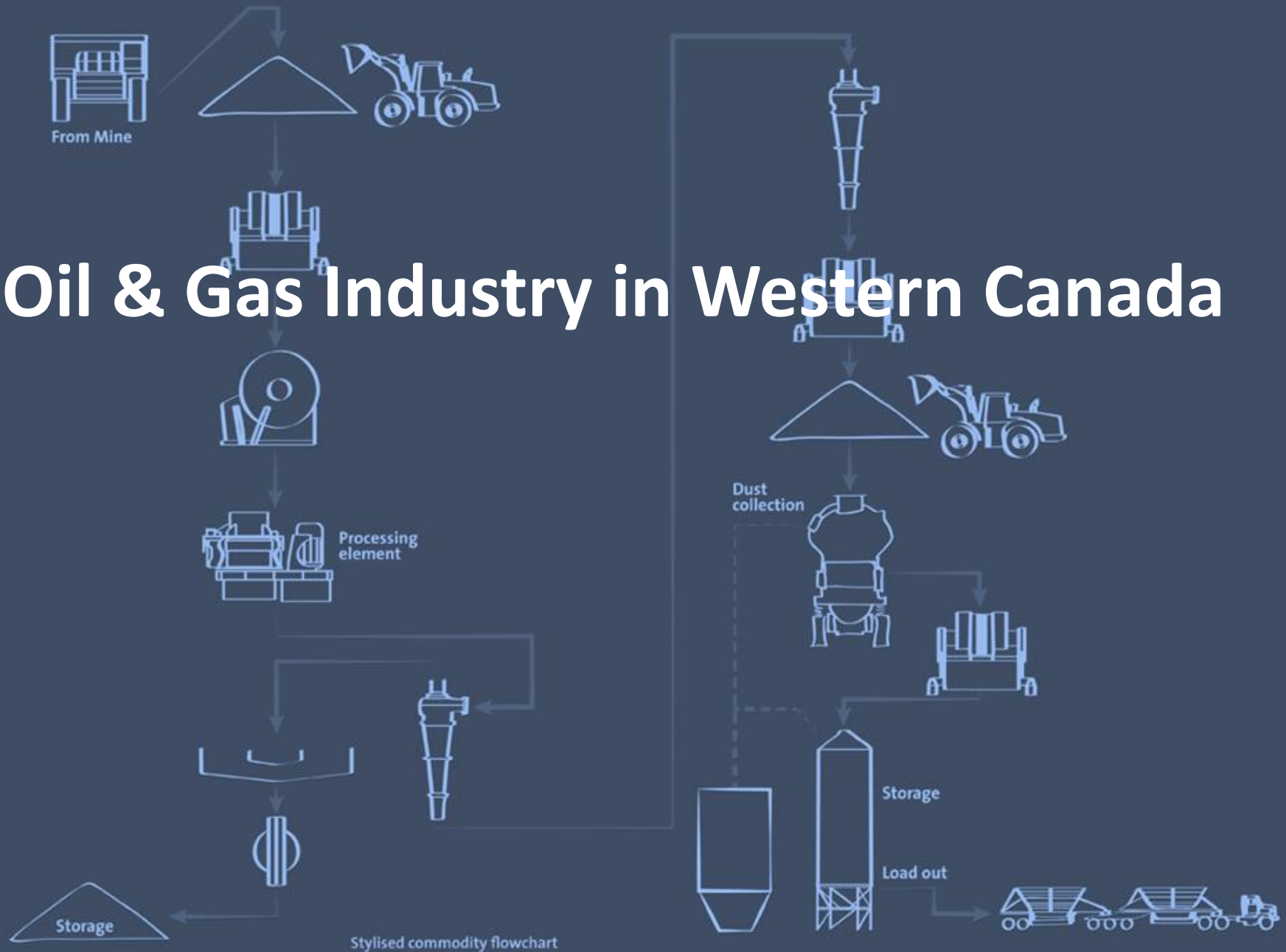
1. Summary of activity in the past 12 months
2. Macro Economics
3. Status of the Moberly Project
4. Closing Comments



- Lethbridge sale transaction completed - April 2014
- Initiation of construction at Moberly Frac Project – November 2014
- Receipt of funding package Term Sheet for debt – February 2015
- Announced improved project economics on Moberly Project due to some detailed test work undertaken – February 2015



# Oil & Gas Industry in Western Canada



# Oil & Gas development in Western Canada



Project	Partners on Project	Export licence status with NEB (Application submitted)	Amount of LNG Exports*
Kitimat LNG	Chevron Canada (50%) Woodside Petroleum	9 Dec 2010 Licence issued	10 MTPA (term 20 years)
BC LNG Export Cooperative	Douglas Channel LNG	10 March 2011 Licence issued	1.8 MTPA (term 20 years)
LNG Canada	Shell Canada (40%) KOGAS Canada (20%) Mitsubishi (20%) Petro China (20%)	27 July 2012 Licence issued	24 MTPA (term 25 years)
Prince Rupert LNG	BG Group	17 June 2013 Licence issued	21.6MTPA (term 25 years)
WWC LNG Ltd	Exxon Mobil Corp (50%) Imperial Oil (50%)	19 June 2013 Licence issued	30 MTPA (term 25 years)
Pacific Northwest LNG	Petronas Progress (62%) China Petroleum & Chemical (15%) Japex (10%) Indian Oil (10%)	5 July 2013 Licence issued	19.68 MTPA (term 25 years)
Woodfibre LNG Export	Pacific Oil & Gas	23 July 2013 Licence issued	2.1 MTPA (term 25 years)
Triton LNG LP	AltaGas (50%) Idemitsu Kosan Co (50%)	29 October 2013 Licence issued	2.3 MTPA (term 25 years)
Aurora Liquefied Natural Gas	Nexen (60%) Inpex and JGC (40%)	29 November 2013 Licence issued	24 MTPA (term 25 years)

Development of any or all of these projects will require resources including frac sand

\* Amounts are expressed in million tonnes per annum ("MTPA")



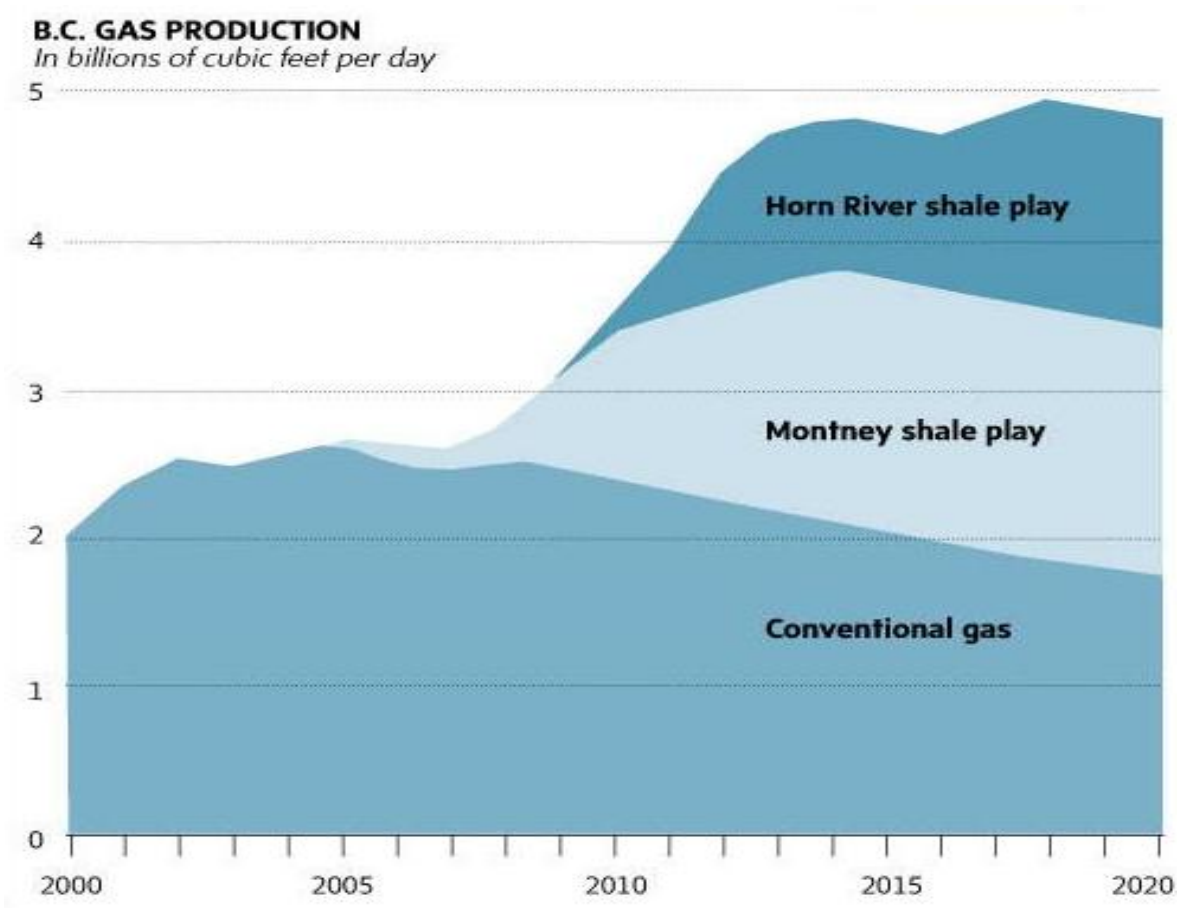
Photo from <http://engage.gov.bc.ca/lnginbc/>



- China, Japan, South Korea and Malaysia among energy buyers eyeing northeastern BC gas
- Liard, Horn River and Cordova plays also boast significant gas reserves
- The Montney is regarded as being much larger than the Marcellus gas formation in the US Northeast
- Montney estimated to be the third largest hydrocarbon resource in North America, trailing only Alberta's oil sands and the Permian oil and gas basin in Texas and New Mexico



# British Columbia's Gas Production Estimates



Unconventional Gas Now Significant

Source: The Globe and Mail

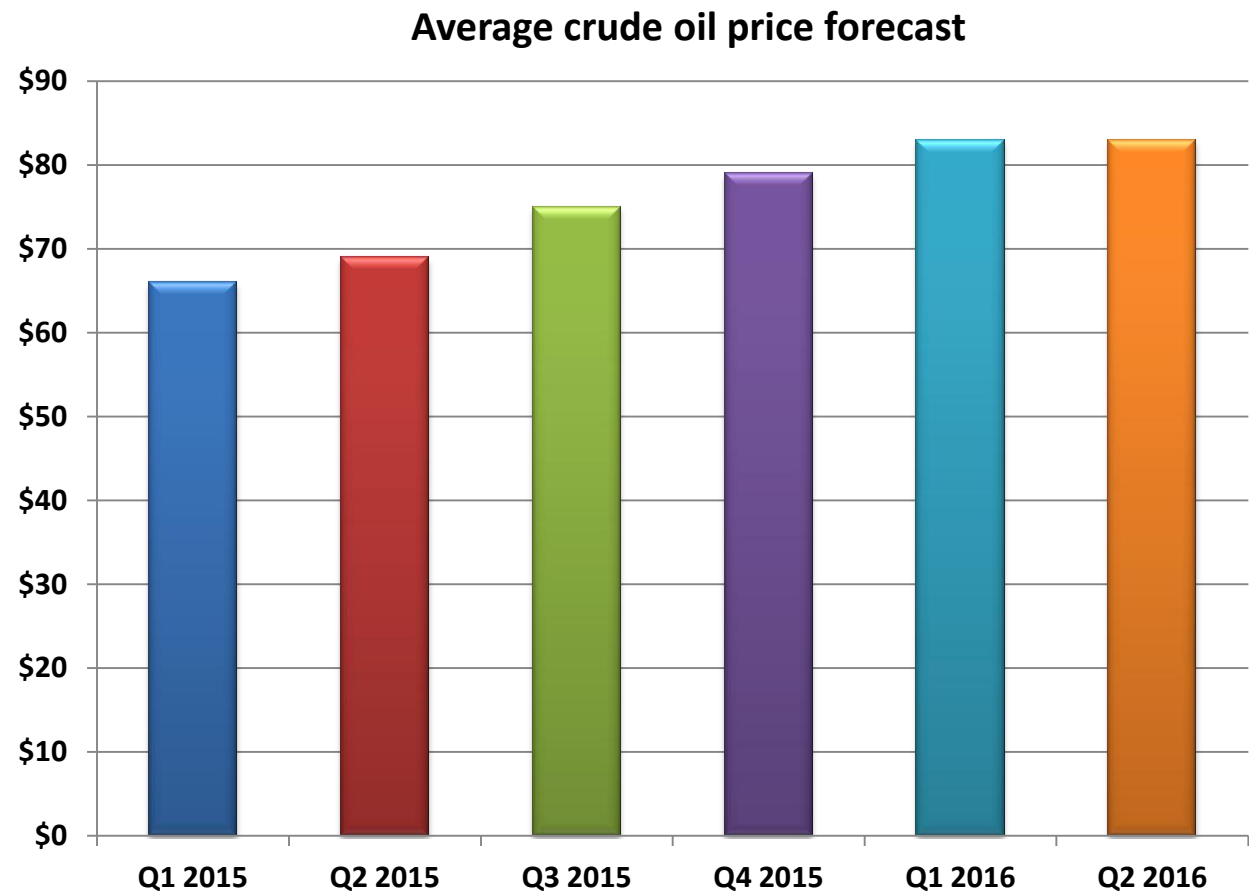


- The negative change in the oil and natural gas prices has had a short term regressive impact on activity levels within the “oil patch” in the Western Canadian Sedimentary Basin
- This change has been more prominent within the Oil Sands sector (not a consumer of Frac Sand) and in the early stage exploration expenditures phases of company budgets
- Oil and gas drilling activities continue in the WCSB at a reduced rate – the industry is cyclical



- Wells drilled still require stimulation (hydraulic fracturing) even if the well is intended to be shut in after completion
- Shut in wells are wells that can be brought into production quickly when prices recover or when additional production is required to meet contracted commitments
- The current trend in new well completions has been to use more sand than in the past
- We expect the usage of sand over the next 12 months to be flat or slightly increased due to the change in completion sand volumes

# Crude Oil Price Forecast – Bloomberg Forward Curve





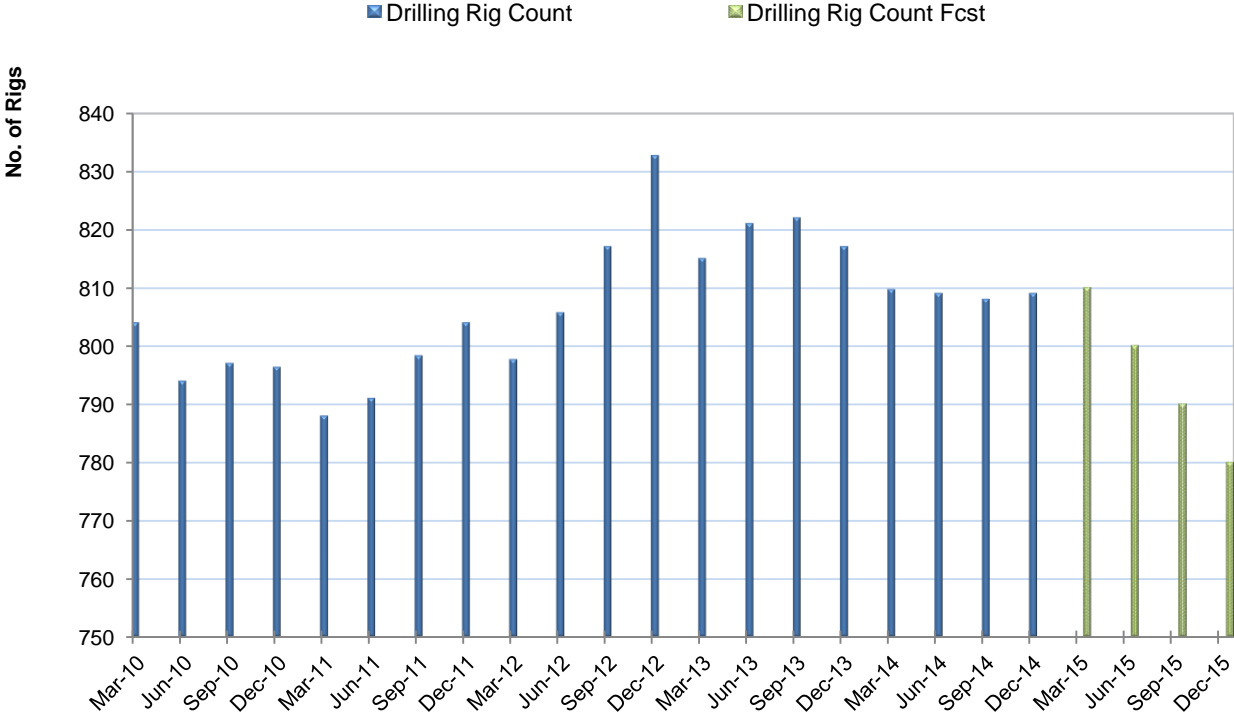
- The Moberly Stage 1 Project is estimated to represent slightly less than 10% of regional consumption
- Mount Moberly White Frac Sand meets all API parameters and meets customer technical approvals within the region



# Active Rig Count & Utilisation – 5 year history



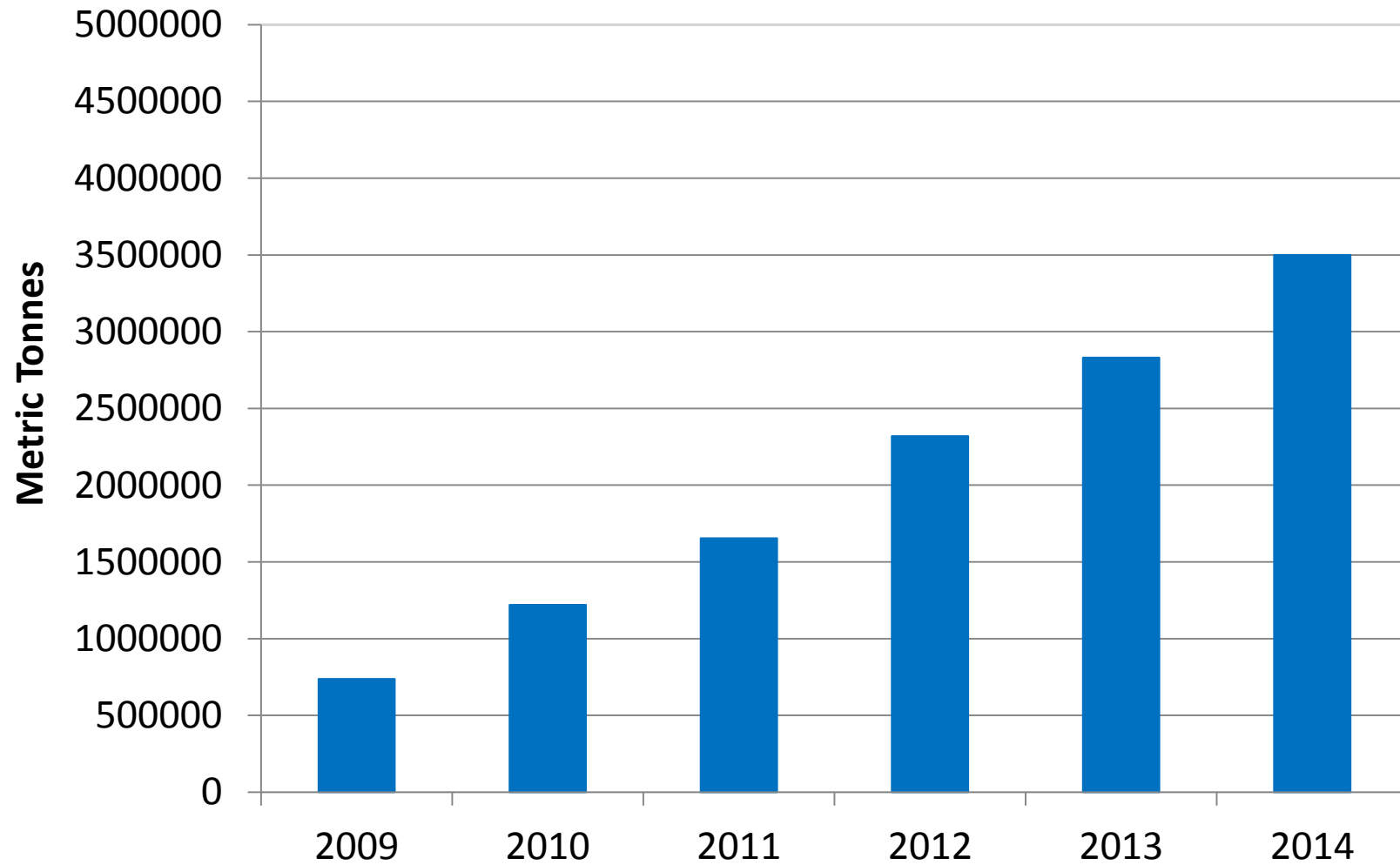
Average Rig Count & Utilisation by Quarter (Western Canada)



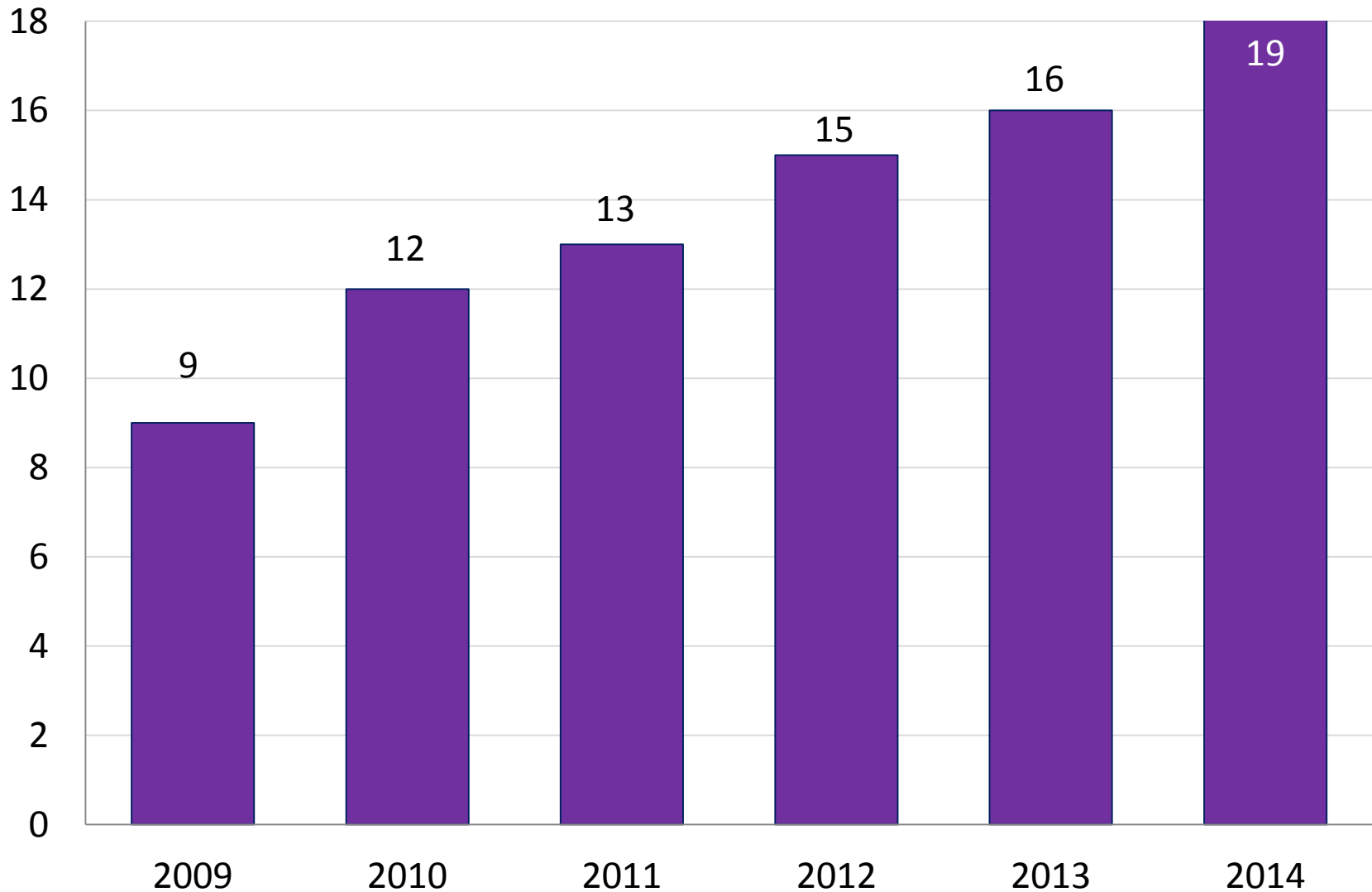
Rig count down but meters drilled up

Source: Divestco Historical Rig Count; CAODC Forecast 2015

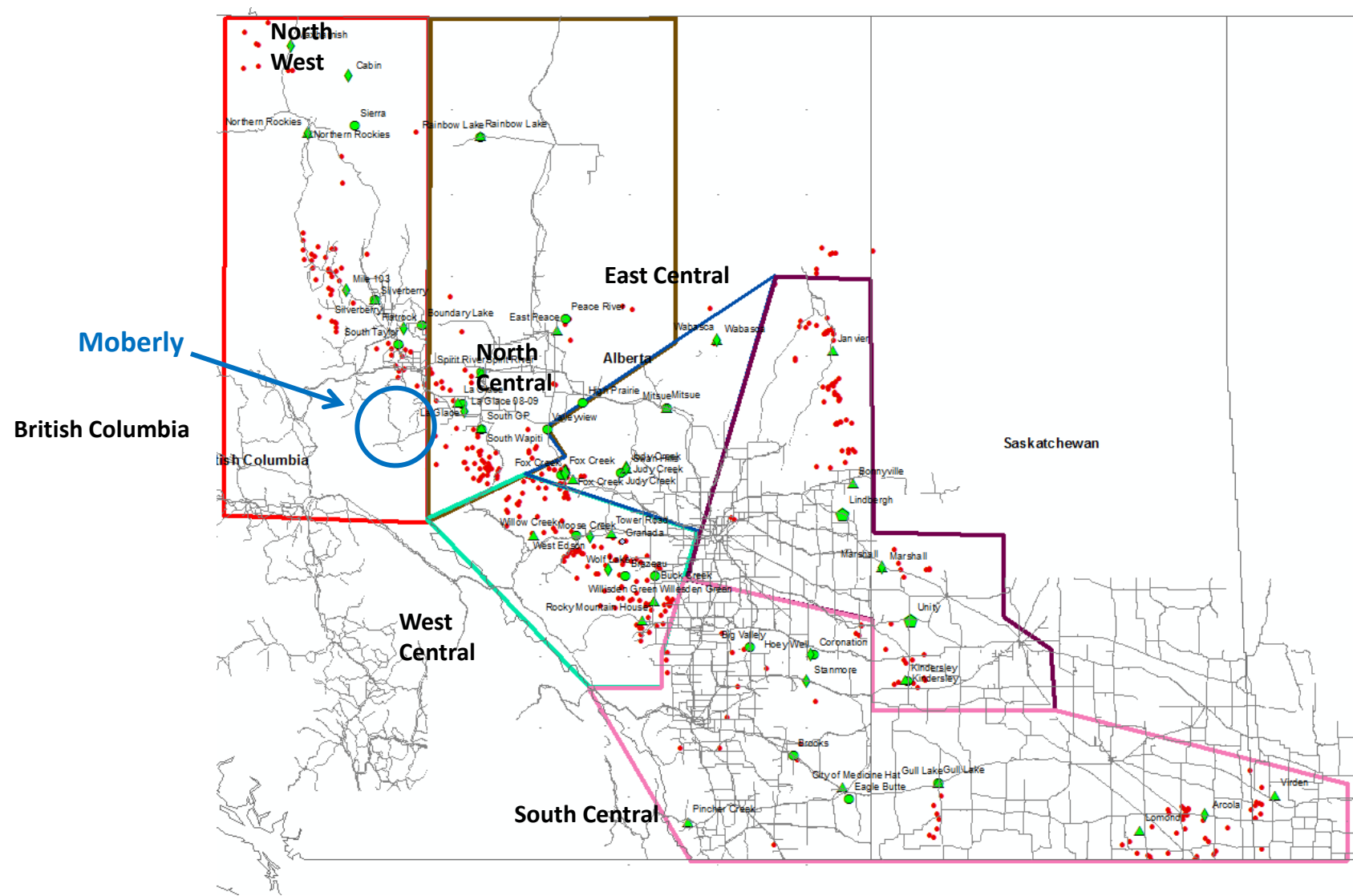
# Sand Consumption



# Average Frac Stages Per Well



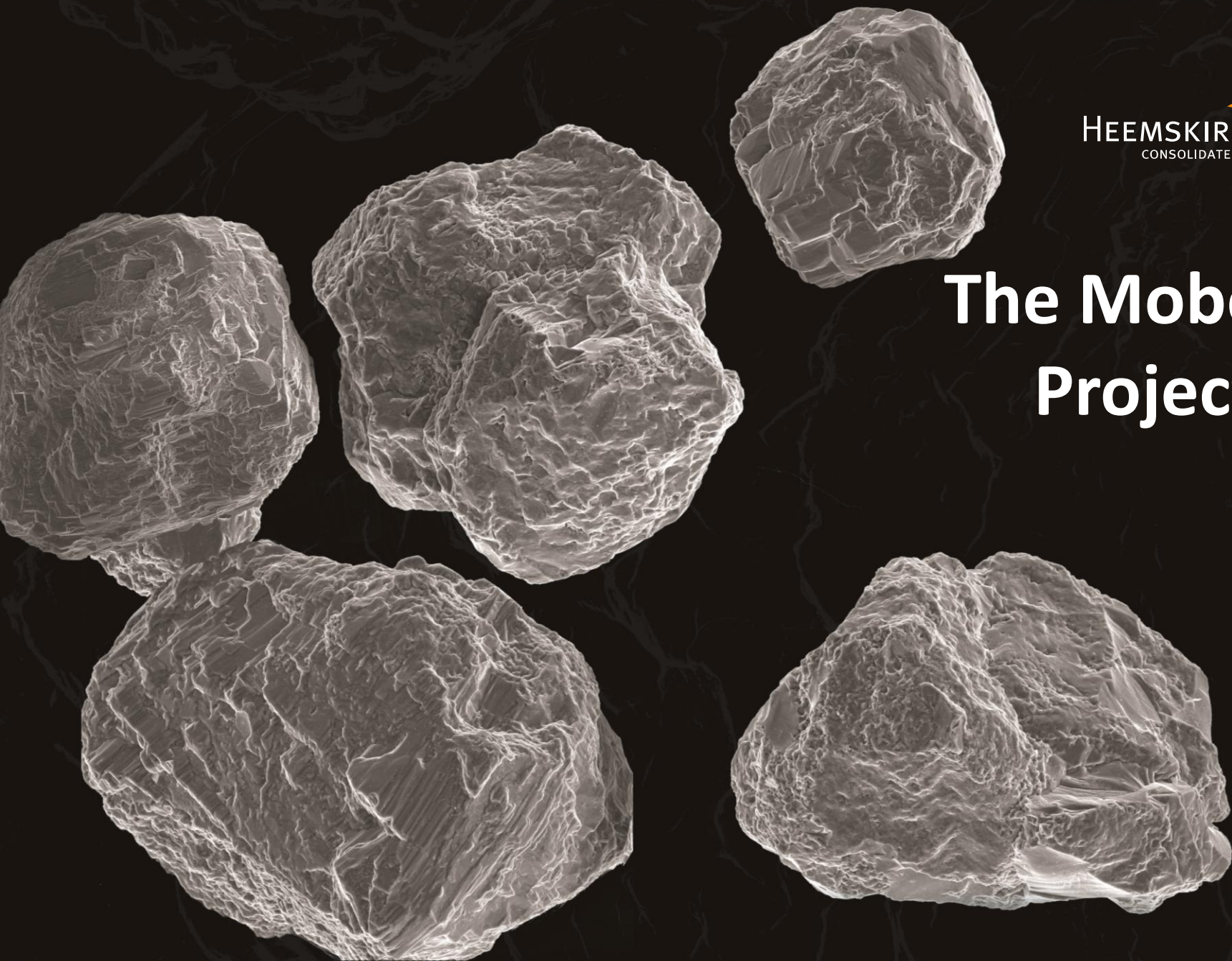
# Active Rigs - location





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# The Moberly Project







- Term Sheet with Taurus Funds Management to provide a secured debt funding package broken into two tranches
- Package subject to final due diligence and documentation – this process is underway



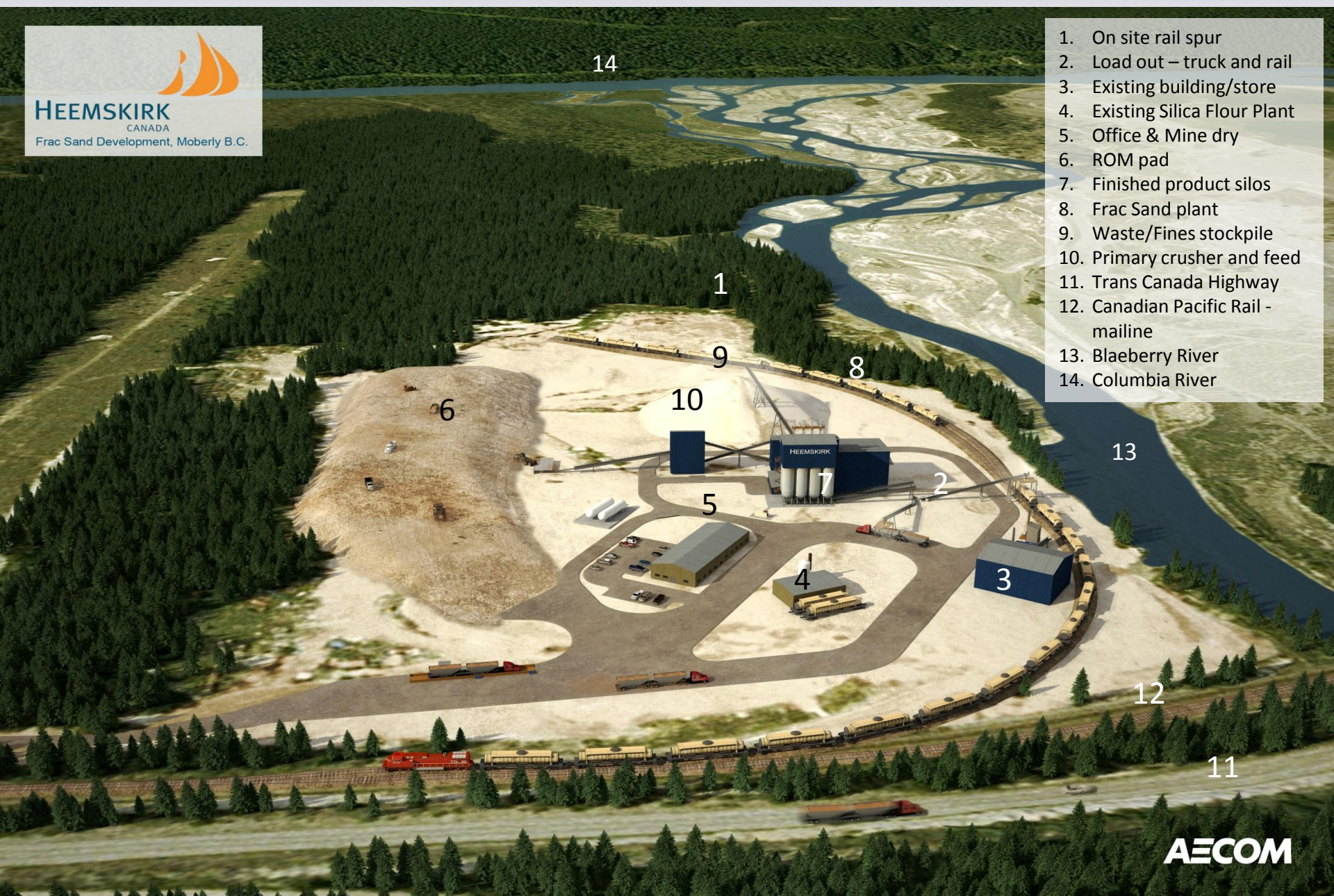
- Funding package is broken into two tranches:
- Tranche 1:  
US\$25m to complete the 300,000 tpa construction and production development project (phase one)
- Tranche 2:  
US\$15m to complete an expansion of the project (phase two) to a 600,000 tpa production level, once phase one has been successfully completed



# Proposed layout - Moberly Plant Site



- 1. On site rail spur
- 2. Load out – truck and rail
- 3. Existing building/store
- 4. Existing Silica Flour Plant
- 5. Office & Mine dry
- 6. ROM pad
- 7. Finished product silos
- 8. Frac Sand plant
- 9. Waste/Fines stockpile
- 10. Primary crusher and feed
- 11. Trans Canada Highway
- 12. Canadian Pacific Rail - mainline
- 13. Blaeberry River
- 14. Columbia River





# Project has favourable rail logistics





**Mine**

***Mine and Plant Site (foreground) just prior to excavation***





***Moberly Plant Site – safety fencing and foundation establishment***

# Concrete pouring at Moberly Plant Site



***Moberly Plant Site – main process building footing***



# Footings construction at Moberly Plant Site



***Moberly Plant Site –footings for silos***



## Moberly Frac Project - Indicative Timeline

Months

+1 +2 +3 +4 +5 +6 +7 +8 +9 +10 +11 +12 +13 +14 +15

### Preconstruction

- Design Development
- Trade Tender Packages & Awards
- Equipment Fabrication & Procurement

### Construction

- Shop Drawings and Final Design Details
- Site Preparation & Mobilisation
- Equipment Installation
- Process Building
- Crushing & Screening Building
- Office, Workshop & Dry facilities

### Exterior Works

### Commissioning

### Operating



Red line indicates completed



- Ongoing test work has refined the Moberly plant process flow sheet
- Plant recoveries of frac sand in the prescribed size range has increased from 64% to approximately 75%
- The increase in recoveries has impacted the project's Stage 1 valuation positively, moving from C\$64m to C\$82m





## Moberly Resource

- Is large – an unconstrained 32\* million tonne (JORC Resource)
  - Production @ 300,000 tpa would suggest 90-100 years of mine life available (our initial planned development)
  - If expanded, production @ 600,000 tpa would suggest 40-50 years of mine life available

\* See Reserves and Resources as announced on 28 October 2014





- Follow on from the initial internally funded C\$2.4m footings stage of construction which is currently underway and 40% complete
- Maintain appropriate cash reserves
- Complete legal documents and required due diligence in relation to funding and construction to enable to move to next stage
- In parallel complete detailed construction contract tasks
- Focus on timeline



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