

HEEMSKIRK

Quarterly Report



For the period ending
31 March 2015 (unaudited)

**Frac sand
project
advanced with
footings over
70% complete**

KEY POINTS

- 🚧 Footings construction proceeding as planned
- 🚧 Unsecured convertible notes redeemed
- 🚧 Group cash and cash equivalents \$4.36 million
- 🚧 Equity investments \$3.86 million

SUMMARY

Group Safety

- One medically treated injury (MTI) at the Moberly site during the quarter

Group

- Cash and cash equivalents \$4.36m
- Equity investments \$3.86m
- Unsecured Convertible Notes: Redeemed on 30 March 2015 for \$2.74m and 5.67m shares

Moberly Frac Sand Project

- Footings construction continued during the quarter and proceeding as planned. Some small engineering changes will increase the timeline into late May instead of late April to accommodate moving the crusher building to connect with the main process building. This work will result in operational savings once the plant is commissioned.
- This stage of construction is approximately 73% complete as at the end of the quarter (versus 10% previous quarter).
- Funding due diligence continues with Taurus Funds Management. This work includes finalisation of:
 - legal documentation;
 - verification of technical protocols; and
 - construction contracts.

For further information, please
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Peter Bird
Managing Director



Company Safety

There was one MTI at Moberly during the quarter. Currently the Group MTI frequency rate is 33 and the LTI frequency rate is zero.

Cash Movements

Canada and corporate overheads for the March quarter were \$0.395m against a budget of \$0.499m. These expenses are budgeted at \$0.460m for the June quarter.

Operations

Canadian Industrial Minerals (100% owned)

During the quarter the business operated an administrative office in Calgary, Alberta and at the Moberly plant site (including the Project site) in British Columbia.

Project Performance Summary

Table 1: Project Key Operating Statistics

	Mar Qtr 2015	Mar Qtr 2014	YTD 2015	YTD 2014
Canadian Industrial Minerals Production (tonnes)	0	0	0	50,826
Cost of Sales (C\$m)	0	0.53	0	15,580

Production

No industrial minerals were produced during the quarter. Production was placed on hold to enable construction of the Moberly frac sand project. We continue to sell S-12 (golf bunker sand) from inventory as the Spring season continues and golf courses begin to re-open and repair bunkers.

Exploration

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



Key Investments

The Company holds 5.51m shares in Almonty Industries, a TSX Listed tungsten producer. The shares were received as part payment for the sale of Heemskirk's Los Santos Tungsten Mine to Almonty in April 2011. The market value of the holding as at 31 March 2015 was C\$3.58m (A\$3.69m).

Corporate (Melbourne)

Cash and cash equivalents

- Cash and cash equivalents \$3.55m.

Other financial assets

- At the end of the quarter the Company held \$3.86m in equity investments including 5.51m shares in Almonty Industries (TSXV:All) at C\$0.65.

Interest bearing loans and borrowings

- On 31 March 2011 the Company issued 1,889,000 unsecured convertible notes with an issue price of \$2.00 and a coupon of 10.25% per annum payable semi annually. Noteholders had the option to convert every six months from 31 December 2012 to 31 December 2014. On 30 March 2015 each unsecured convertible note was converted into 3 fully paid ordinary shares in the Company and \$1.45 cash. 5,667,000 fully paid shares were issued and \$2.74m was paid in cash for the redemption of the notes plus interest of approximately \$0.095m. There is no change to net tangible assets following the maturity of the convertible notes.
- Prior to the establishment of the planned debt facility there are no other interest bearing liabilities.

The Moberly Project

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



Figure 1 Silo Storage foundation work nears completion during the quarter

Moberly Project Construction Update

Safety

- One medically treated injury (MTI) at the Moberly site during the quarter

Weather

- Weather conditions have not hampered operations during the quarter

Activity

- Footings excavation of the main process building and silo storage area progressed on schedule
- Construction of forms and rebar has proceeded as planned
- Concrete pours for footings work continued during the quarter



- Heating and formwork are in place to maintain above freezing temperatures for the newly poured footings. This has been minimised with the mild temperatures this quarter

Schedule

- No material issues reported against the construction schedule



Figure 2 Moberly Plant Site – concrete pour work on the main process building



Figure 3 Process building framework under construction